FORM 8-K

Current report filing

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ENERGY WEST INC

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 21, 2007

ENERGY WEST, INCORPORATED

(Exact name of registrant as specified in its charter)

MONTANA	**0-14183**	**81-0141785**
(State or other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1 First Avenue South, Great Falls, Montana	**59401**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: **(406) 791-7500**

(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry Into a Material Definitive Agreement.

Item 1.02 Termination of a Material Definitive Agreement.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

Item 2.04 Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement.

Overview — Refinancing of the Registrant's Long-term Debt and Bank Credit Facility

On June 29, 2007, registrant completed a series of refinancing transactions resulting in replacement of its existing secured long-term debt with new ten-year 6.16% Senior Unsecured Notes and replacement of its existing secured LaSalle Bank credit facility with a new $20,000,000 unsecured Credit Agreement with LaSalle Bank. The transactions included repayment of registrant's Series 1997 Notes, Series 1993 Notes and Series 1992-B Bonds, sale of registrant's new $13,000,000 6.16% Senior Unsecured Notes, payoff of the existing LaSalle credit facility, and entering into a new Credit Agreement with LaSalle Bank.

The new Senior Unsecured Notes and Credit Agreement are at lower rates of interest and on terms more favorable to registrant than the debt and credit arrangements they replace.

Payment and redemption of Series 1997 Notes and Series 1993 Notes; notice of redemption and payment of the Series 1992-B Bonds

As of June 20, 2007, registrant was obligated with respect to the following three outstanding long-term debt securities:

SERIES 1997 NOTES. On August 1, 1997, the registrant issued $8,000,000 of 7.5% Notes Due June 1, 2012 (the "Series 1997 Notes"). The Series 1997 Notes, and the Indenture under which they were issued, provided the registrant the right, subject to certain conditions, to redeem such Notes at 100% of face value plus accrued interest. The Successor Trustee under the Indenture for the Series 1997 Notes is HSBC Bank USA, National Association (the "97 Notes Trustee"). The foregoing description of the Series 1997 Notes is qualified in its entirety by reference to the descriptions of the registrant's long-term debt and line of credit as set forth in Note 7, "Line of Credit and Long-Term Debt," beginning on page F-16 of the registrant's audited financial statements as of June 30, 2006, contained in the registrants Annual Report on Form 10-K for the registrant's fiscal year ended June 30, 2006, as filed with the Commission on September 28, 2006 (the "2006 10-K Debt Disclosure"), which is incorporated herein by reference.

SERIES 1993 NOTES. On June 24, 1993, the registrant issued $7,800,000 of Series 1993 Notes (the "Series 1993 Notes") bearing interest at rates ranging from 6.2% to 7.6%. The Series 1993 Notes, and the Indenture under which they were issued, provided the registrant the right, subject to certain conditions, to redeem such Notes at 100% of face value plus accrued interest. The Successor Trustee under the Indenture for the Series 1993 Notes is US Bank National Association (the "93 Notes Trustee"). The foregoing description of the Series 1993 Notes is qualified in its entirety by reference to the description thereof set forth in the 2006 10-K Disclosure, which is incorporated herein by reference.

SERIES 1992-B BONDS. On September 15, 1992, Cascade County, Montana issued $1,800,000 of Series 1992-B Industrial Development Revenue Bonds (the "Series 1992-B Bonds") bearing interest at rates ranging from 3.35% to 6.5%, and loaned the proceeds to the registrant. The Indenture covering the Series 1992-B Bonds provides the registrant the right, at any interest payment date, subject to certain conditions, to redeem such Bonds at 100% of face value plus accrued interest. The Successor Trustee under the Indenture for the Series 1992-B Bonds is HSBC Bank USA, National Association (the "92 Bonds Trustee"). The foregoing description of the Series 1992-B Bonds is qualified in its entirety by reference to the description thereof set forth in the 2006 10-K Disclosure, which is incorporated herein by reference.

On May 21, 2007, the 97 Notes Trustee, at the request of registrant, gave notice to the holders of the Series 1997 Notes that their Notes would be redeemed on June 26, 2007; on May 23, 2007, the 93 Notes Trustee gave such notice to the holders of the Series 1993 Notes. Pursuant to the terms of the Indentures for the Series 1997 Notes and the Series 1993 Notes, once such notice was mailed to the holders, such Notes became due and payable on the redemption date, June 26, 2007. The registrant has also given notice to the 92 Bonds Trustee to redeem the Series 1992-B Bonds on October 1, 2007, the next interest payment date.

On June 21, 2007, the registrant made payments to each of the trustees under the Indentures relating to the Series 1997 Notes, Series 1993 Notes and Series 1992-B Bonds (the "Old Long-Term Debt"), in amounts sufficient to repay the obligations in full. The amounts paid by the registrant on June 21, 2007, with respect to each obligation, which included accrued interest through the redemption date and costs relating to the redemption, were as follows:

Obligation	**Amount**
Series 1997 Notes Payable	$7,874,281
Series 1993 Notes Payable	4,312,519
Series 1992-B Bonds	803,395
Total	$12,990,195

On June 22, 2007, the registrant entered into that certain Satisfaction and Discharge of Indenture with the 97 Notes Trustee, a copy of which is filed herewith as Exhibit 10.1 and incorporated herein by reference, and entered into a similar Satisfaction and Discharge of Indenture with the 93 Notes Trustee, a copy of which is filed herewith as Exhibit 10.2 and incorporated herein by reference. Also on June 22, 2007, the registrant entered into that certain Discharge of Obligor under Indenture with the 92 Bonds Trustee, a copy of which is filed herewith as Exhibit 10.3 and incorporated herein by reference. The two Satisfaction and Discharge of Indenture instruments and the Discharge of Obligor under Indenture instrument described above and filed herewith as Exhibits 10.1, 10.2 and 10.3, are hereinafter referred to as the "Discharge Documents."

In accordance with the terms of the respective Indentures and Discharge Documents, the Series 1993 Notes and the Series 1997 Notes were redeemed on June 26, 2007. Redemption of the Series 1992-B Bonds is set to occur on October 1, 2007.

Effective June 22, 2007, the registrant has been discharged from its material obligations with respect to each of the debt obligations and the Notes and Bonds comprising the Old Long-Term Debt and under each of the three Indentures related thereto; all liens on the registrant's assets have been released by the Trustees.

The above description of the registrant's payment, satisfaction and redemption of, and discharge under, the Old Long-Term Debt is qualified in its entirety by reference to the Discharge Documents filed herewith as Exhibits 10.1, 10.2 and 10.3 hereto and incorporated herein by reference.

$13,000,000 Senior Unsecured Notes, due June 29, 2017

On June 29, 2007, the registrant entered into a Note Purchase Agreement providing for the issuance and sale to investors of $13,000,000 in principal amount of the registrant's 6.16% Senior Unsecured Notes, due June 29, 2017 (the "Senior Unsecured Notes") in a private placement.

The Senior Unsecured Notes accrue interest at a rate of 6.16% per annum, payable semi-annually. The registrant has the right to prepay the Notes at its option subject to a premium equal to the excess (if any) over the outstanding principal balance (at time of redemption) of the value of the remaining principal and interest payments discounted at a rate equal to the then yield (plus 50 basis points) of the U.S. Treasury Note corresponding to the then-remaining average life of the Notes. The Senior Unsecured Note Agreement contains various covenants, including limiting total dividends and distributions made in the immediately preceding 60-month period to aggregate consolidated net income for such period, restricting senior indebtedness, limiting mergers, asset sales, certain transactions with affiliates and liens, requiring the registrant to maintain certain financial debt and interest ratios, and others. The obligations of registrant under the Note Purchase Agreement and the Notes are guarantied by each of its subsidiaries.

The foregoing description of the Senior Unsecured Notes is qualified in its entirety by reference to the Note Purchase Agreement, a copy of which is filed herewith as Exhibit 10.4 hereto and incorporated herein by reference.

$20,000,000 Senior Unsecured Credit Facility — LaSalle Bank

On June 29, 2007, the registrant paid off its existing credit facility with LaSalle Bank and entered into a new five-year Credit Agreement with LaSalle Bank National Association, as agent for various participating banks ("Credit Agreement"), providing for an unsecured credit facility in the amount of $20,000,000 (the "Commitment Amount"). In consideration for the commitment, registrant will pay an annual commitment fee equal to 0.20% of the unused portion of the Commitment Amount.

Under the Credit Agreement, the registrant may elect to pay interest on portions of the amounts outstanding at the London Interbank Offered Rate, plus 120 to 145 basis points, for interest periods selected by registrant. For all other balances outstanding under the Credit Facility, the registrant will pay interest at the rate publicly announced from time to time by LaSalle Bank as its "Prime Rate."

The Credit Agreement requires the registrant to maintain compliance with a number of financial covenants, including meeting limitations on certain capital expenditures, acquisitions and investments, maintaining a total debt to total capital ratio of not more than .65-to-1.00, and an interest coverage ratio of no less than 2.00-to-1.00. The Credit Agreement also restricts registrant's ability to pay dividends during any 60-month period to a certain percentage of its cumulative earnings over that period. The obligations of registrant under the Credit Agreement are guaranteed by each of its subsidiaries.

The foregoing description of the Credit Agreement is qualified in its entirety by reference to the Credit Agreement, a copy of which is filed herewith as Exhibit 10.5 hereto and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Item	Filing Status
10.1	Satisfaction and Discharge of Indenture dated June 22, 2007, between Energy West, Incorporated and HSBC Bank USA, National Association, as Successor Trustee for the Series 1997 Notes (filed herewith).	Filed
10.2	Satisfaction and Discharge of Indenture dated June 22, 2007, between Energy West, Incorporated and US Bank National Association, as Successor Trustee for the Series 1993 Notes (filed herewith).	Filed
10.3	Discharge of Obligor under Indenture dated June 22, 2007, between Energy West, Incorporated and HSBC Bank USA, National Association, as Successor Trustee for the Series 1992-B Bonds (filed herewith).	Filed
10.4	Note Purchase Agreement dated June 29, 2007, between Energy West, Incorporated and various Purchasers relating to 6.16% Senior Unsecured Notes due June 29, 2017 (filed herewith).	Filed
10.5	Credit Agreement dated as of June 29, 2007, by and among Energy West, Incorporated and various financial institutions and LaSalle Bank National Association (filed herewith).	Filed

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ENERGY WEST, INCORPORATED

By /s/ David A. Cerotzke

David A. Cerotzke
President and Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	Item	Filing Status
10.1	Satisfaction and Discharge of Indenture dated June 22, 2007, between Energy West, Incorporated and HSBC Bank USA, National Association, as Successor Trustee for the Series 1997 Notes (filed herewith).	Filed
10.2	Satisfaction and Discharge of Indenture dated June 22, 2007, between Energy West, Incorporated and US Bank National Association, as Successor Trustee for the Series 1993 Notes (filed herewith).	Filed
10.3	Discharge of Obligor under Indenture dated June 22, 2007, between Energy West, Incorporated and HSBC Bank USA, National Association, as Successor Trustee for the Series 1992-B Bonds (filed herewith).	Filed
10.4	Note Purchase Agreement dated June 29, 2007, between Energy West, Incorporated and various Purchasers relating to 6.16% Senior Unsecured Notes due June 29, 2017 (filed herewith).	Filed
10.5	Credit Agreement dated as of June 29, 2007, by and among Energy West, Incorporated and various financial institutions and LaSalle Bank National Association (filed herewith).	Filed

Exhibit 10.1

SATISFACTION AND DISCHARGE OF INDENTURE

THIS SATISFACTION AND DISCHARGE OF INDENTURE is dated as of June 22, 2007, between Energy West, Incorporated, a corporation duly organized and existing under the laws of the State of Montana (the "Corporation"), having its principal place of business at 1 First Avenue South, Great Falls, Montana 55401, and HSBC Bank USA, National Association, as successor Trustee (the "Trustee"), having its principal corporate trust office at 452 Fifth Avenue, Attn: Corporate Trust and Loan Agency, New York, NY 10018.

WHEREAS, the Corporation and the Trustee are parties to an Indenture dated as of August 1, 1997 (the "Indenture") with respect to the issuance by the Corporation of $8,000,000 aggregate principal amount of Series 1997, 7.50% Notes due June 1, 2012, CUSIP No. 29274AAA3 (the "Notes"); and

WHEREAS, the Indenture affords the Corporation the right, pursuant to Section 3.01 thereof, to redeem all the Notes prior to maturity subject to the terms and conditions of Article 3 of the Indenture; and

WHEREAS, the Corporation, on May 11, 2007, provided notice to the Trustee of its intention to redeem the Notes on June 26, 2007 (the "Redemption Date") in compliance with Section 3.02 of the Indenture; and

WHEREAS, at the request of the Corporation, on or about May 21, 2007, the Trustee gave notice of the Redemption Date to each Holder of the Notes in compliance with Section 3.04 of the Indenture; and

WHEREAS, in accordance with Section 3.05 of the Indenture, on June 12, 2007, the Trustee notified the Corporation that the entire outstanding principal (the "Redemption Price") and all accrued interest is all due and payable on the Redemption Date; and

WHEREAS, on June 21, 2007, the Corporation has deposited with the Trustee collected funds in an amount equal to the Redemption Price and all accrued interest thereon through the Redemption Date, and all other sums payable by the Corporation pursuant to the Indenture, in compliance with the requirements of Sections 3.06 and 4.01 of the Indenture; and

WHEREAS, the Corporation has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel in compliance with Section 11.04 of the Indenture; and

WHEREAS, Section 8.01 of the Indenture provides that the Trustee shall, on request of the Corporation, acknowledge in writing the satisfaction and discharge of the Corporation's obligations under the Indenture except for specified surviving obligations;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises herein contained, the receipt and adequacy of which are hereby acknowledged, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of Notes as follows:

ARTICLE I
SATISFACTION AND DISCHARGE

1.1 The Indenture shall cease to be of further effect; provided, however, that notwithstanding the satisfaction and discharge of the Indenture, the obligations of the Corporation under Sections 2.03, 2.04, 2.05, 2.06, 2.07, 4.01, 7.07, 7.08 and 8.03 shall survive until the Notes are no longer outstanding. On the Redemption Date, the Notes shall be considered paid and shall cease to be outstanding and interest on the Notes shall cease to accrue. Thereafter, the Corporation's obligations only under Sections 7.07 and 8.03 of the Indenture shall survive.

1.2 All liens, mortgages or other security interests on any and all property and assets of the Corporation which the Trustee holds or may hold in connection with the Indenture are hereby released, discharged and terminated. Except as otherwise provided in Section 1.1 hereof, all obligations of the Corporation under the Indenture are deemed fully satisfied, discharged, terminated and null and void. The Trustee agrees to take all actions and to execute all documents which the Corporation reasonably deems necessary or appropriate to release all liens of the Trustee on any property or assets of the Corporation, including, but not limited to, the execution of releases of mortgages or deeds of trust or UCC-3 termination statements with respect to any and all such collateral.

1.3 The Corporation hereby orders the Trustee to destroy all canceled Notes held by the Trustee in a manner customarily used to destroy such Notes. Promptly upon completion of such destruction, the Trustee shall furnish to the Corporation a certificate stating that such Notes have been destroyed.

ARTICLE II
MISCELLANEOUS PROVISIONS

2.1 Capitalized terms not otherwise defined herein shall have the meanings ascribed such terms in the Indenture.

2.2 This instrument shall be governed by, and construed in accordance with, the laws of the State of Montana.

2.3 This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of which shall together constitute but one and the same instrument.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, the parties hereto have caused this Satisfaction and Discharge of Indenture to be duly executed as of the date written above.

ENERGY WEST, INCORPORATED

By: /s/ David A. Cerotzke

David A. Cerotzke
President and Chief Executive Officer

HSBC BANK USA, NATIONAL ASSOCIATION

By: /s/ Herawatte Alli

Herawatte Alli
Assistant Vice President

Exhibit 10.2

SATISFACTION AND DISCHARGE OF INDENTURE

THIS SATISFACTION AND DISCHARGE OF INDENTURE is dated as of June 22, 2007, between Energy West, Incorporated, a corporation duly organized and existing under the laws of the State of Montana (the "Corporation"), having its principal place of business at 1 First Avenue South, Great Falls, Montana 55401, and U.S. Bank National Association, as successor Trustee (the "Trustee"), having its principal corporate trust office at 1420 Fifth Avenue, 7th Floor, Seattle, WA 98101.

WHEREAS, the Corporation and the Trustee are parties to an Indenture dated as of June 1, 1993 (the "Indenture") with respect to the issuance by the Corporation of $7,800,000 principal amount of Series 1993 Notes, Great Falls Gas Company (the "Notes"); and

WHEREAS, the Indenture affords the Corporation the right, pursuant to Section 3.01 thereof, to redeem all the Notes prior to maturity subject to the terms and conditions of Article 3 of the Indenture; and

WHEREAS, the Corporation, on May 11, 2007, provided notice to the Trustee of its intention to redeem all the Notes on June 26, 2007 (the "Redemption Date") in compliance with Section 3.02 of the Indenture; and

WHEREAS, at the request of the Corporation, on or about May 23, 2007, the Trustee gave notice of the Redemption Date to each Holder of the Notes in compliance with Section 3.04 of the Indenture; and

WHEREAS, in accordance with Section 3.05 of the Indenture, on or before June 15, 2007, the Trustee notified the Corporation that the entire outstanding principal (the "Redemption Price") and all accrued interest is all due and payable on the Redemption Date; and

WHEREAS, on June 21, 2007, the Corporation has deposited with the Trustee collected funds in an amount equal to the Redemption Price and all accrued interest thereon through the Redemption Date, and all other sums payable by the Corporation pursuant to the Indenture, in compliance with the requirements of Sections 3.06 and 4.01 of the Indenture; and

WHEREAS, the Corporation has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel in compliance with Section 10.04 of the Indenture; and

WHEREAS, Section 8.01 of the Indenture provides that the Trustee shall, on request of the Corporation, acknowledge in writing the satisfaction and discharge of the Corporation's obligations under the Indenture except for specified surviving obligations;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises herein contained, the receipt and adequacy of which are hereby acknowledged, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of Notes as follows:

ARTICLE I
SATISFACTION AND DISCHARGE

1.1 The Indenture shall cease to be of further effect; provided, however, that notwithstanding the satisfaction and discharge of the Indenture, the obligations of the Corporation under Sections 2.03, 2.04, 2.05, 2.06, 2.07, 4.01, 7.07, 7.08 and 8.03 shall survive until the Notes are no longer outstanding. On the Redemption Date, the Notes shall be considered paid and shall cease to be outstanding and interest on the Notes shall cease to accrue. Thereafter, the Corporation's obligations only under Sections 7.07 and 8.03 of the Indenture shall survive.

1.2 All liens, mortgages or other security interests on any and all property and assets of the Corporation which the Trustee holds or may hold in connection with the Indenture are hereby released, discharged and terminated. Except as otherwise provided in Section 1.1 hereof, all obligations of the Corporation under the Indenture are deemed fully satisfied, discharged, terminated and null and void. The Trustee agrees to take all actions and to execute all documents which the Corporation reasonably deems necessary or appropriate to release all liens of the Trustee on any property or assets of the Corporation, including, but not limited to, the execution of releases of mortgages or deeds of trust or UCC-3 termination statements with respect to any and all such collateral.

1.3 The Corporation hereby orders the Trustee to destroy all canceled Notes held by the Trustee in a manner customarily used to destroy such Notes. Promptly upon completion of such destruction, the Trustee shall furnish to the Corporation a certificate stating that such Notes have been destroyed.

ARTICLE II
MISCELLANEOUS PROVISIONS

2.1 Capitalized terms not otherwise defined herein shall have the meanings ascribed such terms in the Indenture.

2.2 This instrument shall be governed by, and construed in accordance with, the laws of the State of Montana.

2.3 This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of which shall together constitute but one and the same instrument.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, the parties hereto have caused this Satisfaction and Discharge of Indenture to be duly executed as of the date written above.

ENERGY WEST, INCORPORATED

By: /s/ David A. Cerotzke
David A. Cerotzke
President and Chief Executive Officer

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Sherrie L. Pantle
Sherrie L. Pantle
Vice President

Exhibit 10.3

DISCHARGE OF OBLIGOR UNDER INDENTURE

THIS DISCHARGE OF OBLIGOR UNDER INDENTURE is dated as of June 22, 2007, between Energy West, Incorporated, a corporation duly organized and existing under the laws of the State of Montana (the "Obligor"), having its principal place of business at 1 First Avenue South, Great Falls, Montana 55401, and HSBC Bank USA, National Association, as successor Trustee (the "Trustee"), having its principal corporate trust office at 452 Fifth Avenue, Attn: Corporate Trust and Loan Agency, New York, NY 10018.

WHEREAS, the Trustee is successor Trustee under an Indenture of Trust dated as of September 1, 1992 (the "Indenture") relating to Industrial Development Bonds (Great Falls Gas Company Project) issued by Cascade County, Montana, on behalf of Obligor, of which the only bonds remaining outstanding consist of approximately $775,000 in principal amount of Series 1992B bonds (the "Bonds"); and

WHEREAS, the Indenture affords the Obligor the right, pursuant to Section 3-6(b) thereof, to redeem all the Bonds prior to maturity subject to the terms and conditions of the Indenture; and

WHEREAS, the Obligor, on May 11, 2007, provided notice to the Trustee of its intention to redeem all the Bonds on October 1, 2007 (the "Redemption Date") in compliance with Section 3-6(e) of the Indenture; and

WHEREAS, the Obligor has, on May 11, 2007, requested that the Trustee give notice of redemption of the Bonds to each Owner of the Bonds and to certain specified financial institutions and information services, all in compliance with Section 2-6 of the Indenture; and

WHEREAS, on June 21, 2007, the Obligor has deposited with the Trustee collected funds in an amount sufficient to pay in full the principal amount of the Bonds and all interest to become due thereon through the Redemption Date, along with all other sums payable by the Obligor pursuant to the Indenture, in compliance with the requirements of Sections 7-1 and 7-2 of the Indenture; and

WHEREAS, the Obligor has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel in compliance with Section 1-3 of the Indenture; and

WHEREAS, Section 7-2 of the Indenture provides that upon deposit with the Trustee of sufficient cash to pay the Bonds in full to the Redemption Date, all liability of the Obligor shall forthwith cease, terminate and be completely discharged, and that Owners of the Bonds shall thereafter have no claim whatsoever against the Obligor, but shall have a claim solely upon the cash so deposited with the Trustee for payment of the Bonds and shall not be entitled to any other benefit of or security under the Indenture;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises herein contained, the receipt and adequacy of which are hereby acknowledged, it is mutually covenanted and agreed as follows:

ARTICLE I
DISCHARGE OF OBLIGOR

1.1 The Obligor is hereby fully released and discharged from all liability to the Owners of the Bonds for payment thereon and from all liability under the Indenture; provided, however, that notwithstanding the full discharge of Obligor under the Indenture, the rights and obligations of the Obligor under Sections 2-13 and the rights benefits and protections afforded to the Trustee under Sections 9-1 and 9-2 shall survive until the Bonds are no longer outstanding. On the Redemption Date, the Bonds shall be considered paid and shall cease to be outstanding and interest on the Bonds shall cease to accrue. Thereafter, the Obligor' s rights and obligations only under Sections 2-13 and 9-1 and the indemnity obligations under 9-2 of the Indenture shall survive.

1.2 All liens, mortgages or other security interests on any and all property and assets of the Obligor which the Trustee holds or may hold in connection with the Indenture are hereby released, discharged and terminated. Except as otherwise provided in Section 1.1 hereof, all obligations of the Obligor under the Indenture are deemed fully satisfied, discharged, terminated and null and void. The Trustee agrees to take all actions and to execute all documents which the Obligor reasonably deems necessary or appropriate to release all liens of the Trustee on any property or assets of the Obligor, including, but not limited to, the execution of releases and re-conveyance of mortgages or deeds of trust or UCC-3 termination statements with respect to any and all such collateral.

1.3 The Trustee agrees to effectuate the notices of redemption as per the Obligors instruction letter dated May 11, 2007 for the Redemption Date on October 1, 2007, as requested by Obligor and in accordance with Section 2-6 of the Indenture, to pay the Bonds as requested by Obligor and in accordance with Section 7-2 of the Indenture and to destroy all canceled Bonds held by the Trustee in a manner customarily used to destroy such Bonds and furnish the Obligor a certificate stating that such Bonds have been destroyed in accordance with Section 2-9 of the Indenture.

ARTICLE II
MISCELLANEOUS PROVISIONS

2.1 Capitalized terms not otherwise defined herein shall have the meanings ascribed such terms in the Indenture.

2.2 This instrument shall be governed by, and construed in accordance with, the laws of the State of Montana.

2.3 This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of which shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Discharge of Obligor Under Indenture to be duly executed as of the date written above.

ENERGY WEST, INCORPORATED

By: /s/ David A. Cerotzke
David A. Cerotzke
President and Chief Executive Officer

HSBC BANK USA, NATIONAL ASSOCIATION

By: /s/ Herawatte Alli
Herawatte Alli
Assistant Vice President

Exhibit 10.4

EXECUTION COPY

ENERGY WEST, INCORPORATED

$13,000,000
6.16% Senior Unsecured Notes, due June 29, 2017

NOTE PURCHASE AGREEMENT

Dated as of June 29, 2007

PPN: 29274A A*6

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ENERGY WEST, INCORPORATED
1 First Avenue South
Great Falls, MT 59401
Phone: 406-791-7500
Fax: 406-791-7560

$13,000,000 6.16% Senior Unsecured Notes due June 29, 2017

Dated as of June 29, 2007

TO EACH OF THE PURCHASERS LISTED IN
THE ATTACHED SCHEDULE A:

Ladies and Gentlemen:

ENERGY WEST, INCORPORATED, a Montana corporation (the "Company"), agrees with you as follows:

1. AUTHORIZATION OF NOTES.

1.1 Description of Notes.

The Company has authorized the issue and sale of $13,000,000 aggregate principal amount of its 6.16% Senior Unsecured Notes, due June 29, 2017 (the "Notes", such term to include any such Notes issued in substitution therefor pursuant to Section 13 of this Agreement). The Notes shall be substantially in the form set out in Exhibit 1.1. Certain capitalized terms used in this Agreement are defined in Schedule B; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

1.2 Subsidiary Guaranty.

The payment by the Company of all amounts due with respect to the Notes and the performance by the Company of its obligations under this Agreement will be guaranteed by each Subsidiary that is or hereafter becomes a borrower or guarantor under the Credit Agreement (individually, a "Subsidiary Guarantor" and collectively, the "Subsidiary Guarantors"), pursuant to the Subsidiary Guaranty in substantially the form of the attached Exhibit 1.2, as it hereafter may be amended or supplemented from time to time (the "Subsidiary Guaranty").

2. SALE AND PURCHASE OF NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to you and each of the other purchasers named in Schedule A (the "Other Purchasers"), and you and the Other Purchasers will purchase from the Company, at the Closing provided for in Section 3, Notes in the principal amount specified opposite your names in Schedule A at the purchase price of 100% of the principal amount thereof. Your obligation hereunder and the obligations of the Other Purchasers are several and not joint obligations and you shall have no obligation and no liability to any Person for the performance or non-performance by any Other Purchaser hereunder.

3. CLOSING.

The sale and purchase of the Notes to be purchased by you and the Other Purchasers shall occur at the offices of Foley & Lardner LLP, 321 North Clark Street, Suite 2800, Chicago, Illinois 60610-4764, at 7:00 a.m., Chicago time, at a closing (the "Closing") on June 29, 2007. The date or time of the Closing may be changed to such other Business Day as may be agreed upon by the Company and the Purchasers. At the Closing, the Company will deliver to you the Notes to be purchased by you in the form of a single Note (or such greater number of Notes in denominations of at least $500,000 as you may request) dated the date of such Closing and registered in your name (or in the name of your nominee), against delivery by you to the Company or its order of immediately available funds in the amount of the purchase price therefor, as follows: by wire transfer for the account of the Company to account number 5800452095 at LaSalle Bank, N.A., 135 South LaSalle Street, Suite 628, Chicago, Illinois 60603-3499, ABA number 071000505 ("Funding Instructions"). If at the Closing the Company shall fail to tender such Notes to you as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any rights you may have by reason of such failure or such nonfulfillment.

4. CONDITIONS TO CLOSING.

Your obligation to purchase and pay for the Notes to be sold to you at the Closing is subject to the fulfillment to your satisfaction, prior to or at the Closing, of the following conditions:

4.1 Representations and Warranties.

The representations and warranties of the Company in this Agreement shall be correct when made and at the time of the Closing.

4.2 Performance; No Default.

The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing, and, after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Section 5.14), no Default or Event of Default shall have occurred and be continuing.

4.3 Compliance Certificates.

(a) Officer' s Certificate. The Company shall have delivered to you an Officer' s Certificate, dated the date of Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) Secretary' s Certificate. The Company shall have delivered to you certificates of its and each Subsidiary Guarantor' s Secretary or an Assistant Secretary, dated the date of Closing, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes and this Agreement.

4.4 Opinions of Counsel.

You shall have received opinions in form and substance satisfactory to you, dated the date of the Closing (a) from Rogers & Hool LLP, counsel for the Company and the Subsidiary Guarantors, and from Browning, Kaleczyc, Berry and Hoven, P.C., special Montana counsel for the Company and the Subsidiary Guarantors, covering the matters set forth in Exhibit 4.4(a) and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and the Company instructs its counsel to deliver such opinion to you), and (b) from Foley & Lardner LLP, your special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as you may reasonably request.

4.5 Purchase Permitted By Applicable Law, etc.

On the date of the Closing your purchase of Notes shall (i) be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (ii) not violate any applicable law or regulation (including, without limitation, Regulation U, T or X of the Board of Governors of the Federal Reserve System) and (iii) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by you, you shall have received an Officer' s Certificate certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such purchase is so permitted.

4.6 Sale of Other Notes.

Contemporaneously with the Closing, the Company shall sell to the Other Purchasers and the Other Purchasers shall purchase the Notes to be purchased by them as specified in Schedule A.

4.7 Payment of Special Counsel Fees.

Without limiting the provisions of Section 15.1, the Company shall have paid on or before the Closing the fees, charges and disbursements of your special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to such Closing.

4.8 Private Placement Number.

Private Placement Number issued by Standard & Poor' s CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained by Foley & Lardner LLP for the Notes.

4.9 Changes in Corporate Structure.

The Company shall not have changed its jurisdiction of incorporation or been a party to any merger or consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements included in the Disclosure Documents.

4.10 Funding Instructions.

At least three Business Days prior to the date of the Closing, you shall have received written Funding Instructions signed by a Responsible Officer on letterhead of the Company confirming the Funding Instructions specified in Section 3 including (i) the name and address of the transferee bank, (ii) such transferee bank' s ABA number and (iii) the account name and number into which the purchase price for the Notes is to be deposited.

4.11 Credit Agreement.

The Company shall have entered into the Credit Agreement and you shall have received a copy of a fully executed counterpart thereof.

4.12 Proceedings and Documents.

All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be reasonably satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

4.13 Release of Collateral.

You and your special counsel shall have received evidence satisfactory to you and your special counsel that the banks party to the Company' s prior credit agreement released all collateral securing the Company' s obligations under such credit agreement.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to you that:

5.1 Organization; Power and Authority.

The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Montana, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Notes and to perform the provisions hereof and thereof.

5.2 Authorization, etc.

This Agreement and the Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

The Subsidiary Guaranty has been duly authorized by all necessary corporate action on the part of each Subsidiary Guarantor and upon execution and delivery thereof will constitute the legal, valid and binding obligation of such Subsidiary Guarantor, enforceable against such Subsidiary Guarantor in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, fraudulent transfer, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5.3 Disclosure.

The Company has made available to you, through its public filings, the Company' s Annual Report on Form 10-K for the year ended June 30, 2006, its Quarterly Reports on Form 10-Q for the quarters ended September 30, 2006, December 31, 2006 and March 31, 2007, and its Current Report on Form 8-K/A dated May 14, 2007, each of which has been filed with the SEC under the Exchange Act (such reports, together with such other reports as may be subsequently filed by the Company with the SEC pursuant to §13(a) or §15(d) of the Exchange Act, the "Disclosure Documents"). The Disclosure Documents, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Disclosure Documents, since June 30, 2006, there has been no change in the financial condition, operations, business or properties of the Company or any of its Subsidiaries except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect.

5.4 Organization and Ownership of Shares of Subsidiaries.

(a) Schedule 5.4 contains (except as noted therein) complete and correct lists of (i) the Company' s Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) each other entity in which the Company holds a direct or indirect investment, other than Subsidiaries, and (iii) the Company' s directors and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing or equivalent status under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to any legal, regulatory, contractual or other restriction (other than this Agreement, the agreements listed on Schedule 5.4 and customary limitations imposed by corporate law or similar statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

5.5 Financial Statements; Material Liabilities.

The financial statements of the Company included in the Disclosure Documents (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified therein and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company and its Subsidiaries do not have any Material liabilities that are not disclosed on such financial statements or otherwise disclosed in the Disclosure Documents.

5.6 Compliance with Laws, Other Instruments, etc.

The execution, delivery and performance by the Company of this Agreement and the Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

The execution, delivery and performance by each Subsidiary Guarantor of the Subsidiary Guaranty will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of such Subsidiary Guarantor under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which such Subsidiary Guarantor is bound or by which such Subsidiary Guarantor or any of its properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to such Subsidiary Guarantor or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to such Subsidiary Guarantor.

5.7 Governmental Authorizations, etc.

Each of the Montana Public Service Commission (the "Montana Commission") and the Wyoming Public Service Commission (the "Wyoming Commission") has entered one or more orders authorizing the issue and sale of the Notes by the Company on the terms and conditions not inconsistent with the terms and conditions set forth in or contemplated by this Agreement and no other consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Notes or the execution, delivery or performance by each Subsidiary Guarantor of the Subsidiary Guaranty.

5.8 Litigation; Observance of Statutes and Orders.

(a) Except as set forth in the Disclosure Documents, there are no actions, suits, proceedings or investigations pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any kind of arbitrator or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including Environmental Laws and the USA Patriot Act) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.9 Taxes.

The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not, individually or in the aggregate, Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate. The Federal income tax liabilities of the Company and its Subsidiaries have been finally determined (whether by reason of completed audits or the statute of limitations having run) for all fiscal years up to and including the fiscal year ended June 30, 2003.

5.10 Title to Property; Leases.

The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties that are individually or in the aggregate Material and are reflected in the most recent audited balance sheet included in the Disclosure Documents or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of as disclosed in the Disclosure Documents or in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

5.11 Licenses, Permits, etc.

(a) The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others.

(b) To the best knowledge of the Company, no product of the Company or any of its Subsidiaries infringes in any material respect any license, permit, franchise, authorization, patent, copyright, proprietary software, service mark, trademark, trade name or other right owned by any other Person.

(c) To the best knowledge of the Company, there is no Material violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, proprietary software, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries.

(d) The Company has valid and subsisting franchises, covering all municipalities in which it operates, that authorize the Company to carry on the respective utility businesses in which it is engaged in the municipalities covered by such franchises.

5.12 Compliance with ERISA.

(a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to section 401(a)(29) or 412 of the Code or section 4068 of ERISA, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan' s most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan' s most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by an amount that, individually, or in the aggregate for all Plans, is Material. The term "benefit liabilities" has the meaning specified in section 4001 of ERISA and the terms "current value" and "present value" have the meaning specified in section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company' s most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of your representation in Section 6.2 as to the sources of the funds used to pay the purchase price of the Notes to be purchased by you.

5.13 Private Offering by the Company.

Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than you, the Other Purchasers and not more than 7 other Accredited Investors, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any securities or blue sky laws of any applicable jurisdiction.

5.14 Use of Proceeds; Margin Regulations.

The Company will apply the proceeds of the sale of the Notes to refinance Indebtedness of the Company as set forth in Schedule 5.14 and for general corporate purposes. No part of the proceeds from the sale of the Notes will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 1% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 1% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

5.15 Existing Debt; Future Liens.

(a) All outstanding Indebtedness of the Company and its Subsidiaries as of March 31, 2007 was properly included on the consolidated balance sheet of the Company and its Subsidiaries as of that date that was included in the Disclosure Documents. Since March 31, 2007, there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Company or its Subsidiaries except as described in Schedule 5.15 and except for the Credit Agreement, which is being entered into on the date of Closing. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or any Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 5.15, neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.2.

(c) Other than the Credit Agreement, neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of the Company or such Subsidiary, any agreement relating thereto or any other agreement (including its charter or other organizational document) that limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company, except as specifically indicated in Schedule 5.15.

5.16 Foreign Assets Control Regulations, etc.

(a) Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate (i) the Trading with the Enemy Act, as amended, (ii) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto, (iii) the Anti-Terrorism Order or (iv) the United States Foreign Corrupt Practices Act of 1997, as amended. Without limiting the foregoing, neither the Company nor any Subsidiary (A) is a blocked person described in Section 1 of the Anti-Terrorism Order or (B) knowingly engages in any dealings or transactions, or is otherwise associated, with any such person.

(b) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended, assuming in all cases that such act applies to the Company.

5.17 Status under Certain Statutes.

Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the ICC Termination Act, as amended, or the Federal Power Act, as amended. The Company is not an "investment company" or "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder. The Company is a public utility as defined in the statutes of the States of Montana and Wyoming and has the legal right to function and operate as a natural gas utility in the States of Montana and Wyoming.

5.18 Environmental Matters.

Except as disclosed in Schedule 5.18:

(a) Neither the Company nor any Subsidiary has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary has knowledge of any facts that would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(c) Neither the Company nor any Subsidiary has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them and has not disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect.

(d) All buildings on all real properties now owned, leased or operated by the Company or any Subsidiary are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

6. REPRESENTATIONS OF THE PURCHASERS.

6.1 Purchase for Investment.

You represent that you are an Accredited Investor and an Institutional Investor purchasing the Notes for your own account or for one or more separate accounts maintained by you or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of your or their property shall at all times be within your or their control. You understand that the Notes have not been registered under the Securities Act and may be resold or otherwise transferred only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

6.2 Source of Funds.

You represent that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by you to pay the purchase price of the Notes to be purchased by you hereunder:

(a) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor' s Prohibited Transaction Exemption ("PTE") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners (the "NAIC Annual Statement")) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with your state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with your fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of PTE 91-38 (issued July 12, 1991) and, except as you have disclosed to the Company in writing pursuant to this paragraph (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part V of PTE 84-14 (the "QPAM Exemption")) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan' s assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a "plan(s)" (within the meaning of Section IV of PTE 96-23 (the "INHAM Exemption")) managed by an "in-house asset manager" or "INHAM" (within the meaning of Part IV of the INHAM exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of "control" in Section IV(h) of the INHAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms "employee benefit plan", "governmental plan" and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

7. INFORMATION AS TO COMPANY.

7.1 Financial and Business Information.

The Company will deliver to each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements − within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of operations of the Company and its Subsidiaries for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

(iii) consolidated statements of cash flows of the Company and its Subsidiaries for such quarter or (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, unaudited, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments and the absence of footnotes, provided that delivery within the time period specified above of copies of the Company' s Quarterly Report on Form 10-Q (the "Form 10-Q") prepared in compliance with the requirements therefor and filed with the SEC shall be deemed to satisfy the requirements of this Section 7.1(a);

(b) Annual Statements − within 120 days after the end of each fiscal year of the Company, duplicate copies of

(i) a consolidated balance sheet of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated statements of operations, changes in stockholders' equity and cash flows of the Company and its Subsidiaries for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon of independent public accountants of recognized national standing, or other independent public accountants reasonably satisfactory to the Required Holders, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, provided that the delivery within the time period specified above of the Company' s Annual Report on Form 10-K (the "Form 10-K") for such fiscal year (together with the Company' s annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the SEC shall be deemed to satisfy the requirements of this Section 7.1(b);

(c) SEC and Other Reports − promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary to its public securities holders generally and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the SEC;

(d) Notice of Default or Event of Default − promptly, and in any event within five Business Days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(e), a written notice specifying the nature and period of existence thereof, whether or not the Company agrees that any claimed default constitutes a Default or Event of Default, and what action the Company is taking or proposes to take with respect thereto;

(e) ERISA Matters − promptly, and in any event within five Business Days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(c) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect; and

(f) Notices from Governmental Authority − promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect; and

(g) Requested Information − with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries (including actual copies of the Company' s Form 10-Q and Form 10-K) or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes.

7.2 Officer' s Certificate.

Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) will be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance − the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.1 through Section 10.5, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) Event of Default − a statement that such Senior Financial Officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

7.3 Electronic Delivery.

Financial statements and officers' certificates required to be delivered by the Company pursuant to Sections 7.1(a), (b) or (c) and Section 7.2 shall be deemed to have been delivered if (i) the Company shall have timely filed such Form 10-Q or Form 10-K, satisfying the requirements of Section 7.1(a) or (b) as the case may be, with the SEC on "EDGAR" and shall have made such Form and the related certificate satisfying the requirements of Section 7.2 available on its home page on the worldwide web (at the date of this Agreement located at http://www.ewst.com) or (ii) such financial statements satisfying the requirements of Section 7.1(a) or (b) and related certificate satisfying the requirements of Section 7.2 are timely posted by or on behalf of the Company on IntraLinks or on any other similar website to which each holder of Notes has free access or (iii) the Company shall have filed any of the items referred to in Section 7.1(c) with the SEC on "EDGAR" and shall have made such items available on its home page on the worldwide web or if any of such items are timely posted by or on behalf of the Company on IntraLinks or on any other similar website to which each holder of Notes has free access; provided however, that in the case of any of clause (i), (ii) or (iii), the Company shall concurrently with such filing or posting give notice to each holder of Notes of such posting or filing and provided further, that upon request of any holder, the Company will thereafter deliver written copies of such forms, financial statements and certificates to such holder.

7.4 Visitation.

The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default − if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company during normal business hours, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company' s officers, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default − if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any Subsidiary during normal business hours, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such reasonable times and as often as may be reasonably requested.

8. PREPAYMENT OF THE NOTES.

8.1 No Scheduled Prepayments.

No regularly scheduled prepayments are due on the Notes prior to their stated maturity.

8.2 Optional Prepayments with Make-Whole Amount.

The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes in an amount not less than $2,000,000 in the aggregate in the case of a partial prepayment, at 100% of the principal amount so prepaid, and the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.4), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

8.3 Mandatory Offer to Prepay Upon Change of Control.

(a) Notice of Change of Control or Control Event − The Company will, within five Business Days after any Responsible Officer has knowledge of the occurrence of any Change of Control or Control Event, give notice of such Change of Control or Control Event to each holder of Notes unless notice in respect of such Change of Control (or the Change of Control contemplated by such Control Event) shall have been given pursuant to subparagraph (b) of this Section 8.3. If a Change of Control has occurred, such notice shall contain and constitute an offer to prepay Notes as described in paragraph (c) of this Section 8.3 and shall be accompanied by the certificate described in paragraph (g) of this Section 8.3.

(b) Condition to Company Action − The Company will not take any action that consummates or finalizes a Change of Control unless (i) at least 15 Business Days prior to such action it shall have given to each holder of Notes written notice containing and constituting an offer to prepay Notes accompanied by the certificate described in paragraph (g) of this Section 8.3, and (ii) subject to the provisions of paragraph (d) below, contemporaneously with such action, it prepays all Notes required to be prepaid in accordance with this Section 8.3.

(c) Offer to Prepay Notes − The offer to prepay Notes contemplated by paragraphs (a) and (b) of this Section 8.3 shall be an offer to prepay, in accordance with and subject to this Section 8.3, all, but not less than all, of the Notes held by each holder (in this case only, "holder" in respect of any Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) on a date specified in such offer (the "Proposed Prepayment Date"). If such Proposed Prepayment Date is in connection with an offer contemplated by paragraph (a) of this Section 8.3, such date shall be not less than 30 days and not more than 60 days after the date of such offer.

(d) Acceptance; Rejection − A holder of Notes may accept the offer to prepay made pursuant to this Section 8.3 by causing a notice of such acceptance to be delivered to the Company on or before the date specified in the certificate described in paragraph (g) of this Section 8.3. A failure by a holder of Notes to respond to an offer to prepay made pursuant to this Section 8.3, or to accept an offer as to all of the Notes held by the holder, within such time period shall be deemed to constitute rejection of such offer by such holder.

(e) Prepayment − Prepayment of the Notes to be prepaid pursuant to this Section 8.3 shall be at 100% of the principal amount of such Notes, together with interest on such Notes accrued to the date of prepayment and shall not require the payment of any Make-Whole Amount. The prepayment shall be made on the Proposed Prepayment Date except as provided in paragraph (f) of this Section 8.3.

(f) Deferral Pending Change of Control − The obligation of the Company to prepay Notes pursuant to the offers required by paragraphs (a) and (b) and accepted in accordance with paragraph (d) of this Section 8.3 is subject to the occurrence of the Change of Control in respect of which such offers and acceptances shall have been made. In the event that such Change of Control does not occur on or prior to the Proposed Prepayment Date in respect thereof, the prepayment shall be deferred until and shall be made on the date on which such Change of Control occurs. The Company shall keep each holder of Notes reasonably and timely informed of (i) any such deferral of the date of prepayment, (ii) the date on which such Change of Control and the prepayment are reasonably expected to occur, and (iii) any determination by the Company that efforts to effect such Change of Control have ceased or been abandoned (in which case the offers and acceptances made pursuant to this Section 8.3 in respect of such Change of Control shall be deemed rescinded). Notwithstanding the foregoing, in the event that the prepayment has not been made within 90 days after such Proposed Prepayment Date by virtue of the deferral provided for in this Section 8.3(f), the Company shall make a new offer to prepay in accordance with paragraph (c) of this Section 8.3.

(g) Officer' s Certificate − Each offer to prepay the Notes pursuant to this Section 8.3 shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying: (i) the Proposed Prepayment Date, (ii) that such offer is made pursuant to this Section 8.3, (iii) the principal amount of each Note offered to be prepaid, (iv) the interest that would be due on each Note offered to be prepaid, accrued to the Proposed Prepayment Date, (v) that the conditions of this Section 8.3 have been fulfilled, (vi) in reasonable detail, the nature and date or proposed date of the Change of Control and (vii) the date by which any holder of a Note that wishes to accept such offer must deliver notice thereof to the Company, which date shall not be earlier than seven Business Days prior to the Proposed Prepayment Date or, in the case of a prepayment pursuant to Section 8.3(b), the date of the action referred to in Section 8.3(b)(i).

8.4 Allocation of Partial Prepayments.

In the case of each partial prepayment of Notes pursuant to Section 8.2, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

8.5 Maturity; Surrender, etc.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment (which shall be a Business Day), together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and canceled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

8.6 Purchase of Notes.

The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment or prepayment of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

8.7 Make-Whole Amount.

"**Make-Whole Amount**" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"**Called Principal**" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"**Discounted Value**" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"**Reinvestment Yield**" means, with respect to the Called Principal of any Note, .50% over the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1 on Bloomberg Financial Markets ("Bloomberg") or, if Page PX1 (or its successor screen on Bloomberg) is unavailable, the Telerate Access Service screen which corresponds most closely to Page PX1 for the most recently issued actively traded on-the-run U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the actively traded U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

"**Remaining Average Life**" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"**Remaining Scheduled Payments**" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or 12.1.

"**Settlement Date**" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

9.1 Compliance with Law.

The Company will, and will cause each Subsidiary to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including ERISA, the USA Patriot Act and Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.2 Insurance.

The Company will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

9.3 Maintenance of Properties.

The Company will, and will cause each of its Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.4 Payment of Taxes and Claims.

The Company will, and will cause each Subsidiary to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, provided that neither the Company nor any Subsidiary need pay any such tax or assessment or claims if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or such Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes, assessments and claims in the aggregate could not reasonably be expected to have a Material Adverse Effect.

9.5 Corporate Existence, etc.

Subject to Section 10.3, the Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 10.3 and 10.4, the Company will at all times preserve and keep in full force and effect the corporate (or, as applicable, limited liability company) existence of each Subsidiary (unless merged into the Company or a Wholly Owned Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.6 Subsidiary Guaranty; Release.

(a) Subsidiary Guarantors. The Company will cause each Subsidiary that becomes a borrower or guarantor of Indebtedness in respect of the Credit Agreement, within 10 Business Days of its becoming a borrower or a guarantor of Indebtedness in respect of the Credit Agreement, to become a party to the Subsidiary Guaranty, and shall deliver to each holder:

(i) an executed counterpart of a Joinder to the Subsidiary Guaranty;

(ii) copies of such directors' or other authorizing resolutions, charter, bylaws and other constitutive documents of such Subsidiary as the Required Holders may reasonably request; and

(iii) an opinion of counsel reasonably satisfactory to the Required Holders covering the authorization, execution, delivery, compliance with law, no conflict with other documents, no consents and enforceability of the Subsidiary Guaranty against such Subsidiary in form and substance reasonably satisfactory to the Required Holders.

(b) Release of Subsidiary Guarantor. Each holder of a Note fully releases and discharges from the Subsidiary Guaranty a Subsidiary Guarantor, immediately and without any further act, upon such Subsidiary Guarantor being released and discharged as a borrower or guarantor under and in respect of the Credit Agreement; provided that (i) no Default or Event of Default exists or will exist immediately following such release and discharge; and (ii) at the time of such release and discharge, the Company delivers to each holder of Notes a certificate of a Responsible Officer certifying (x) that such Subsidiary Guarantor has been or is being released and discharged as a borrower or guarantor under and in respect of each of the Credit Agreement and (y) as to the matters set forth in clause (i). Any outstanding Indebtedness of a Subsidiary Guarantor shall be deemed to have been incurred by such Subsidiary Guarantor as of the date it is released and discharged from the Subsidiary Guaranty.

10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

10.1 Funded Debt.

The Company will not create, assume or incur additional Consolidated Funded Debt unless:

(a) Consolidated Net Income Available for Interest Charges in two of the three preceding fiscal years shall have exceeded 150% of the Pro Forma Annual Interest Charges of the Company and its Subsidiaries. If the proceeds from the additional Consolidated Funded Debt are to be used to acquire an operating company that will become a Subsidiary of the Company, Consolidated Net Income Available for Interest Charges will be determined as if such company was a Subsidiary of the Company during the three preceding fiscal years; and

(b) Consolidated Funded Debt of the Company, after giving effect to the additional Consolidated Funded Debt to be incurred and to the use of the proceeds therefrom, will not exceed 65% of the Total Capitalization of the Company.

10.2 Liens.

The Company will not, and the Company will not permit any Subsidiary to, create, assume or suffer to exist, directly or indirectly, any Lien on its properties or assets, whether now owned or hereafter acquired, or any interest therein or income or profits therefrom, without equally and ratably securing the Notes with a Lien ranking ratably with, and equal to, such secured indebtedness, except:

(a) Liens for taxes, assessments, or governmental charges or levies not yet due or which are being actively contested in good faith by appropriate proceedings;

(b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics and materialmen incurred in the ordinary course of business for sums not yet due or being contested in good faith and by appropriate proceedings promptly initiated and diligently conducted, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor and if no material items of property would be lost, forfeited or materially damaged as a result of such contest;

(c) Liens incurred or deposits made in the ordinary course of business in connection with workmen' s compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payments of borrowed money);

(d) any judgment Lien, unless the judgment it secures shall not, within 60 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within 60 days after the expiration of any such stay;

(e) leases or subleases granted to others in ordinary course of business and not interfering with the ordinary conduct of the business of the Company or any Subsidiary;

(f) easements, rights of way, restrictions and other similar charges or encumbrances incurred in the ordinary course of business and not interfering with the ordinary conduct of the business of the Company or any Subsidiary;

(g) Liens on the property or assets of any Subsidiary securing Indebtedness of such Subsidiary owing to the Company;

(h) Liens to secure the purchase price or construction cost of capital assets acquired by or constructed for the Company or any Subsidiary after the date hereof or existing on assets of the Company or any Subsidiary acquired at the time of acquisition provided that (i) each such Lien shall at all times be confined solely to the asset in question, (ii) the aggregate principal amount of Indebtedness secured by any such Lien shall not exceed 100% of the cost of the acquisition or construction of the asset subject thereto or the fair market value of such asset, whichever is lower and (iii) any such Lien on any property acquired, constructed or improved by the Company or any Subsidiary after the date of this Agreement shall be created or assumed contemporaneously with, or within 180 days after, such acquisition, or completion of such construction or improvement, or within six months thereafter pursuant to a firm commitment for financing arranged with a lender or investor within such 180 day period; and

(i) any other Liens or charges securing Indebtedness not exceeding $1,000,000 in the aggregate.

10.3 Mergers, Consolidations, etc.

The Company will not dissolve or otherwise dispose of all or substantially all of its assets, and will not consolidate with or merge into another corporation, partnership or other entity; provided that the Company may consolidate with or merge into a corporation or partnership organized and existing under the laws of one of the states of the United States, or sell or otherwise transfer to another domestic corporation or partnership all or substantially all of its assets and thereafter dissolve, if the surviving, resulting or transferee corporation or partnership, as the case may be (if other than the Company): (i) assumes all of the obligations of the Company under this Agreement and the Notes and further agrees that it will continue to operate its facilities as part of a system comprising a public utility regulated by the Public Service Commission of the State of Montana or another federal or state agency or authority; and (ii) has a net worth immediately subsequent to such acquisition, consolidation or merger equal to or greater than $10,000,000; (iii) immediately after such acquisition, consolidation or merger, is not in Default in the performance of any covenant or condition under this Agreement; and (iv) has caused to be delivered to each holder of any Notes an opinion of nationally recognized independent counsel, or other independent counsel reasonably satisfactory to the Required Holders, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof. For purposes of this Section 10.3, the term "net worth" means the Consolidated assets of the Company and its Consolidated Subsidiaries, less the Consolidated liabilities of the Company and its Consolidated Subsidiaries as determined in accordance with GAAP.

No such conveyance, transfer or lease of substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation or limited liability company that shall theretofore have become such in the manner prescribed in this Section 10.3 from its liability under this Agreement or the Notes.

10.4 Sale of Assets.

Except as limited by Section 10.6, the Company will not, and will not permit any Subsidiary to, directly or indirectly sell or otherwise dispose of any of its properties or assets (except (i) properties or assets disposed of in the ordinary course of business, (ii) properties or assets which the Company determines in good faith are no longer usable or of economic advantage in the conduct of any business by the Company or any Subsidiary or (iii) properties or assets transferred by the Company to a Subsidiary or by any Subsidiary to the Company or another Subsidiary) if, as a result of such sale or other disposition, the aggregate net book value of all properties and assets so disposed of after the date of this Agreement during the twelve-month period next preceding the date of such sale or other disposition would constitute more than 15% of the aggregate book value (on a consolidated basis for the Company and its Subsidiaries) of all Tangible Assets of the Company and its Subsidiaries; provided, however, that any such sale may be disregarded for the purposes of this Section 10.3 if the proceeds therefrom are (a) reinvested within twelve months in businesses related to the business of the Company or (b) applied to the payment or prepayment of the Notes or any other outstanding Indebtedness of the Company or any Subsidiary owed to a non-Affiliate ranking *pari passu* with or senior to the Notes.

For purposes of foregoing clause (b), if the Company elects to prepay the Notes, the Company shall offer to prepay (on a Business Day not less than 30 or more than 60 days following such offer) the Notes on a pro rata basis with any such other Indebtedness that the Company elects to include in such offer at a price of 100% of the principal amount of the Notes to be prepaid (without any Make-Whole Amount) together with interest accrued to the date of prepayment; provided that if any holder of the Notes declines or rejects such offer, the proceeds that would have been paid to such holder shall be offered pro rata to the other holders of the Notes that have accepted the offer. A failure by a holder of Notes to respond in writing not later than 10 Business Days prior to the proposed prepayment date to an offer to prepay made pursuant to this Section 10.4 shall be deemed to constitute an acceptance of such offer by such holder. Solely for the purposes of foregoing clause (b), whether or not such offers are accepted by the holders, the entire principal amount of the Notes subject thereto shall be deemed to have been prepaid.

10.5 Dividends.

The Company will not declare or pay any dividends (other than dividends payable solely in shares of Common Stock of the Company or solely in rights to purchase Capital Stock of the Company) on, or set apart any sum for the payment of any dividends on, or make any other distribution, by reduction of capital or otherwise, in respect of, any shares of any class of Capital Stock of the Company unless after giving effect to such action the aggregate amount of dividend payments and related distributions made in the immediately preceding 60-month period would not exceed Consolidated Net Income for such period.

10.6 Nature of Business.

The Company will not, and will not permit any Subsidiary to, engage in any business if, as a result, the general nature of the business in which the Company and its Subsidiaries, taken as a whole, would then be engaged would be substantially changed from the general nature of the business in which the Company and its Subsidiaries, taken as a whole, are engaged on the date of this Agreement as described in the Disclosure Documents. The Company will not transfer or sell a currently regulated business of the Company to its Subsidiaries.

10.7 Transactions with Affiliates.

The Company will not, and will not permit any Subsidiary to, enter into directly or indirectly any Material transaction or Material group of related transactions (including the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except in the ordinary course and pursuant to the reasonable requirements of the Company' s or such Subsidiary' s business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm' s-length transaction with a Person not an Affiliate.

10.8 Terrorism Sanctions Regulations.

The Company will not and will not permit any Subsidiary to (a) become a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti Terrorism Order or (b) knowingly engage in any dealings or transactions with any such Person.

11. EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than 10 days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a) and (b) of this Section 11) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (c) of Section 11); or

(d) any representation or warranty made in writing by or on behalf of the Company or any Subsidiary Guarantor or by any officer of the Company or a Subsidiary Guarantor in this Agreement, the Subsidiary Guaranty or in any writing furnished in connection with the transactions contemplated hereby or thereby proves to have been false or incorrect in any material respect on the date as of which made; or

(e) (i) the Company or any Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $1,000,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness that is outstanding in an aggregate principal amount of at least $1,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists thereunder, and as a consequence of such default or condition such Indebtedness has become, or has been declared (or one or more Persons are entitled to declare such Indebtedness to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests), the Company or any Subsidiary has become obligated to purchase or repay Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least $1,000,000; or

(f) the Company or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law (i) commences a voluntary case, (ii) consents to the entry of an order for relief against it in an involuntary case, (iii) consents to the appointment of a Custodian of it or for all or substantially all of its property, or (iv) makes a general assignment for the benefit of its creditors; or

(g) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law, and the order or decree remains unstayed and in effect for 60 days, that (i) is for relief against the Company or any Significant Subsidiary, in an involuntary case,(ii) appoints a Custodian of the Company, or any Significant Subsidiary, or for all or substantially all of the property of the Company, or any Significant Subsidiary, or (iii) orders the liquidation of the Company, or any Significant Subsidiary; or

(h) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of section 4001(a)(18) of ERISA) under all Plans determined in accordance with Title IV of ERISA, shall exceed $1,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect; or

(i) the Subsidiary Guaranty ceases to be in full force and effect (except in accordance with and by reason of the provisions of Section 9.6(b)) or is declared to be null and void in whole or in material part by a court or other governmental or regulatory authority having jurisdiction or the validity or enforceability thereof shall be contested by the Company or any Subsidiary Guarantor or any of them renounces any of the same or denies that it has any or further liability thereunder.

As used in Section 11(h), the terms "employee benefit plan" and "employee welfare benefit plan" shall have the respective meanings assigned to such terms in section 3 of ERISA.

12. REMEDIES ON DEFAULT, ETC.

12.1 Acceleration.

(a) If an Event of Default with respect to the Company described in paragraph (f) or (g) of Section 11, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of at least 51% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon (including, but not limited to, interest accrued thereon at the Default Rate) and (y) the Make-Whole Amount determined in respect of such principal amount (to the fullest extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

12.2 Other Remedies.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

12.3 Rescission.

At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the holder or holders of at least 51% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) neither the Company nor any other Person shall have paid any amounts that have become due solely by reason of such declaration; (c) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4 No Waivers or Election of Remedies, Expenses, etc.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder' s rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including reasonable attorneys' fees, expenses and disbursements.

13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

13.1 Registration of Notes.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor, promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

13.2 Transfer and Exchange of Notes.

Upon surrender of any Note to the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)), for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder' s attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), the Company shall execute and deliver within 10 Business Days, at the Company' s expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1.1. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $500,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $500,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representations set forth in Sections 6.1 and 6.2.

13.3 Replacement of Notes.

Upon receipt by the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least $50,000,000 or a Qualified Institutional Buyer, such Person' s own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver within 10 Business Days, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

14. PAYMENTS ON NOTES.

14.1 Place of Payment.

Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York at the principal office of JPMorgan Chase Bank, N.A. in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

14.2 Home Office Payment.

So long as you or your nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below your name in Schedule A, or by such other method or at such other address as you shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by you or your nominee you will, at your election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this Section 14.2.

15. EXPENSES, ETC.

15.1 Transaction Expenses.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of one special counsel and, if reasonably required by the Required Holders, local or other counsel) incurred by you and each Other Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes and (c) the costs and expenses incurred in connection with the initial filing of this Agreement and all related documents and financial information with the SVO. The Company will pay, and will save you and each Other Purchaser or holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Notes).

15.2 Survival.

The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of you or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between you and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

17. AMENDMENT AND WAIVER.

17.1 Requirements.

This Agreement, the Notes and the Subsidiary Guaranty may be amended, and the observance of any term hereof or thereof may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders (and the Subsidiary Guarantors, in the case of the Subsidiary Guaranty), except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 17 or 20.

17.2 Solicitation of Holders of Notes.

(a) Solicitation. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding that also enters into any such waiver or amendment of any of the terms and provisions hereto. If any such remuneration is paid to any holder of Notes that for any reason does not enter into any waiver or amendment of any of the terms and provisions hereof, such remuneration shall also be paid to all other non-consenting holders.

17.3 Binding Effect, etc.

Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "this Agreement" or "the Agreement" and references thereto shall mean this Note Purchase Agreement as it may from time to time be amended or supplemented.

17.4 Notes held by Company, etc.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to you or your nominee, to you or it at the address specified for such communications in Schedule A, or at such other address as you or it shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of Vice President Administration, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating hereto, including (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at a Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, electronic, digital or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "Confidential Information" means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by you as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to you prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by you or any Person acting on your behalf, (c) otherwise becomes known to you other than through disclosure by the Company or any Subsidiary, or (d) constitutes financial statements delivered to you under Section 7.1 that are otherwise publicly available. You will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by you in good faith to protect confidential information of third parties delivered to you, provided that you may deliver or disclose Confidential Information to (i) your directors, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes), (ii) your financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which you sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which you offer to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over you, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about your investment portfolio or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to you, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which you are a party or (z) if an Event of Default has occurred and is continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

21. SUBSTITUTION OF PURCHASER.

You shall have the right to substitute any one of your Affiliates as the purchaser of the Notes that you have agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both you and such Affiliate, shall contain such Affiliate' s agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall be deemed to refer to such Affiliate in lieu of you. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to you all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall no longer be deemed to refer to such Affiliate, but shall refer to you, and you shall have all the rights of an original holder of the Notes under this Agreement.

22. MISCELLANEOUS.

22.1 Successors and Assigns.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including any subsequent holder of a Note) whether so expressed or not.

22.2 Payments Due on Non-Business Days.

Anything in this Agreement or the Notes to the contrary notwithstanding (but without limiting the requirement in Section 8.2 that the notice of any optional prepayment specify a Business Day as the date fixed for such prepayment), any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; provided that if the maturity date of any Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

22.3 Accounting Terms.

All accounting terms used herein that are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made in accordance with GAAP and (ii) all financial statements shall be prepared in accordance with GAAP.

22.4 Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the fullest extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

22.5 Construction.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

For the avoidance of doubt, all Schedules and Exhibits attached to this Agreement shall be deemed to be a part hereof.

22.6 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

22.7 Governing Law.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the state of New York excluding choice of law principles of the law of such state that would require the application of the laws of a jurisdiction other than such state.

22.8 Jurisdiction and Process; Waiver of Jury Trial.

(a) The Company irrevocably submits to the non-exclusive jurisdiction of any New York state or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company consents to process being served by or on behalf of any holder of Notes in any suit, action or proceeding of the nature referred to in Section 22.8(a) by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested, to it at its address specified in Section 18 or at such other address of which such holder shall then have been notified pursuant to said Section. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(c) Nothing in this Section 22.8 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) THE PARTIES HERETO WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH OR THEREWITH.

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

ENERGY WEST, INCORPORATED

By: /s/ David A. Cerotzke
Name: David A. Cerotzke
Title: President and Chief Executive Officer

This Agreement is accepted and
agreed to as of the date thereof.

ALLSTATE LIFE INSURANCE COMPANY

By: /s/ John W. Kunkle
Name: John W. Kunkle

By: /s/ Jerry D. Zinkula
Name: Jerry D. Zinkula

Authorized Signatories

CUNA MUTUAL LIFE INSURANCE COMPANY
CUNA MUTUAL INSURANCE SOCIETY
CUMIS INSURANCE SOCIETY, INC.
MEMBERS LIFE INSURANCE COMPANY

By: MEMBERS Capital Advisors, Inc.,
acting as Investment Advisor

By: /s/ John Petchler
Name: John Petchler
Title: Managing Director, Investments

SCHEDULE A

INFORMATION RELATING TO PURCHASERS

Name and Address of Purchaser	Principal Amount of Notes to be Purchased
Allstate Life Insurance Company	$6,500,000

(1) All payments by Fedwire transfer of immediately available funds or ACH Payment, identifying the name of the Issuer, the Private Placement Number and the payment as principal, interest or premium, in the format as follows:

Bank: Citibank
ABA #: 021000089
Account Name: Allstate Life Insurance Company Collection Account − PP
Account #: 30547007
Reference: OBI [Insert 9-digit Private Placement No., Credit Name, Coupon, Maturity here], Payment Due Date (MM/DD/YY) and the type and amount of payment being made.
For example:
P _____ (Enter "P" and amount of principal being remitted,
for example, P5000000.00) -
I _____ (Enter "I" and amount of interest being remitted,
for example, I225000.00)

(2) All notices of scheduled payments and written confirmations of such wire transfer to be sent to:

Allstate Investments LLC
Investment Operations − Private Placements
3075 Sanders Road, STE G4A
Northbrook, IL 60062-7127
Telephone: (847) 402-6672 Private Placements
Telecopy: (847) 326-7032
E-Mail: PrivateIOD@allstate.com

(3) All financial reports, compliance certificates and all other written communications, including notice of prepayments, to be sent by email (PrivateCompliance@allstate.com) or hard copy to:

Allstate Investments LLC
Private Placements Department
3075 Sanders Road, STE G3A
Northbrook, Illinois 60062-7127
Telephone: (847) 402-7117
Telecopy: (847) 402-3092

(4) Address for delivery of Notes:

Citibank N.A.
333 West 34th Street
3rd Floor Securities Vault
New York, N.Y. 10001
Attn: Danny Reyes
For Allstate Life Insurance Company/Safekeeping Account No. 846627

(5) E-mail Address for Electronic Delivery:

Privatecompliance@allstate.com

(6) One manually executed set of closing documents and two conformed copies to be sent to:

Allstate Investments LLC
Attention: Kevin E. Trabaris
3075 Sanders Road, STE G5A
Northbrook, Illinois 60062-7127
Telephone: (847) 402-5000

(7) Tax ID No.: 36-2554642

INFORMATION RELATING TO PURCHASERS

Name and Address of Purchaser	Principal Amount of Notes to be Purchased
CUNA MUTUAL LIFE INSURANCE COMPANY	$2,925,000

Register Notes in Name of: TURNSPEED + CO

(1) All payments by wire transfer of immediately available funds to:

State Street Bank
DTC/New York Window
55 Water Street
Plaza Level − 3rd Floor
New York, NY 10041
Account: State Street Bank
ABA #: 011000028
A/C: CUNA Mutual Life Insurance Company
A/C Number: ZT2A

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

State Street Bank
Attn: Brian Kershner
801 Pennsylvania
Kansas City, MO 64105
FAX: 816-691-5545
E-Mail: bdkersh@statestreetkc.com

With copy to:

CUNA Mutual Insurance Society
Attn: Rosie Pope
5910 Mineral Point Road
Madison, WI 53705-4456
FAX: 608-231-8591
E-Mail: rosie.pope@cunamutual.com

(3) All other communications:

CUNA Mutual Insurance Society
Attn: Managing Director − Investments
5910 Mineral Point Road
Madison, WI 53705-4456
Telephone: 608-231-8255
FAX: 608-236-6224
E-Mail: john.petchler@cunamutual.com

With copy to:

CUNA Mutual Insurance Society
Attn: Associate General Counsel
5910 Mineral Point Road
Madison, WI 53705-4456
Telephone: 608-231-7653
FAX: 608-236-7653
E-Mail: steve.suleski@cunamutual.com

(4) Address for delivery of Notes to DTC:

DTC / New York Window
Attn: Robert Mendez
55 Water Street
New York, New York 10041

(5) Tax ID No.: 42-0388260

Schedule A

INFORMATION RELATING TO PURCHASERS

Name and Address of Purchaser	Principal Amount of Notes to be Purchased
CUNA MUTUAL INSURANCE SOCIETY	$1,950,000

Register Notes in Name of: TURNKEYS + CO

(1) All payments by wire transfer of immediately available funds to:

State Street Bank
DTC/New York Window
55 Water Street
Plaza Level − 3rd Floor
New York, NY 10041
Account: State Street Bank
ABA #: 011000028
A/C: CUNA Mutual Insurance Society
A/C Number: ZT1E

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

State Street Bank
Attn: Brian Kershner
801 Pennsylvania
Kansas City, MO 64105
FAX: 816-691-5545
E-Mail: bdkersh@statestreetkc.com

With copy to:

CUNA Mutual Insurance Society
Attn: Rosie Pope
5910 Mineral Point Road
Madison, WI 53705-4456
FAX: 608-231-8591
E-Mail: rosie.pope@cunamutual.com

(3) All other communications:

CUNA Mutual Insurance Society
Attn: Managing Director − Investments
5910 Mineral Point Road
Madison, WI 53705-4456
Telephone: 608-231-8255
FAX: 608-236-6224
E-Mail: john.petchler@cunamutual.com

With copy to:

CUNA Mutual Insurance Society
Attn: Associate General Counsel
5910 Mineral Point Road
Madison, WI 53705-4456
Telephone: 608-231-7653
FAX: 608-236-7653
E-Mail: steve.suleski@cunamutual.com

(4) Address for delivery of Notes to DTC:

DTC / New York Window
Attn: Robert Mendez
55 Water Street
New York, New York 10041

(5) Tax ID No.: 39-0230590

Schedule A

INFORMATION RELATING TO PURCHASERS

Name and Address of Purchaser	Principal Amount of Notes to be Purchased
CUMIS INSURANCE SOCIETY	$975,000

Register Notes in Name of: TURNJETTY + CO

(1) All payments by wire transfer of immediately available funds to:

State Street Bank
DTC/New York Window
55 Water Street
Plaza Level − 3rd Floor
New York, NY 10041
Account: State Street Bank
ABA #: 011000028
A/C: CUMIS Insurance Society
A/C Number: ZT1I

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

State Street Bank
Attn: Brian Kershner
801 Pennsylvania
Kansas City, MO 64105
FAX: 816-691-5545
E-Mail: bdkersh@statestreetkc.com

With copy to:

CUNA Mutual Insurance Society
Attn: Rosie Pope
5910 Mineral Point Road
Madison, WI 53705-4456
FAX: 608-231-8591
E-Mail: rosie.pope@cunamutual.com

(3) All other communications:

CUNA Mutual Insurance Society
Attn: Managing Director − Investments
5910 Mineral Point Road
Madison, WI 53705-4456
Telephone: 608-231-8255
FAX: 608-236-6224
E-Mail: john.petchler@cunamutual.com

With copy to:

CUNA Mutual Insurance Society
Attn: Associate General Counsel
5910 Mineral Point Road
Madison, WI 53705-4456
Telephone: 608-231-7653
FAX: 608-236-7653
E-Mail: steve.suleski@cunamutual.com

(4) Address for delivery of Notes to DTC:

DTC / New York Window
Attn: Robert Mendez
55 Water Street
New York, New York 10041

(5) Tax ID No.: 39-0972608

Schedule A

INFORMATION RELATING TO PURCHASERS

Name and Address of Purchaser	Principal Amount of Notes to be Purchased
MEMBERS LIFE INSURANCE COMPANY	$650,000

Register Notes in Name of: TURNLAUNCH + CO

(1) All payments by wire transfer of immediately available funds to:

State Street Bank
DTC/New York Window
55 Water Street
Plaza Level − 3rd Floor
New York, NY 10041
Account: State Street Bank
ABA #: 011000028
A/C: Members Life Insurance Company
A/C Number: ZT1J

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

State Street Bank
Attn: Brian Kershner
801 Pennsylvania
Kansas City, MO 64105
FAX: 816-691-5545
E-Mail: bdkersh@statestreetkc.com

With copy to:

CUNA Mutual Insurance Society
Attn: Rosie Pope
5910 Mineral Point Road
Madison, WI 53705-4456
FAX: 608-231-8591
E-Mail: rosie.pope@cunamutual.com

(3) All other communications:

CUNA Mutual Insurance Society
Attn: Managing Director − Investments
5910 Mineral Point Road
Madison, WI 53705-4456
Telephone: 608-231-8255
FAX: 608-236-6224
E-Mail: john.petchler@cunamutual.com

With copy to:

CUNA Mutual Insurance Society
Attn: Associate General Counsel
5910 Mineral Point Road
Madison, WI 53705-4456
Telephone: 608-231-7653
FAX: 608-236-7653
E-Mail: steve.suleski@cunamutual.com

(4) Address for delivery of Notes to DTC:

DTC / New York Window
Attn: Robert Mendez
55 Water Street
New York, New York 10041

(5) Tax ID No.: 39-1236386

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"**Affiliate**" means, at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and, with respect to the Company, shall include (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"**Anti-Terrorism Order**" means Executive Order 13224 of September 23, 2001, Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)).

"**Bankruptcy Law**" means Title 11, U.S. Code or any similar Federal and State law for the relief of debtors.

"**Business Day**" means any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed.

"**Capitalized Lease**" means any lease of property (real, personal or mixed) which in accordance with GAAP is required to be capitalized on a balance sheet of the lessee.

"**Capitalized Lease Obligation**" means at any time, the aggregate amount included as a liability on the balance sheet of the lessee with respect to the present value of the minimum rental commitment under a Capitalized Lease of the lessee.

"**Capital Stock**" means any and all shares, interests, participations or other equivalents (however designated) of corporate stock.

"**Change of Control**" means an event or series of events by which any person or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) (such person or persons hereinafter referred to as an "Acquiring Person") becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the voting power of the then outstanding Voting Stock of the Company; provided that, notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred if the Company (or the Acquiring Person if either (x) the Company is no longer in existence or (y) the Acquiring Person has acquired all or substantially all of the assets thereof) shall have an Investment Grade Rating immediately following such Acquiring Person becoming the "beneficial owner" or consummating such acquisition.

"**Closing**" is defined in Section 3.

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"**Common Stock**" means the common stock, par value $0.15 per share, of the Company as the same exists at the date of this Agreement or as such stock shall be constituted from time to time.

"**Company**" means Energy West, Incorporated, a Montana corporation.

"**Confidential Information**" is defined in Section 20.

"**Consolidated**" when used in conjunction with any other defined term means the aggregate amount of the items included within the defined term of the Company and any Subsidiary (provided, however, that in the case of a Subsidiary, the amount of the items included within the defined term of such Subsidiary shall be calculated only with respect to the Company' s percentage ownership interest in such Subsidiary) on a consolidated basis eliminating inter-company items.

"**Consolidated Net Income**" for any period means the aggregate of the net income or loss of the Company and its Subsidiaries for such period after eliminating all inter-company items and portions of earnings properly attributable to minority interests, if any, in shares of capital stock of such Subsidiaries, and after eliminating any extraordinary gains or losses on the sale or other disposition of investments, fixed assets or capital assets, and any tax deductions or credits on account of such excluded gains or losses, all computed in accordance with generally accepted accounting principles.

"**Consolidated Net Income Available for Interest Charges**" for any period means Consolidated Net Income for such period, plus (without duplication) all amounts deducted in the computation thereof on account of (i) Interest Charges on Consolidated Indebtedness, and (ii) taxes in respect of income and excess profits.

"**Control Event**" means:

(a) the execution by the Company or any of its Subsidiaries or Affiliates of any agreement with respect to any proposed transaction or event or series of transactions or events that, individually or in the aggregate, may reasonably be expected to result in a Change of Control, or

(b) the execution of any written agreement that, when fully performed by the parties thereto, would result in a Change of Control.

"**Credit Agreement**" means the Credit Agreement dated as of June 29, 2007 by and among Energy West, Incorporated, various financial institutions and LaSalle Bank National Association, as Agent, as such agreement may be amended, restated, supplemented, modified, refinanced, extended or replaced.

"**Custodian**" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

"**Default**" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"**Default Rate**" means that rate of interest that is the greater of (i) 2% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes or (ii) 2% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. as its "base" or "prime" rate.

"**Deferred Income Taxes**" means all taxes in respect of income and excess profits not due within one year from the date of accrual thereof in accordance with GAAP.

"**Disclosure Documents**" is defined in Section 5.3.

"**Environmental Laws**" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to Hazardous Materials.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"**ERISA Affiliate**" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"**Event of Default**" is defined in Section 11.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Form 10-K**" is defined in Section 7.1(b).

"**Form 10-Q**" is defined in Section 7.1(a).

"**Funded Debt**" means without duplication (i) all Indebtedness maturing one year or more from the date of the creation thereof and (ii) all Indebtedness under any revolving credit facility measured at its lowest amount outstanding during any 30 consecutive day period within the prior twelve months. Deferred Income Taxes do not constitute Funded Debt.

"**Funding Instructions**" is defined in Section 3.

"**GAAP**" means generally accepted accounting principles as in effect from time to time in the United States of America.

"**Governmental Authority**" means

(a) the government of

(i) the United States of America or any state or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"**Guaranty**" of a Person means any guaranty, assumption, endorsement, or contingent agreement to purchase or provide funds for the payment of, or otherwise become liable upon, the obligation of any other Person, or any agreement to maintain the net worth or working capital or other financial condition of any other Person or any other assurance to any creditor of any Person against loss, including any comfort letter, operating agreement, take-or-pay contract, or the contingent liability of such Person in connection with any application for a letter of credit, excepting from the foregoing contingent liabilities the amount of such Person' s obligations with respect to bonds, deposits, standby letters of credit or other evidences of contingent obligations given to governmental entities in compliance with local and state requirements that have not been drawn or called upon.

"**Hazardous Material**" means any and all pollutants, toxic or hazardous wastes or other substances that might pose a hazard to health and safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or filtration of which is or shall be restricted, prohibited or penalized by any applicable law including, but not limited to, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, lead based paint, radon gas or similar restricted, prohibited or penalized substances.

"**holder**" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

"**INHAM Exemption**" is defined in Section 6.2(e).

"**Indebtedness**" with respect to any Person means, at any time, without duplication

(a) all amounts in respect of borrowed money (excluding capital stock, earned and capital surplus and general contingency reserves) which would be shown on the liabilities side of a balance sheet of such Person prepared in accordance with GAAP;

(b) all indebtedness secured by any mortgage, pledge, lien, security interest or conditional sale or other title retention agreement to which any property or asset owned or held by such Person is subject, whether or not the indebtedness secured thereby shall have been assumed;

(c) all Capitalized Lease Obligations; and

(d) all Guaranties by such Person.

For the purpose of computing the Indebtedness of any Person, there shall be excluded any particular Indebtedness to the extent that, upon or prior to the maturity thereof, there shall have been deposited with the proper depository in trust the necessary funds, or evidences of such Indebtedness, if permitted by the instrument creating such Indebtedness, for the payment, redemption or satisfaction of such Indebtedness.

"**Institutional Investor**" means (a) any original purchaser of a Note, (b) any holder of $5,000,000 or more in aggregate principal amount of the Notes and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"**Interest Charges**" on any Indebtedness of any Person for any period, means all amounts which would, in accordance with generally accepted accounting principles, be deducted in computing net income for such Person for such period on account of interest on such Indebtedness, including imputed interest in respect of Capitalized Lease Obligations and amortization of debt discount and expense.

"**Investment Grade Rating**" in respect of any Person means, at the time of determination, at least two of the following ratings of its senior, unsecured long-term indebtedness for borrowed money: (i) by Standard & Poor' s Rating Services, a division of The McGraw-Hill Companies, or any successor thereof ("S&P"), "BBB-" or better, (ii) by Moody' s Investors Service, Inc., or any successor thereof ("Moody' s"), "Baa3" or better, or (iii) by another rating agency of recognized national standing, an equivalent or better rating.

"**Lien**" as applied to the property of any Person means any mortgage, lien, charge or encumbrance on, or security interest in, or pledge of, or conditional sale or other title retention agreement.

"**Make-Whole Amount**" is defined in Section 8.7.

"**Material**" means material in relation to the business, operations, affairs, financial condition, assets, properties or prospects of the Company and its Subsidiaries taken as a whole.

"**Material Adverse Effect**" means a material adverse effect on (a) the business, operations, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, (b) the ability of the Company to perform its obligations under this Agreement or the Notes, (c) the ability of any Subsidiary Guarantor to perform its obligations under the Subsidiary Guaranty, or (d) the validity or enforceability of this Agreement, the Notes or the Subsidiary Guaranty.

"**Multiemployer Plan**" means any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"**NAIC**" means the National Association of Insurance Commissioners or any successor thereto.

"**NAIC Annual Statement**" is defined in Section 6.2(a).

"**Notes**" is defined in Section 1.

"**Officer' s Certificate**" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"**Other Purchasers**" is defined in Section 2.

"**PBGC**" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"**Person**" means an individual or a corporation, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, limited liability company, government (or an agency or political subdivision thereof) or other entity of any kind.

"**Plan**" means an "employee benefit plan" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"**Pro Forma Annual Interest Charges**" means as of any date, the net amount (without duplication) of (i) Interest Charges in respect of Consolidated Indebtedness outstanding on such date, after giving effect to any Consolidated Indebtedness being retired out of the proceeds of any Indebtedness being created, assumed, incurred or guaranteed on such date, for the period of 12 full calendar months next preceding such date, plus (ii) Interest Charges in respect of any Indebtedness being created, assumed, incurred or guaranteed on such date for the period of 12 full calendar months next succeeding such date.

"**property**" or "**properties**" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"**Proposed Prepayment Date**" is defined in Section 8.3(c).

"**PTE**" is defined in Section 6.2(a).

"**Purchaser**" means each purchaser listed in Schedule A.

"**QPAM Exemption**" is defined in Section 6.2(d).

"**Qualified Institutional Buyer**" means any Person that is a "qualified institutional buyer" within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

"**Required Holders**" means, at any time, the holders of at least 51% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"**Responsible Officer**" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement, including the President and Chief Executive Officer, the Chief Financial Officer, the Vice President Administration or the Controller.

"**SEC**" shall mean the Securities and Exchange Commission of the United States, or any successor thereto.

"**Securities Act**" means the Securities Act of 1933, as amended from time to time.

"**Senior Financial Officer**" means the chief financial officer, principal accounting officer, treasurer, Vice President Administration or controller of the Company.

"**Source**" is defined in Section 6.2.

"**Significant Subsidiary**" means any Subsidiary within the meaning of Rule 12b-2 under the Exchange Act, as the same may be amended from time to time.

"**Subsidiary**" means any corporation, partnership, association, limited liability company, or other business entity of which 50% or more of the Voting Stock or other equity interests, as appropriate, is at the time directly or indirectly owned by the Company and one or more other Subsidiaries, or by one or more other Subsidiaries.

"**Stockholders' Equity**" means, as applied to any Person on any date of determination, the amount which would be shown on the balance sheet of such Person as the difference between such Person' s total assets and total liabilities, which amount will include capital stock, capital surplus and retained earnings, all as calculated in accordance with GAAP.

"**Subsidiary Guarantor**" is defined in Section 1.2.

"**Subsidiary Guaranty**" is defined in Section 1.2.

"**SVO**" means the Securities Valuation Office of the NAIC or any successor to such Office.

"**Tangible Assets**" means, as applied to any Person at any date, all assets other than those which would be treated as intangibles under GAAP, including, without limitation, as intangibles such items as good will, trademark, trade names, service marks, brand names, copyrights, patents, licenses and rights with respect to the foregoing, unamortized debt discount and expense, and organization expenses.

"**this Agreement**" or "**the Agreement**" is defined in Section 17.3.

"**Total Capitalization**" means as applied to any Person on any date of determination, the sum of such Person' s Funded Debt and Stockholder' s Equity.

"**USA Patriot Act**" means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"**Voting Stock**" means, with respect to any Person, any class of shares of stock or other equity interests of such Person having general voting power under ordinary circumstances to elect a majority of the board of directors or other managing entities, as appropriate, of such Person (irrespective of whether or not at the time stock of any other class or classes or other equity interests of such Person shall have or might have voting power by reason of the happening of any contingency).

"**Wholly Owned Subsidiary**" means, at any time, any Subsidiary 100% of all of the Voting Stock (except directors' qualifying shares and other minority shares held solely to satisfy organization requirements of the applicable jurisdiction) and voting interests of which are owned by any one or more of the Company and its Wholly Owned Subsidiaries at such time.

SCHEDULE 5.4

ORGANIZATION AND OWNERSHIP OF SHARES OF SUBSIDIARIES

Name	Jurisdiction	% Owned
Energy West Resources, Inc.	Montana	100.00%
Energy West Propane, Inc.	Montana	100.00%
Energy West Development, Inc.	Montana	100.00%

Directors and Senior Officers

Directors:

W.E. 'Gene' Argo
Steve A. Calabrese
David A. Cerotzke
Mark D. Grossi
Richard M. Osborne
James R. Smail
Thomas J. Smith
James E. Sprague

Senior Officers:

David A. Cerotzke, President and Chief Executive Officer
Wade F. Brooksby, Chief Financial Officer and Corporate Secretary
Kevin Degenstein, Senior Vice-President Operations
Jed Henthorne, Vice-President Administration

USE OF PROCEEDS

Proceeds of the Notes will be used principally to repay Indebtedness outstanding under its outstanding credit agreement (that is being terminated on the date of Closing and replaced by the Credit Agreement) that was incurred to repay:

1. Series 1997 notes − principal outstanding $7,830,000; total payoff: $7,870,781.25
2. Series 1993 notes − principal outstanding $4,290,000; total payoff: $4,312,518.76
3. Cascade County, Montana Series 1992B Industrial Development Revenue Obligations − principal outstanding $775,000; total payoff: $799,895.00

EXISTING INDEBTEDNESS

The following is our long-term indebtedness as of June 21, 2007 (See Schedule 5.14).

1. Series 1997 notes − principal outstanding $7,830,000; total payoff: $7,870,781.25
2. Series 1993 notes − principal outstanding $4,290,000; total payoff: $4,312,518.76
3. Cascade County, Montana Series 1992B Industrial Development Revenue Obligations − principal outstanding $775,000; total payoff: $799,895.00

ENVIRONMENTAL MATTERS

The Company owns property on which it operated a manufactured gas plant from 1909 to 1928. The site is currently used as an office facility for Company field personnel and a storage location for certain equipment and materials. The coal gasification process utilized in the plant resulted in the production of certain by-products which have been classified by the federal government and the State of Montana as hazardous to the environment.

The Company has completed its remediation of soil contaminants and in April of 2002 received a closure letter from the Montana Department of Environmental Quality ("MDEQ") approving the completion of such remediation program. The Company and its consultants continue to work with the MDEQ relating to the remediation plan for water contaminants. The MDEQ has established regulations that allow water contaminants at a site to exceed standards if it is technically impracticable to achieve them. Although the MDEQ has not established guidance to attain a technical waiver, the U.S. Environmental Protection Agency ("EPA") has developed such guidance. The EPA guidance lists factors which render remediation technically impracticable. The Company has filed a request for a waiver respecting compliance with certain standards with the MDEQ.

EXHIBIT 1.1

[FORM OF SENIOR NOTE]

ENERGY WEST, INCORPORATED

6.16% Senior Unsecured Note due June 29, 2017

No. R-[___] [Date]
$[_____] PPN: 29274A A*6

FOR VALUE RECEIVED, the undersigned, ENERGY WEST, INCORPORATED (herein called the "Company"), a corporation organized and existing under the laws of the state of Montana promises to pay to [_____], or registered assigns, the principal sum of $[_____] on June 29, 2017, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 6.16% per annum from the date hereof, payable semiannually, on June 29 and December 29 in each year, commencing with the June 29 or December 29 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, at a rate per annum from time to time equal to the greater of (i) 8.16% or (ii) 2% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. from time to time in New York, New York as its "base" or "prime" rate, on any overdue payment of interest and, during the continuance of an Event of Default, on the unpaid balance hereof and on any overdue payment of any Make-Whole Amount, payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of JPMorgan Chase Bank, N.A. in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the "Notes") issued pursuant to the Note Purchase Agreement dated as of June 29, 2007 (as from time to time amended, the "Note Purchase Agreement"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder' s attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the state of New York excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than such state.

ENERGY WEST, INCORPORATED

By: _____
Name: David A. Cerotzke
Title: President and Chief Executive Officer

[FORM OF SUBSIDIARY GUARANTY]

THIS GUARANTY (this "Guaranty") dated as of June 29, 2007 is made by the undersigned (each, a "Guarantor"), in favor of the holders from time to time of the Notes hereinafter referred to, including each purchaser named in the Note Purchase Agreement hereinafter referred to, and their respective successors and assigns (collectively, the "Holders" and each individually, a "Holder").

W I T N E S S E T H:

WHEREAS, Energy West, Incorporated a Montana corporation (the "Company"), and the initial Holders have entered into a Note Purchase Agreement dated as of June 29, 2007 (the Note Purchase Agreement as amended, restated or otherwise modified from time to time in accordance with its terms and in effect, the "Note Purchase Agreement");

WHEREAS, the Note Purchase Agreement provides for the issuance by the Company of $13,000,000 aggregate principal amount of Notes (as defined in the Note Purchase Agreement);

WHEREAS, the Company directly or indirectly owns all or a substantial portion of the issued and outstanding capital stock of each Guarantor and, by virtue of such ownership and otherwise, each Guarantor will derive substantial benefits from the purchase by the Holders of the Company' s Notes;

WHEREAS, it is a condition precedent to the obligation of the Holders to purchase the Notes that each Guarantor shall have executed and delivered this Guaranty to the Holders; and

WHEREAS, each Guarantor desires to execute and deliver this Guaranty to satisfy the conditions described in the preceding paragraph;

NOW, THEREFORE, in consideration of the premises and other benefits to each Guarantor, and of the purchase of the Company' s Notes by the Holders, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, each Guarantor makes this Guaranty as follows:

1) Definitions. Any capitalized terms not otherwise herein defined shall have the meanings attributed to them in the Note Purchase Agreement.

2) Guaranty. Each Guarantor, jointly and severally with each other Guarantor, unconditionally and irrevocably guarantees to the Holders the due, prompt and complete payment by the Company of the principal of, make-whole amount, if any, prepayment premium, if any, breakage amount, if any, and interest on, and each other amount due under, the Notes or the Note Purchase Agreement, when and as the same shall become due and payable (whether at stated maturity or by required or optional prepayment or by acceleration or otherwise) in accordance with the terms of the Notes and the Note Purchase Agreement (the Notes and the Note Purchase Agreement being sometimes hereinafter collectively referred to as the "Note Documents" and the amounts payable by the Company under the Note Documents, and all other monetary obligations of the Company thereunder (including any attorneys' fees and expenses), being sometimes collectively hereinafter referred to as the "Obligations"). This Guaranty is a guaranty of payment and not just of collectibility and is in no way conditioned or contingent upon any attempt to collect from the Company or upon any other event, contingency or circumstance whatsoever. If for any reason whatsoever the Company shall fail or be unable duly, punctually and fully to pay such amounts as and when the same shall become due and payable, each Guarantor, without demand, presentment, protest or notice of any kind, will forthwith pay or cause to be paid such amounts to the Holders under the terms of such Note Documents, in lawful money of the United States, at the place specified in the Note Purchase Agreement, or perform or comply with the same or cause the same to be performed or complied with, together with interest (to the extent provided for under such Note Documents) on any amount due and owing from the Company. Each Guarantor, promptly after demand, will pay to the Holders the reasonable costs and expenses of collecting such amounts or otherwise enforcing this Guaranty, including, without limitation, the reasonable fees and expenses of counsel. Notwithstanding the foregoing, the right of recovery against each Guarantor under this Guaranty is limited to the extent it is judicially determined with respect to any Guarantor that entering into this Guaranty would violate Section 548 of the United States Bankruptcy Code or any comparable provisions of any state law, in which case such Guarantor shall be liable under this Guaranty only for amounts aggregating up to the largest amount that would not render such Guarantor' s obligations hereunder subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any state law.

3) Guarantor' s Obligations Unconditional. The obligations of each Guarantor under this Guaranty shall be primary, absolute and unconditional obligations of each Guarantor, shall not be subject to any counterclaim, set-off, deduction, diminution, abatement, recoupment, suspension, deferment, reduction or defense based upon any claim each Guarantor or any other person may have against the Company or any other person, and to the full extent permitted by applicable law shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected by (other than a release of Guarantor herefrom pursuant to Section 9.6(b) of the Note Purchase Agreement), any circumstance or condition whatsoever (whether or not each Guarantor or the Company shall have any knowledge or notice thereof), including:

(a) any termination, amendment or modification of or deletion from or addition or supplement to or other change in any of the Note Documents or any other instrument or agreement applicable to any of the parties to any of the Note Documents;

(b) any furnishing or acceptance of any security, or any release of any security, for the Obligations, or the failure of any security or the failure of any person to perfect any interest in any collateral;

(c) any failure, omission or delay on the part of the Company to conform or comply with any term of any of the Note Documents or any other instrument or agreement referred to in paragraph (a) above, including, without limitation, failure to give notice to any Guarantor of the occurrence of a "Default" or an "Event of Default" under any Note Document;

(d) any waiver of the payment, performance or observance of any of the obligations, conditions, covenants or agreements contained in any Note Document, or any other waiver, consent, extension, indulgence, compromise, settlement, release or other action or inaction under or in respect of any of the Note Documents or any other instrument or agreement referred to in paragraph (a) above or any obligation or liability of the Company, or any exercise or non-exercise of any right, remedy, power or privilege under or in respect of any such instrument or agreement or any such obligation or liability;

(e) any failure, omission or delay on the part of any of the Holders to enforce, assert or exercise any right, power or remedy conferred on such Holder in this Guaranty, or any such failure, omission or delay on the part of such Holder in connection with any Note Document, or any other action on the part of such Holder;

(f) any voluntary or involuntary bankruptcy, insolvency, reorganization, arrangement, readjustment, assignment for the benefit of creditors, composition, receivership, conservatorship, custodianship, liquidation, marshaling of assets and liabilities or similar proceedings with respect to the Company, any Guarantor or to any other person or any of their respective properties or creditors, or any action taken by any trustee or receiver or by any court in any such proceeding;

(g) any discharge, termination, cancellation, frustration, irregularity, invalidity or unenforceability, in whole or in part, of any of the Note Documents or any other agreement or instrument referred to in paragraph (a) above or any term hereof;

(h) any merger or consolidation of the Company or any Guarantor into or with any other corporation, or any sale, lease or transfer of any of the assets of the Company or any Guarantor to any other person;

(i) any change in the ownership of any shares of capital stock of the Company or any change in the corporate relationship between the Company and any Guarantor, or any termination of such relationship;

(j) any release or discharge, by operation of law, of any Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Guaranty; or

(k) any other occurrence, circumstance, happening or event whatsoever, whether similar or dissimilar to the foregoing, whether foreseen or unforeseen, and any other circumstance which might otherwise constitute a legal or equitable defense or discharge of the liabilities of a guarantor or surety or which might otherwise limit recourse against any Guarantor.

4) Full Recourse Obligations. The obligations of each Guarantor set forth herein constitute the full recourse obligations of such Guarantor enforceable against it to the full extent of all its assets and properties.

5) Waiver. Each Guarantor unconditionally waives, to the extent permitted by applicable law, (a) notice of any of the matters referred to in Section 3, (b) notice to such Guarantor of the incurrence of any of the Obligations, notice to such Guarantor or the Company of any breach or default by such Guarantor or the Company with respect to any of the Obligations or any other notice that may be required, by statute, rule of law or otherwise, to preserve any rights of the Holders against such Guarantor, (c) presentment to or demand of payment from the Company or the Guarantor with respect to any amount due under any Note Document or protest for nonpayment or dishonor, (d) any right to the enforcement, assertion or exercise by any of the Holders of any right, power, privilege or remedy conferred in the Note Purchase Agreement or any other Note Document or otherwise, (e) any requirement of diligence on the part of any of the Holders, (f) any requirement to exhaust any remedies or to mitigate the damages resulting from any default under any Note Document, (g) any notice of any sale, transfer or other disposition by any of the Holders of any right, title to or interest in the Note Purchase Agreement or in any other Note Document and (h) any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge, release (other than a release of such Guarantor herefrom pursuant to Section 9.6(b) of the Note Purchase Agreement) or defense of a guarantor or surety (other than the defense of payment) or which might otherwise limit recourse against such Guarantor.

6) Subrogation, Contribution, Reimbursement or Indemnity. Until all Obligations have been indefeasibly paid in full, each Guarantor agrees not to take any action pursuant to any rights which may have arisen in connection with this Guaranty to be subrogated to any of the rights (whether contractual, under the United States Bankruptcy Code, as amended, including Section 509 thereof, under common law or otherwise) of any of the Holders against the Company or against any collateral security or guaranty or right of offset held by the Holders for the payment of the Obligations. Until all Obligations have been indefeasibly paid in full, each Guarantor agrees not to take any action pursuant to any contractual, common law, statutory or other rights of reimbursement, contribution, exoneration or indemnity (or any similar right) from or against the Company which may have arisen in connection with this Guaranty. So long as any Obligations remain outstanding, if any amount shall be paid by or on behalf of the Company to any Guarantor on account of any of the rights waived in this Section 6, such amount shall be held by such Guarantor in trust, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Holders (duly endorsed by such Guarantor to the Holders, if required), to be applied against the Obligations, whether matured or unmatured, in such order as the Holders may determine. The provisions of this Section 6 shall survive the term of this Guaranty and the payment in full of the Obligations.

7) Effect of Bankruptcy Proceedings, etc. This Guaranty shall continue to be effective or be automatically reinstated, as the case may be, if at any time payment, in whole or in part, of any of the sums due to any of the Holders pursuant to the terms of the Note Purchase Agreement or any other Note Document is rescinded or must otherwise be restored or returned by such Holder upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Company or any other person, or upon or as a result of the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to the Company or other person or any substantial part of its property, or otherwise, all as though such payment had not been made. If an event permitting the acceleration of the maturity of the principal amount of the Notes shall at any time have occurred and be continuing, and such acceleration shall at such time be prevented by reason of the pendency against the Company or any other person of a case or proceeding under a bankruptcy or insolvency law, each Guarantor agrees that, for purposes of this Guaranty and its obligations hereunder, the maturity of the principal amount of the Notes and all other Obligations shall be deemed to have been accelerated with the same effect as if any Holder had accelerated the same in accordance with the terms of the Note Purchase Agreement or other applicable Note Document, and such Guarantor shall forthwith pay such principal amount, Make-Whole Amount, if any, and interest thereon and any other amounts guaranteed hereunder without further notice or demand.

8) Term of Agreement. This Guaranty and all guaranties, covenants and agreements of each Guarantor contained herein shall continue in full force and effect and shall not be discharged until such time as all of the Obligations shall be paid and performed in full and all of the agreements of such Guarantor hereunder shall be duly paid and performed in full; provided that each Guarantor shall be automatically and immediately released herefrom without any further act by any Person as provided in Section 9.6(b) of the Note Purchase Agreement.

9) Representations and Warranties. Each Guarantor represents and warrants to each Holder that:

(a) such Guarantor is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has the requisite power and authority to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged;

(b) such Guarantor has the requisite power and authority and the legal right to execute and deliver, and to perform its obligations under, this Guaranty, and has taken all necessary action to authorize its execution, delivery and performance of this Guaranty;

(c) this Guaranty constitutes a legal, valid and binding obligation of such Guarantor enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(d) the execution, delivery and performance of this Guaranty will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of such Guarantor under any indenture, mortgage, deed of trust, loan, credit agreement, corporate charter or by-laws, or any other agreement evidencing Debt, (ii) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of such Guarantor under, any other agreement or instrument to which such Guarantor is bound or by which such Guarantor or any of its properties may be bound or affected, except as could not reasonably be expected to have a Material Adverse Effect, (iii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to such Guarantor, except as could not reasonably be expected to have a Material Adverse Effect, or (iv) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to such Guarantor, except as could not reasonably be expected to have a Material Adverse Effect;

(e) no consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by such Guarantor of this Guaranty;

(f) no litigation, investigation or proceeding of or before any arbitrator or governmental authority is pending or, to the knowledge of such Guarantor, threatened by or against such Guarantor or any of its properties or revenues (i) with respect to this Guaranty or any of the transactions contemplated hereby or (ii) that could reasonably be expected to have a material adverse effect upon the business, operations or financial condition of such Guarantor and its Subsidiaries taken as a whole;

(g) such Guarantor (after giving due consideration to any rights of contribution) has received fair consideration and reasonably equivalent value for the incurrence of its obligations hereunder or as contemplated hereby and after giving effect to the transactions contemplated herein, (i) the fair value of the assets of such Guarantor (both at fair valuation and at present fair saleable value) exceeds its liabilities, (ii) such Guarantor is able to and expects to be able to pay its debts as they mature, and (iii) such Guarantor has capital sufficient to carry on its business as conducted and as proposed to be conducted.

10) Notices. All notices and communications provided for hereunder shall be in writing and sent (a) by facsimile if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid), addressed (a) if to the Company or any Holder at the address or telecopy number set forth in the Note Purchase Agreement or (b) if to a Guarantor, in care of the Company at the Company' s address or telecopy number set forth in the Note Purchase Agreement, or in each case at such other address or telecopy number as the Company, any Holder or such Guarantor shall from time to time designate in writing to the other parties. Any notice so addressed shall be deemed to be given when actually received.

11) Survival. All warranties, representations and covenants made by each Guarantor herein or in any certificate or other instrument delivered by it or on its behalf hereunder shall be considered to have been relied upon by the Holders and shall survive the execution and delivery of this Guaranty, regardless of any investigation made by any of the Holders. All statements in any such certificate or other instrument shall constitute warranties and representations by such Guarantor hereunder.

12) Jurisdiction and Process; Waiver of Jury Trial.

(a) Each Guarantor irrevocably submits to the non exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating solely to this Agreement or the Notes. To the fullest extent permitted by applicable law, each Guarantor irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) Each Guarantor consents to process being served in any suit, action or proceeding solely of the nature referred to in Section 12(a) by mailing a copy thereof by registered or certified or priority mail, postage prepaid, return receipt requested, or delivering a copy thereof in the manner for delivery of notices specified in Section 10, to it. Each Guarantor agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(c) Nothing in this Section 12 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against any Guarantor in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) EACH GUARANTOR WAIVES TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH OR THEREWITH.

13) Miscellaneous. Any provision of this Guaranty which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, each Guarantor hereby waives any provision of law that renders any provisions hereof prohibited or unenforceable in any respect. The terms of this Guaranty shall be binding upon, and inure to the benefit of, each Guarantor and the Holders and their respective successors and assigns. No term or provision of this Guaranty may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by each Guarantor and the Required Holders. The section and paragraph headings in this Guaranty and the table of contents are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof, and all references herein to numbered sections, unless otherwise indicated, are to sections in this Guaranty. This Guaranty shall in all respects be governed by, and construed in accordance with, the laws of the State of New York, including all matters of construction, validity and performance.

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be duly executed as of the day and year first above written.

ENERGY WEST RESOURCES, INC.

By: _____
Name:
Title:

ENERGY WEST PROPANE, INC.

By: _____
Name:
Title:

ENERGY WEST DEVELOPMENT, INC.

By: _____
Name:
Title:

FORM OF JOINDER TO SUBSIDIARY GUARANTY

The undersigned (the "Guarantor"), joins in the Subsidiary Guaranty dated as of June 29, 2007 from the Guarantors named therein in favor of the Holders, as defined therein, and agrees to be bound by all of the terms thereof and represents and warrants to the Holders that:

(a) the Guarantor is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has the requisite power and authority to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged;

(b) the Guarantor has the requisite power and authority and the legal right to execute and deliver this Joinder to Subsidiary Guaranty ("Joinder") and to perform its obligations hereunder and under the Subsidiary Guaranty and has taken all necessary action to authorize its execution and delivery of this Joinder and its performance of the Subsidiary Guaranty;

(c) the Subsidiary Guaranty constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(d) the execution, delivery and performance of this Joinder and performance of the Subsidiary Guaranty will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of such Guarantor under any indenture, mortgage, deed of trust, loan, credit agreement, corporate charter or by-laws, or any other agreement evidencing Debt, (ii) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of such Guarantor under, any other agreement or instrument to which such Guarantor is bound or by which such Guarantor or any of its properties may be bound or affected, except as could not reasonably be expected to have a Material Adverse Effect, (iii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to such Guarantor, except as could not reasonably be expected to have a Material Adverse Effect, or (iv) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to such Guarantor, except as could not reasonably be expected to have a Material Adverse Effect;

(e) no consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by such Guarantor of this Joinder or the Subsidiary Guaranty;

(f) except as disclosed in writing to the holders, no litigation, investigation or proceeding of or before any arbitrator or governmental authority is pending or, to the knowledge of the Guarantor, threatened by or against the Guarantor or any of its properties or revenues (i) with respect to this Joinder, the Subsidiary Guaranty or any of the transactions contemplated hereby or (ii) that could reasonably be expected to have a material adverse effect on the business, operations or financial condition of the Guarantor and its subsidiaries taken as a whole;

(g) such Guarantor (after giving due consideration to any rights of contribution) has received fair consideration and reasonably equivalent value for the incurrence of its obligations hereunder or as contemplated hereby and after giving effect to the transactions contemplated herein, (i) the fair value of the assets of such Guarantor (both at fair valuation and at present fair saleable value) exceeds its liabilities, (ii) such Guarantor is able to and expects to be able to pay its debts as they mature, and (iii) such Guarantor has capital sufficient to carry on its business as conducted and as proposed to be conducted.

Capitalized Terms used but not defined herein have the meanings ascribed in the Subsidiary Guaranty.

IN WITNESS WHEREOF, the undersigned has caused this Joinder to Subsidiary Guaranty to be duly executed as of _____, _____.

[Name of Guarantor]

By: _____
Name:
Title:

FORM OF OPINION OF COUNSEL
FOR THE COMPANY

The opinions of Rogers & Hool LLP, counsel for the Company and the Subsidiary Guarantors, and Browning, Kaleczyc, Berry and Hoven, P.C., special Montana counsel for the Company and the Subsidiary Guarantors, shall be to the effect that:

1. Each of the Company and each Subsidiary Guarantor is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and each has all requisite corporate power and authority to own and operate its properties, to carry on its business as now conducted, and, in the case of the Company, to enter into and perform the Note Purchase Agreement and to issue and sell the Notes and, in the case of each Subsidiary Guarantor, to enter into and perform the Subsidiary Guaranty.

2. The Note Purchase Agreement and the Notes have been duly authorized by proper corporate action on the part of the Company, have been duly executed and delivered by an authorized officer of the Company, and constitute the legal, valid and binding agreements of the Company, enforceable in accordance with their terms, except to the extent that enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, fraudulent transfer, moratorium or similar laws of general application relating to or affecting the enforcement of the rights of creditors or by equitable principles, regardless of whether enforcement is sought in a proceeding in equity or at law.

3. The Subsidiary Guaranty has been duly authorized by proper corporate action on the part of each Subsidiary Guarantor, has been duly executed and delivered by an authorized officer each such Subsidiary Guarantor, and constitutes the legal, valid and binding obligation of each Subsidiary Guarantor, enforceable in accordance with its terms, except to the extent the enforcement thereof may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws of general application relating to or affecting the enforcement of the rights of creditors or by equitable principles, regardless of whether enforcement is sought in a proceeding in equity or at law.

4. In any action or proceeding arising out of or relating to the Agreement, the Notes or the Subsidiary Guaranty in any federal court sitting in the State of Montana or any Montana state court, such court would recognize and give effect to the governing law provisions of such documents choosing the laws of the State of New York; or alternatively, if Montana law were deemed to govern the Agreement, the Notes and the Subsidiary Guaranty, each such agreement would be enforceable against the Company or the Subsidiary Guarantors, as the case may be, in accordance with its terms, except to the extent the enforcement thereof may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws of general application relating to or affecting the enforcement of the rights of creditors or by equitable principles, regardless of whether enforcement is sought in a proceeding in equity or at law.

5. Based on the representations set forth in the Agreement, the offering, sale and delivery of the Notes and delivery of the Subsidiary Guaranty do not require the registration of the Notes or the Subsidiary Guaranty under the Securities Act of 1933, as amended, or the qualification of an indenture under the Trust Indenture Act of 1939, as amended.

6. No authorization, approval or consent of, and no designation, filing, declaration, registration and/or qualification with, any Governmental Authority is necessary or required in connection with the execution, delivery and performance by the Company of the Note Purchase Agreement or the offering, issuance and sale by the Company of the Notes, and no authorization, approval or consent of, and no designation, filing, declaration, registration and/or qualification with, any Governmental Authority is necessary or required in connection with the execution, delivery and performance by any Subsidiary Guarantor of the Subsidiary Guaranty.

7. The issuance and sale of the Notes by the Company, the performance of the terms and conditions of the Notes and the Note Purchase Agreement by the Company and the execution and delivery of the Note Purchase Agreement by the Company do not conflict with, or result in any breach or violation of any of the provisions of, or constitute a default under, or result in the creation or imposition of any Lien on, the property of the Company pursuant to the provisions of (i) the articles of incorporation or bylaws of the Company, (ii) any loan agreement known to such counsel to which the Company is a party or by which the Company or its property is bound, (iii) any other Material agreement or instrument known to such counsel to which the Company is a party or by which the Company or its property is bound, (iv) any law (including usury laws) or regulation applicable to the Company, or (v) to the knowledge of such counsel, any order, writ, injunction or decree of any court or Governmental Authority applicable to the Company.

8. The execution, delivery and performance of the Subsidiary Guaranty will not conflict with, or result in any breach or violation of any of the provisions of, or constitute a default under, or result in the creation or imposition of any Lien on, the property of any Subsidiary Guarantor pursuant to the provisions of (i) the articles of incorporation or bylaws of such Subsidiary Guarantor, (ii) any loan agreement known to such counsel to which such Subsidiary Guarantor is a party or by which such Subsidiary Guarantor or its property is bound, (iii) any other Material agreement or instrument known to such counsel to which the Subsidiary Guarantor is a party or by which the Subsidiary Guarantor or its property is bound, (iv) any law (including usury laws) or regulation applicable to the Subsidiary Guarantor, or (v) to the knowledge of such counsel, any order, writ, injunction or decree of any court or Governmental Authority applicable to the Subsidiary Guarantor.

9. Neither the Company nor any Subsidiary is (i) a "public utility" as defined in the Federal Power Act, as amended, or (ii) an "investment company" or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

10. Based on the representations set forth in the Note Purchase Agreement, the issuance of the Notes and the intended use of the proceeds of the sale of the Notes do not violate or conflict with Regulation U, T or X of the Board of Governors of the Federal Reserve System.

The opinion of Rogers & Hool LLP shall cover such other matters relating to the sale of the Notes as the Purchasers may reasonably request. With respect to matters of fact on which such opinion is based, such counsel shall be entitled to rely on appropriate certificates of public officials and officers of the Company and with respect to matters governed by the laws of any jurisdiction other than the United States of America, the laws of the State of Montana or Wyoming, such counsel may rely upon the opinions of counsel deemed (and stated in their opinion to be deemed) by them to be competent and reliable.. The opinion shall state that subsequent transferees and assignees of the Notes and Foley & Lardner LLP may rely thereon.

FORM OF OPINION OF SPECIAL COUNSEL
TO THE PURCHASERS

The opinion of Foley & Lardner LLP, special counsel to the Purchasers, shall be to the effect that:

1. The Agreement and the Notes constitute the legal, valid and binding agreements of the Company, enforceable in accordance with their terms, except to the extent that enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, fraudulent transfer, moratorium or similar laws of general application relating to or affecting the enforcement of the rights of creditors or by equitable principles, regardless of whether enforcement is sought in a proceeding in equity or at law.

2. The Subsidiary Guaranty constitutes the legal, valid and binding agreement of each Subsidiary Guarantor, enforceable in accordance with its terms, except to the extent that enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, fraudulent transfer, moratorium or similar laws of general application relating to or affecting the enforcement of the rights of creditors or by equitable principles, regardless of whether enforcement is sought in a proceeding in equity or at law.

3. Based on the representations set forth in the Agreement, the offering, sale and delivery of the Notes and delivery of the Subsidiary Guaranty do not require the registration of the Notes or the Subsidiary Guaranty under the Securities Act of 1933, as amended, or the qualification of an indenture under the Trust Indenture Act of 1939, as amended.

4. No approval, consent or withholding of objection on the part of, or filing, registration or qualification with, any Federal governmental body is necessary in connection with the execution and delivery of the Note Agreement or the Notes.

Foley & Lardner LLP may rely upon the opinion of Browning, Kaleczyc, Berry and Hoven, P.C., special Montana counsel for the Company as to the due authorization, execution and delivery of the Agreement, the Notes and the Subsidiary Guaranty. Such opinion shall state that the opinion of Browning, Kaleczyc, Berry and Hoven, P.C. is satisfactory in form and scope to it, and that, in its opinion, the Purchasers and it are justified in relying thereon and shall cover such other matters relating to the sale of the Notes as the Purchasers may reasonably request.

Exhibit 10.5

CREDIT AGREEMENT

dated as of June 29, 2007

by and among

ENERGY WEST, INCORPORATED,

VARIOUS FINANCIAL INSTITUTIONS

and

LASALLE BANK NATIONAL ASSOCIATION,
as Agent

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT dated as of June 29, 2007 (this "**Agreement**") is entered into by and among **ENERGY WEST, INCORPORATED**, a Montana corporation (the "**Company**"), the financial institutions that are or may from time to time become parties hereto (together with their respective successors and assigns, the "**Banks**") and **LASALLE BANK NATIONAL ASSOCIATION**, a national banking association (in its individual capacity, "**LaSalle**"), as agent for the Banks (LaSalle, acting in its capacity as agent for the Banks hereunder and under the other Loan Documents and any successor thereto in such capacity, the "**Agent**").

WHEREAS, the Banks have agreed to make available to the Company a revolving credit facility upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the parties hereto agree as follows:

SECTION 1. DEFINITIONS.

1.1 Definitions. When used herein the following terms shall have the following meanings:

"**Acquisition**" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in: **(i)** the acquisition of all or substantially all of the assets of a Person, or of all or substantially all of any business or division of a Person, **(ii)** the acquisition of in excess of fifty percent (50%) of the capital stock, partnership interests, membership interests or equity of any Person, or otherwise causing any Person to become a Subsidiary, or **(iii)** a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary to the extent otherwise permitted hereunder).

"**Affected Loan**" has the meaning ascribed thereto in Section 8.3.

"**Affiliate**" of any Person means: **(i)** any other Person which, directly or indirectly, controls or is controlled by or is under common control with such Person and **(ii)** any officer or director of such Person. A Person shall be deemed to be "controlled by" any other Person if such Person possesses, directly or indirectly, power to vote five percent (5%) or more of the securities (on a fully-diluted, as-exercised basis) having ordinary voting power for the election of directors or managers or power to direct or cause the direction of the management and policies of such Person whether by contract or otherwise..

"**Agreement**" has the meaning ascribed thereto in the Preamble.

"**Approved Fund**" means any Fund that is administered or managed by **(a)** LaSalle, **(b)** any Affiliate of LaSalle or **(c)** an entity or an Affiliate of an entity that administers or manages LaSalle.

"**Asset Sale**" means the sale, lease, assignment or other transfer for value (each a "**Disposition**") by the Company or any Subsidiary to any Person (other than the Company or any Subsidiary (other than Bangor Gas and Frontier Energy) of any Property other than: **(i)** the Disposition of any asset which is to be replaced, and is in fact replaced, within thirty (30) days with another asset performing the same or a similar function and **(ii)** the sale or lease of inventory in the ordinary course of business.

"**Assignment Agreement**" has the meaning ascribed thereto in Section 14.9.1.

"**Attorney Costs**" means, with respect to any Person, all reasonable fees and charges of any counsel to such Person, the reasonable allocable cost of internal legal services of such Person, all reasonable disbursements of such internal counsel and all court costs and similar legal expenses.

"**Bangor Gas**" means Bangor Gas Company, LLC.

"**Bank**" has the meaning ascribed thereto in the Preamble.

"**Bank Party**" has the meaning ascribed thereto in Section 14.13.

"**Bankruptcy Code**" means the Federal Bankruptcy Reform Act of 1978 (11 U.S.C. §101, *et seq.*), as amended and in effect from time to time, any successor thereto and the regulations issued from time to time thereunder.

"**Base Rate**" means, at any time, the rate of interest in effect for such day as publicly announced from time to time by LaSalle as its "prime rate" (whether or not such rate is actually charged by LaSalle). Any change in the Base Rate (or such "prime rate," as the case may be) announced by LaSalle shall take effect at the opening of business on the day specified in the public announcement of such change.

"**Base Rate Loan**" means any Loan which bears interest at or by reference to the Base Rate.

"**Base Rate Margin**" means the percentage set forth in Schedule 1 hereto beside the then applicable Level.

"**Business Day**" means any day on which LaSalle is open for commercial banking business in Chicago, Illinois and, in the case of a Business Day which relates to a LIBOR Loan, on which dealings are carried on in the London interbank eurodollar market.

"**Capital**" means, as of any date of determination thereof, without duplication, the sum of: **(i)** Consolidated Net Worth *plus* **(ii)** all Debt.

"**Capital Lease**" means, with respect to any Person, any lease of (or other agreement conveying the right to use) any real or personal property by such Person that, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of such Person.

"**Cash Collateralize**" means to deliver cash collateral to the Agent, to be held as cash collateral for outstanding Letters of Credit, pursuant to documentation reasonably satisfactory to the Agent. Derivatives of such term have corresponding meanings.

"**Cash Equivalent Investment**" means, at any time: **(i)** any evidence of Debt, maturing not more than one year after such time, issued or guaranteed by the United States Government or any agency thereof, **(ii)** commercial paper, maturing not more than one (1) year from the date of issue, or corporate demand notes, in each case (unless issued by a Bank or its holding company) rated at least A-l by Standard & Poor' s Ratings Group or P-l by Moody' s Investors Service, Inc., **(iii)** any certificate of deposit (or time deposits represented by such certificates of deposit) or banker' s acceptance, maturing not more than one year after such time, or overnight Federal Funds transactions that are issued or sold by any Bank or its holding company or by a commercial banking institution that is a member of the Federal Reserve System and has a combined capital and surplus and undivided profits of not less than $500,000,000 and **(iv)** any repurchase agreement entered into with any Bank (or other commercial banking institution of the stature referred to in clause (iii)) which: **(y)** is secured by a fully perfected security interest in any obligation of the type described in any of clauses (i) through (iii) and **(z)** has a market value at the time such repurchase agreement is entered into of not less than one hundred percent (100%) of the repurchase obligation of such Bank (or other commercial banking institution) thereunder.

"**CERCLA**" has the meaning ascribed thereto in Section 9.15.

"**Change of Control**" means an event or series of events by which any person or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) (such person or persons hereinafter referred to as an "**Acquiring Person**") becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the voting power of the then outstanding Voting Stock of the Company; provided, notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred if the Company (or the Acquiring Person if either (x) the Company is no longer in existence or (y) the Acquiring Person has acquired all or substantially all of the assets thereof) shall have an Investment Grade Rating immediately following such Acquiring Person becoming the "beneficial owner" or consummating such acquisition.

"**Closing Date**" means June 29, 2007.

"**Code**" means the Internal Revenue Code of 1986.

"**Commitment**" means, as to any Bank, such Bank' s commitment to make Loans and to issue or participate in Letters of Credit under this Agreement. The initial amount of each Bank' s *Pro Rata* Share of the Commitment Amount is set forth on Schedule 2.1.

"**Commitment Amount**" means $20,000,000.00, as (x) reduced from time to time pursuant to Section 6.1 and (y) increased pursuant to the exercise of the Incremental Loan Commitment (as defined in Section 2.6).

"**Commitment Fee Rate**" means the percentage set forth in Schedule 1 hereto beside the then applicable Level.

"**Company**" has the meaning ascribed thereto in the Preamble.

"**Computation Period**" means each period of four (4) consecutive Fiscal Quarters ending on the last day of a Fiscal Quarter.

"**Consolidated Net Income**" means, with respect to the Company and its Subsidiaries for any period, the net income (or loss) of the Company and its Subsidiaries for such period, excluding any gains from Asset Sales, any extraordinary gains and any gains from discontinued operations.

"**Consolidated Net Worth**" means, as of any time the same is to be determined, the total shareholders' equity (including capital stock, additional paid-in-capital and retained earnings after deducting treasury stock, but excluding (to the extent otherwise included in calculating shareholders' equity), minority interests in Subsidiaries) which would appear on the consolidated balance sheet of the Company determined on a consolidated basis in accordance with GAAP.

"**Controlled Group**" means all members of a controlled group of corporations and all members of a controlled group of trades or businesses (whether or not incorporated) under common control which, together with the Company, are treated as a single employer under Section 414 of the Code or Section 4001 of ERISA.

"**Debt**" of any Person means, without duplication: **(i)** all indebtedness of such Person for borrowed money, whether or not evidenced by bonds, debentures, notes or similar instruments, **(ii)** all obligations of such Person as lessee under Capital Leases which have been or should be recorded as liabilities on a balance sheet of such Person in accordance with GAAP, **(iii)** all obligations of such Person to pay the deferred purchase price of property or services (excluding trade accounts payable in the ordinary course of business), **(iv)** all indebtedness secured by a Lien on the property of such Person, whether or not such indebtedness shall have been assumed by such Person, **(v)** all obligations, contingent or otherwise, with respect to the face amount of all letters of credit (whether or not drawn) and banker' s acceptances issued for the account of such Person, **(vi)** all Hedging Obligations of such Person, **(vii)** all Suretyship Liabilities of such Person and **(viii)** all Debt of any partnership of which such Person is a general partner.

"**Disposal**" has the meaning ascribed thereto in the definition of "Release."

"**Dollar**" and the sign "**$**" mean lawful money of the United States of America.

"**Domestic Subsidiary**" means a Subsidiary organized and existing under the laws of a state within the United States.

"**EBIT**" means, for any period, Consolidated Net Income for such period *plus*, to the extent deducted in determining such Consolidated Net Income: **(i)** Interest Expense, and **(ii)** income tax and expense for such period.

"**Environmental Claims**" means all claims, however asserted, by any governmental, regulatory or judicial authority or other Person alleging potential liability or responsibility for violation of any Environmental Law or for release or injury to the environment.

"**Environmental Laws**" means all present or future federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any governmental authority, in each case relating to Environmental Matters.

"**Environmental Matters**" means any matter arising out of or relating to pollution or protection of the environment, including any of the foregoing relating to the presence, use, production, generation, handling, transport, treatment, storage, disposal, distribution, discharge, release, control or cleanup of any Hazardous Substance.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated thereunder.

"**Event of Default**" means the occurrence of any of the events described in Section 12.1.

"**Event of Loss**" means, with respect to any Property, any of the following; (a) any loss, destruction or damage of such Property; (b) any pending or threatened institution of any proceedings for the condemnation or seizures of such Property or for the exercise of any right of eminent domain; or (c) any actual condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, of such Property, or confiscation of such Property or requisition of the use of such Property.

"**Existing Claims**" means the claims, causes of action and other judicial proceedings made, brought, filed or levied by or on behalf of the Company, any of its Subsidiaries or any Joint Venture on or before the Closing Date, each of which is described in reasonable detail on Schedule 1.1(a) hereto.

"**Federal Funds Rate**" means, for any day, the rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Bank of New York (including any such successor publication, "H.15(519)") on the preceding Business Day opposite the caption "Federal Funds (Effective)"; or, if for any relevant day such rate is not so published on any such preceding Business Day, the rate for such day will be the arithmetic mean as determined by the Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 A.M. (New York City time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Agent.

"**Fiscal Quarter**" means a fiscal quarter of a Fiscal Year.

"**Fiscal Year**" means the fiscal year of the Company and its Subsidiaries, which period shall be the twelve (12) month period ending on June 30 of each year. References to a Fiscal Year with a number corresponding to any calendar year (e.g., "Fiscal Year 2007") refer to the Fiscal Year ending on June 30 of such calendar year.

"**FRB**" means the Board of Governors of the Federal Reserve System or any successor thereto.

"**Frontier Energy**" means Frontier Energy, LLC.

"**Fund**" means any Person (other than a natural Person) that is (or will be) engaged in the making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"**GAAP**" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

"**Group**" has the meaning ascribed thereto in Section 2.2.1.

"**Guaranty**" means that certain Guaranty dated as of the Closing Date executed by each Subsidiary of the Company (other than Bangor Gas and Frontier Energy) in favor of Agent for its own benefit and the benefit of each Bank, which is in form and substance satisfactory to Agent.

"**Hazardous Substances**" has the meaning ascribed thereto in Section 9.15.

"**Hedging Agreement**" means any interest rate, currency or commodity swap agreement, cap agreement or collar agreement, and any other agreement or arrangement designed to protect a Person against fluctuations in interest rates, currency exchange rates or commodity prices.

"**Hedging Obligation**" means, with respect to any Person, any liability of such Person under any Hedging Agreement.

"**Interest Coverage Ratio**" means, for any Computation Period, the ratio of: **(i)** EBIT for such Computation Period to **(ii)** Interest Expense for such Computation Period.

"**Interest Expense**" means for any period the consolidated interest expense of the Company and its Subsidiaries for such period (including all imputed interest on Capital Leases).

"**Interest Period**" means, as to any LIBOR Loan, the period commencing on the date such Loan is borrowed or continued as, or converted into, a LIBOR Loan and ending on the date one (1), two (2), three (3) or six (6) months thereafter as selected by the Company pursuant to Section 2.2.2 or 2.2.3 (or such other longer period as may be agreed upon from time to time by Company and Agent, at Agent' s sole discretion), as the case may be; provided that:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the following Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(ii) any Interest Period that begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) the Company may not select any Interest Period for a Loan which would extend beyond the Termination Date (as applicable) with respect to such Loan.

"**Investment**" means, relative to any Person, any investment in another Person, whether by acquisition of any debt or equity security or assets, by making any loan or advance or by becoming obligated with respect to a Suretyship Liability in respect of obligations of such other Person.

"**Investment Grade Rating**" in respect of any Person means, at the time of determination, at least two of the following ratings of its senior, unsecured long-term indebtedness for borrowed money: (i) by Standard & Poor' s Rating Services, a division of The McGraw-Hill Companies, or any successor thereof ("S&P"), "BBB-" or better, (ii) by Moody' s Investors Service, Inc., or any successor thereof ("Moody' s"), "Baa3" or better, or (iii) by another rating agency of recognized national standing, an equivalent or better rating.

"**Issuing Bank**" means LaSalle in its capacity as the issuer of Letters of Credit hereunder and its successors and assigns in such capacity.

"**Joint Venture**" means any partnership, association, company, community of interest, business arrangement or joint venture entered into by the Company or any of its Subsidiaries, in the ordinary course of their business, with an unrelated, non-Affiliate third party on an arm' s length basis to engage in a joint undertaking.

"**L/C Application**" means, with respect to any request for the issuance of a Letter of Credit, a letter of credit application in the form being used by the Issuing Bank at the time of such request for the type of letter of credit requested.

"**L/C LaSalle Master Letter of Credit Agreement**" means a master letter of credit agreement in a form reasonably satisfactory to LaSalle.

"**L/C Fee Rate**" means a rate of interest equal to one and one half percent (1.50%) *per annum*.

"**LaSalle**" has the meaning ascribed thereto in the Preamble.

"**Letter of Credit**" has the meaning ascribed thereto in Section 2.1.3.

"**Level**" means Level I, II or III, or any of them, as set forth in Schedule I hereto.

"**LIBOR**" means a rate of interest equal to the *per annum* rate of interest at which United States Dollar deposits in an amount comparable to the principal balance of the applicable Loan and for a period equal to the relevant Interest Period are offered in the London Interbank Eurodollar market at 11:00 a.m. (London time) two (2) Business Days prior to the commencement of each Interest Period, as displayed in the Bloomberg Financial Markets system, or other authoritative source selected by Agent in its sole discretion, divided by a number determined by subtracting from one (1.00) the maximum reserve percentage for determining reserves to be maintained by member banks of the Federal Reserve System for Eurocurrency liabilities, such rate to remain fixed for such Interest Period. Agent' s determination of LIBOR shall be conclusive, absent manifest error.

"**LIBOR Loan**" means any Loan which bears interest at a rate determined by reference to LIBOR.

"**LIBOR Margin**" means the percentage set forth in Schedule 1 hereto beside the then applicable Level.

"**LIBOR Office**" means with respect to any Bank the office or offices of such Bank which shall be making or maintaining the LIBOR Loans of such Bank hereunder. A LIBOR Office of any Bank may be, at the option of such Bank, either a domestic or foreign office.

"**Lien**" means, with respect to any Person, any interest granted by such Person in any real or personal property, asset or other right owned or being purchased or acquired by such Person which secures payment or performance of any obligation and shall include any mortgage, lien, encumbrance, charge or other security interest of any kind, whether arising by contract, as a matter of law, by judicial process or otherwise, and any contingent or other agreement to provide any of the foregoing.

"**Loan**" has the meaning ascribed thereto in Section 2.1.

"**Loan Documents**" means this Agreement, the Notes, the Guaranty, the L/C Applications and the L/C LaSalle Master Letter of Credit Agreement.

"**Loan Party**" means any of the Company and its Subsidiaries (other than Bangor Gas and Frontier Energy).

"**Mandatory Prepayment Event**" has the meaning ascribed thereto in subsection 6.2.2(a).

"**Margin Stock**" means any "margin stock" as defined in Regulation U.

"**Material Adverse Effect**" means: **(i)** a material adverse change in, or a material adverse effect upon, the financial condition, operations, assets, business, properties or prospects of the Company or the Company and the Company' s Subsidiaries taken as a whole, **(ii)** a material impairment of the ability of the Company or any Subsidiary to perform any of its obligations under any Loan Document to which it is a party or **(iii)** a material adverse effect upon the legality, validity, binding effect or enforceability against the Company or any Subsidiary of any Loan Document to which it is a party.

"**Multiemployer Pension Plan**" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Company or any member of the Controlled Group may have any liability.

"**Net Cash Proceeds**" means:

(i) with respect to any Asset Sale the aggregate cash proceeds (including cash proceeds received by way of deferred payment of principal pursuant to a note, installment receivable or otherwise, but only as and when received) received by the Company or any Subsidiary pursuant to such Asset Sale net of: (x) the direct costs relating to such sale, transfer or other disposition (including sales commissions and legal, accounting and investment banking fees), (y) taxes paid or reasonably estimated by the Company to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements) and (z) amounts required to be applied to the repayment of any Debt secured by a Lien on the asset subject to such Asset Sale (other than the Loans);

(ii) with respect to any payment which constitutes Property Loss Proceeds, an amount equal to the amount of such payment;

(iii) with respect to any issuance of equity securities, the aggregate cash proceeds received by the Company or any Subsidiary pursuant to such issuance, net of the direct costs relating to such issuance (including sales and underwriter' s commissions and legal, accounting and investment banking fees; and

(iv) with respect to any issuance of Debt, the aggregate cash proceeds received by the Company or any Subsidiary pursuant to such issuance, net of the direct costs of such issuance (including up-front fees and placement fees and legal, accounting and investment banking fees); and

(v) with respect to any Event of Loss, the proceeds paid to any Loan Party on account of such Event of Loss, net of (i) all of the costs and expenses reasonably incurred in connection with the collection of such proceeds, award or other payments, and (ii) any amounts retained by or paid to the parties having superior rights to such proceeds, awards or other payments.

"**Note**" has the meaning ascribed thereto in Section 3.1.

"**Obligations**" means all Loans and other Debt, advances, debts, liabilities, obligations, covenants and duties owing by the Company to any Bank or the Agent, any Affiliate thereof or any other Person required to be indemnified, that arises under any Loan Document and any Hedging Obligation of the Company owed to LaSalle or another Bank or Banks, in each case whether or not for the payment of money, whether arising by reason of an extension of credit, loan, guaranty, indemnification or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired.

"**OFAC**" means the Office of Foreign Assets Control of the U.S. Department of the Treasury

"**Operating Lease**" means any lease of (or other agreement conveying the right to use) any real or personal property by the Company or any Subsidiary, as lessee, other than any Capital Lease.

"**Outstandings**" means, at any time, the sum of: **(i)** the aggregate principal amount of all outstanding Loans, *plus* **(ii)** the Stated Amount of all Letters of Credit.

"**PBGC**" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"**Patriot Act**" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, P.L. 107-56*, as amended*.

"**Pension Plan**" means a "pension plan," as such term is defined in Section 3(2) of ERISA, which is subject to Title IV of ERISA (other than a Multiemployer Pension Plan), and to which the Company or any member of the Controlled Group may have any liability, including any liability by reason of having been a substantial employer within the meaning of Section 4063 of ERISA at any time during the preceding five years, or by reason of being deemed to be a contributing sponsor under Section 4069 of ERISA.

"**Permitted Acquisition**" means any Acquisition by **(i)** the Company or any Wholly-Owned Subsidiary of the Company (other than Bangor Gas and Frontier Energy) which is a Domestic Subsidiary of all or substantially all of the assets of a Target, which assets are located in the United States or **(ii)** the Company or any Wholly-Owned Subsidiary of the Company (other than Bangor Gas and Frontier Energy) which is a Domestic Subsidiary of 100% of the Stock and Stock Equivalents of a Target incorporated under the laws of any State in the United States or the District of Columbia to the extent that each of the following conditions shall have been satisfied:

(a) the Company shall have furnished to the Agent and Banks at least ten (10) Business Days prior to the consummation of such Acquisition **(1)** such other information and documents regarding the Acquisition that the Agent may reasonably request, including, without limitation, executed counterparts of the respective agreements, documents or instruments pursuant to which such Acquisition is to be consummated, **(2)** pro forma financial statements of the Company and its Subsidiaries after giving effect to the consummation of such Acquisition, and **(3)** a certificate of a responsible officer of the Company demonstrating on a pro forma basis compliance with the covenants set forth in Section 10.6 hereof after giving effect to the consummation of such Acquisition;

(b) the Company and its Subsidiaries (including any new Subsidiary but not Bangor Gas or Frontier Energy) shall execute and deliver the agreements, instruments and other documents required by Section 10.14;

(c) such Acquisition shall not be hostile and shall have been approved by the board of directors (or other similar body) and/or the stockholders or other equity holders of the Target;

(d) no Default or Event of Default shall then exist or would exist after giving effect thereto; and

(e) the Target has EBIT, subject to pro forma adjustments acceptable to the Agent, for the most recent four quarters prior to the acquisition date for which financial statements are available, greater than zero.

Pursuant to the terms of, *inter alia*, (i) that certain Stock Purchase Agreement dated as of January 30, 2007 by and between the Company and Sempra Energy, a California corporation, and the documents, instruments and agreements contemplated thereby and heretofore executed, executed concurrently therewith or executed at any time and from time to time hereafter, the Company will acquire all the stock and other equity interests in Frontier Utilities of North Carolina, Inc., a North Carolina corporation, and each of its Subsidiaries, and (ii) that certain Stock Purchase Agreement dated as of January 30, 2007 by and between the Company and Sempra Energy, a California corporation, and the documents, instruments and agreements contemplated thereby and heretofore executed, executed concurrently therewith or executed at any time and from time to time hereafter, the Company will acquire all the stock and other equity interests in Penobscot Natural Gas Company, a Maine corporation, and each of its Subsidiaries. The Company hereby agrees and covenants the total consideration (as represented by the Preliminary Purchase Price as defined in the aforementioned Stock Purchase Agreements) paid or payable for both such Acquisitions shall not exceed $5,000,000 in the aggregate (subject, in each case, to an Adjustment Amount for Working Capital at such Acquisition' s closing date). For purposes of this Agreement (x) both such Acquisitions shall be deemed "Permitted Acquisitions" and (y) clause (e) of the definition of "Permitted Acquisition" shall hereafter be calculated without giving effect to either such Acquisition.

"**Person**" means any natural person, corporation, partnership, trust, limited liability company, association, governmental authority or unit, or any other entity, whether acting in an individual, fiduciary or other capacity.

"**Private Placement Notes Debt**" means Debt of Borrower incurred pursuant to the Private Placement Notes Documents.

"**Private Placement Notes Documents**" means (i) that certain Note Purchase Agreement dated as of June 29, 2007 by and among the Company and each of the "Purchasers" listed on Schedule A attached thereto, (ii) the "Notes" (as such term is defined in such Note Purchase Agreement), and (iii) the documents, instruments and agreements contemplated thereby and heretofore executed, executed concurrently therewith or executed at any time and from time to time hereafter, as each of the foregoing may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms hereof and the terms of such Note Purchase Agreement.

"***Pro Rata* Share**" means, with respect to any Bank, the percentage specified opposite such Bank' s name on Schedule 2.1 hereto, as adjusted from time to time in accordance with the terms hereof.

"**Property**" means any interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

"**Property Loss Proceeds**" means: **(i)** the aggregate insurance proceeds received in connection with one (1) or more related events under any property or other, similar insurance policy and **(ii)** any award or other compensation with respect to any condemnation of Property (or any transfer or disposition of Property *in lieu* of condemnation).

"**RCRA**" has the meaning ascribed thereto in Section 9.15.

"**Regulation D**" means Regulation D of the FRB.

"**Regulation U**" means Regulation U of the FRB.

"**Release**" has the meaning specified in CERCLA and the term "**Disposal**" (or "**Disposed**") has the meaning specified in RCRA; provided, in the event either CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply as of the effective date of such amendment; and provided, further, to the extent that the laws of a state wherein any affected property lies establish a meaning for "Release" or "Disposal" which is broader than is specified in either CERCLA or RCRA, such broader meaning shall apply.

"**Required Banks**" means Banks having *Pro Rata* Shares aggregating to more than fifty percent (50.0%).

"**Resources**" means Energy West Resources, Inc., a Montana corporation, together with its successors and assigns.

"**Responsible Officer**" means the chief executive officer, chief financial officer, Vice President Administration, treasurer or president of the Company or any other officer of the Company having substantially the same authority and responsibility.

"**SEC**" means the Securities and Exchange Commission or any other governmental authority succeeding to any of the principal functions thereof.

"**Solvent**" means, as to any Person at any time, that **(a)** the fair value of the Property of such Person is greater than the amount of such Person' s liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(32)(A) of the Bankruptcy Code and, in the alternative, for purposes of the Uniform Fraudulent Transfer Act; **(b)** the present fair saleable value of the Property of such Person is not less than the amount that will be required to pay the probable liability of such person on its debts as they become absolute and matured; **(c)** such Person is able to realize upon its Property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; **(d)** such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person' s ability to pay as such debts and liabilities mature; and **(e)** such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person' s property would constitute unreasonably small capital.

"**Stated Amount**" means, with respect to any Letter of Credit at any date of determination: **(i)** the maximum aggregate amount available for drawing thereunder under any and all circumstances *plus* **(ii)** the aggregate amount of all unreimbursed payments and disbursements under such Letter of Credit.

"**Subordinated Debt**" means any unsecured Debt of the Company that has subordination terms, covenants, pricing and other terms which have been approved in writing by the Required Banks.

"**Subsidiary**" means, with respect to any Person, a corporation, partnership, limited liability company or other entity of which such Person and/or its other Subsidiaries own, directly or indirectly, such number of outstanding shares or other ownership interests as have more than fifty percent (50%) of the ordinary voting power for the election of directors or other managers of such corporation, partnership, limited liability company or other entity. Unless the context otherwise requires, each reference to Subsidiaries herein shall be a reference to Subsidiaries of the Company. Further, the foregoing notwithstanding, no Joint Venture shall be deemed a Subsidiary for purposes of the Loan Documents unless expressly provided otherwise.

"**Suretyship Liability**" means any agreement, undertaking or arrangement by which any Person guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to or otherwise to invest in a debtor, or otherwise to assure a creditor against loss) any indebtedness, obligation or other liability of any other Person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other Person. The amount of any Person' s obligation in respect of any Suretyship Liability shall (subject to any limitation set forth therein) be deemed to be the principal amount of the debt, obligation or other liability supported thereby.

"**Target**" means any other Person or business unit or asset group of any other Person acquired or proposed to be acquired in an Acquisition.

"**Termination Date**" means the earlier to occur of: **(i)** June 26, 2012 or **(ii)** such other date on which the Commitments with respect to terminate pursuant to Sections 6 or 12.

"**Total Debt**" means, without duplication, all Debt of the Company and its Subsidiaries, determined on a consolidated basis, *excluding*: **(i)** contingent obligations in respect of Suretyship Liabilities (except to the extent constituting Suretyship Liabilities in respect of Debt of a Person other than the Company or any Subsidiary), **(ii)** Hedging Obligations, and **(iii)** Debt of the Company to Subsidiaries and Debt of Subsidiaries to the Company or to other Subsidiaries and **(iv)** contingent obligations in respect of undrawn letters of credit.

"**Total Debt to Capital Ratio**" means, as of the last day of any Fiscal Quarter, the ratio of: **(i)** Total Debt as of such day to **(ii)** Capital as of such day.

"**Type of Loan**" or "**Type of Borrowing**" has the meaning ascribed thereto in Section 2.2.1. The types of Loans or borrowings under this Agreement are Base Rate Loans or borrowings and LIBOR Loans or borrowings.

"**UCC**" means the Uniform Commercial Code as in effect from time to time in the State of Illinois; provided, that to the extent that the Uniform Commercial Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Uniform Commercial Code, the definition of such term contained in Article or Division 9 shall govern.

"**Unmatured Event of Default**" means any event that, if it continues uncured, will, with lapse of time or notice or both, constitute an Event of Default.

"**Wholly-Owned Subsidiary**" means, as to any Person, another Person all of the shares of capital stock or other ownership interests of which (except directors' qualifying shares) are at the time directly or indirectly owned by such Person and/or another Wholly-Owned Subsidiary of such Person.

1.2 Other Interpretive Provisions.

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) The term "including" is not limiting and means "including without limitation."

(d) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding," and the word "through" means "to and including."

(e) Unless otherwise expressly provided herein: **(i)** references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document, and **(ii)** references to any statute or regulation shall be construed as including all statutory and regulatory provisions amending, replacing, supplementing or interpreting such statute or regulation.

(f) This Agreement and the other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and each shall be performed in accordance with its terms.

(g) This Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to the Agent, the Company, the Banks and the other parties thereto and are the products of all parties. Accordingly, they shall not be construed against the Agent or the Banks merely because of the Agent' s or Banks' involvement in their preparation.

(h) Whenever this Agreement or any other Loan Document permits a Person to use its "discretion," the parties hereto agree such discretion shall be exercised by such Person reasonably and in good faith.

SECTION 2. COMMITMENTS OF THE BANKS; BORROWING, CONVERSION AND LETTER OF CREDIT PROCEDURES.

2.1 Commitment.

2.1.1 Loan Commitment. On and subject to the terms and conditions of this Agreement, each of the Banks, severally and for itself alone, agrees to make loans to the Company on a revolving basis ("**Loans**") from time to time until the Termination Date in such Bank' s *Pro Rata* Share of such aggregate amounts as the Company may request from all Banks; provided, the Outstandings will not at any time exceed the Commitment Amount.

2.1.2 L/C Commitment. The Issuing Bank will issue standby letters of credit, in each case containing such terms and conditions as are permitted by this Agreement and are reasonably satisfactory to the Issuing Bank (each a "**Letter of Credit**"), at the request of and for the account of the Company from time to time before the date which is thirty (30) days prior to the Termination Date and **(b)** as more fully set forth in Section 2.3.2, each Bank agrees to purchase a participation in each such Letter of Credit; provided, the Outstandings will not at any time exceed the Commitment Amount.

2.2 Loan Procedures.

2.2.1 Various Types of Loans. Loans shall be divided into tranches which are, either a Base Rate Loan or a LIBOR Loan (each a "type" of Loan), as the Company shall specify in the related notice of borrowing or conversion pursuant to Section 2.2.2 or 2.2.3. LIBOR Loans having the same Interest Period are sometimes called a "**Group**" or collectively "**Groups.**" Base Rate Loans and LIBOR Loans may be outstanding at the same time; provided, however, no more than five (5) different Groups of LIBOR Loans shall be outstanding at any one (1) time and no LIBOR Loans shall be made when an Event of Default has occurred and is continuing. All borrowings, conversions and repayments of Loans shall be effected so that each Bank will have a *pro rata* share (according to its *Pro Rata* Share) of all types and Groups of Loans.

2.2.2 Borrowing Procedures. The Company shall give written notice or telephonic notice (followed immediately by written confirmation thereof) to the Agent of each proposed borrowing not later than: **(a)** in the case of a Base Rate borrowing, 11:00 A.M., Chicago time, on the proposed date of such borrowing, and **(b)** in the case of a LIBOR borrowing, 11:00 A.M., Chicago time, at least three (3) Business Days prior to the proposed date of such borrowing. Each such notice shall be effective upon receipt by the Agent, shall be irrevocable, and shall specify the date, amount and type of borrowing and, in the case of a LIBOR borrowing, the initial Interest Period therefor. Promptly upon receipt of such notice, the Agent shall advise each Bank thereof. Not later than 1:00 P.M., Chicago time, on the date of a proposed borrowing, each Bank shall provide the Agent at the office specified by the Agent with immediately available funds covering such Bank' s *Pro Rata* Share of such borrowing and, so long as the Agent has not received written notice that the conditions precedent set forth in Section 11 with respect to such borrowing have not been satisfied, the Agent shall pay over the funds received by the Agent to the Company on the requested borrowing date. Each borrowing shall be on a Business Day. Each LIBOR borrowing shall be in an aggregate amount of at least $100,000 and an integral multiple of at least $100,000.

2.2.3 Conversion and Continuation Procedures.

(a) Subject to Section 2.2.1, the Company may, upon irrevocable written notice to the Agent in accordance with clause (b) below:

(i) elect, as of any Business Day, to convert any Loans (or any part thereof in an aggregate amount not less than $100,000 or a higher integral multiple of $100,000) into Loans of the other type; or

(ii) elect, as of the last day of the applicable Interest Period, to continue any LIBOR Loans having Interest Periods expiring on such day (or any part thereof in an aggregate amount not less than $100,000 or a higher integral multiple of $100,000) for a new Interest Period;

provided, however, after giving effect to any prepayment, conversion or continuation, the aggregate principal amount of each Group of LIBOR Loans shall be at least $100,000 and an integral multiple of $100,000.

(b) The Company shall give written or telephonic (followed immediately by written confirmation thereof) notice to the Agent of each proposed conversion or continuation not later than: **(i)** in the case of conversion into Base Rate Loans, 11:00 A.M., Chicago time, on the proposed date of such conversion and **(ii)** in the case of conversion into or continuation of LIBOR Loans, 11:00 A.M., Chicago time, at least three (3) Business Days prior to the proposed date of such conversion or continuation, specifying in each case:

(w) the proposed date of conversion or continuation;

(x) the aggregate amount of Loans to be converted or continued;

(y) the type of Loans resulting from the proposed conversion or continuation; and

(z) in the case of conversion into, or continuation of, LIBOR Loans, the duration of the requested Interest Period therefor.

(c) If, upon the expiration of any Interest Period applicable to LIBOR Loans, the Company has failed to select timely a new Interest Period to be applicable to such LIBOR Loans, the Company shall be deemed to have elected to convert such LIBOR Loans into Base Rate Loans effective on the last day of such Interest Period.

(d) The Agent will promptly notify each Bank of its receipt of a notice of conversion or continuation pursuant to this Section 2.2.3 or, if no timely notice is provided by the Company, of the details of any automatic conversion.

(e) Any conversion of a LIBOR Loan on a day other than the last day of an Interest Period therefor shall be subject to Section 8.4.

(f) Notwithstanding anything contained in this Agreement or any of the other Loan Documents to the contrary, no LIBOR Loans shall be made and no continuations of or conversions to LIBOR Loans shall be made for so long as an Event of Default has occurred and is continuing

2.3 Letter of Credit Procedures.

2.3.1 L/C Applications. The Company shall give notice to the Agent and the Issuing Bank of the proposed issuance of each Letter of Credit on a Business Day which is at least three (3) Business Days (or such lesser number of days as the Agent and the Issuing Bank shall agree in any particular instance in their sole discretion) prior to the proposed date of issuance of such Letter of Credit. Each such notice shall be accompanied by an L/C Application, duly executed by the Company and in all respects satisfactory to the Agent and the Issuing Bank, together with such other documentation as the Agent or the Issuing Bank may request in support thereof, it being understood that each L/C Application shall specify, among other things, the date on which the proposed Letter of Credit is to be issued, the expiration date of such Letter of Credit (which shall not be later than the earlier to occur of: (x) one (1) year after the date of issuance thereof and (y) thirty (30) days prior to the scheduled Termination Date) and whether such Letter of Credit is to be transferable in whole or in part. So long as the Issuing Bank has not received written notice that the conditions precedent set forth in Section 11 with respect to the issuance of such Letter of Credit have not been satisfied, the Issuing Bank shall issue such Letter of Credit on the requested issuance date. The Issuing Bank shall promptly advise the Agent of the issuance of each Letter of Credit and of any amendment thereto, extension thereof or event or circumstance changing the amount available for drawing thereunder. In the event of any inconsistency between the terms of any L/C Application or documents executed pursuant thereto and the terms of this Agreement, the terms of this Agreement shall control; provided, as long as LaSalle is the Issuing Bank, the terms of the L/C LaSalle Master Letter of Credit Agreement shall govern and control in the event of any inconsistency between the terms of this Agreement and the L/C LaSalle Master Letter of Credit Agreement.

2.3.2 Participations in Letters of Credit. Concurrently with the issuance of each Letter of Credit, the Issuing Bank shall be deemed to have sold and transferred to each other Bank, and each other Bank shall be deemed irrevocably and unconditionally to have purchased and received from the Issuing Bank, without recourse or warranty, an undivided interest and participation, to the extent of such other Bank' s *Pro Rata* Share, in such Letter of Credit and the Company' s reimbursement obligations with respect thereto. For the purposes of this Agreement, the unparticipated portion of each Letter of Credit shall be deemed to be the Issuing Bank' s "participation" therein. The Issuing Bank hereby agrees, upon request of the Agent or any Bank, to deliver to the Agent or such Bank a list of all outstanding Letters of Credit issued by the Issuing Bank, together with such information related thereto as the Agent or such Bank may reasonably request.

2.3.3 Reimbursement Obligations. The Company hereby unconditionally and irrevocably agrees to reimburse the Issuing Bank for each payment or disbursement made by the Issuing Bank under any Letter of Credit honoring any demand for payment made by the beneficiary thereunder, in each case on the date that such payment or disbursement is made. Any amount not reimbursed on the date of such payment or disbursement shall bear interest from the date of such payment or disbursement to the date that the Issuing Bank is reimbursed by the Company therefor, payable on demand, at a rate *per annum* equal to the Base Rate from time to time in effect from time to time in effect *plus*, beginning on the third Business Day after receipt of notice from the Issuing Bank of such payment or disbursement, two percent (2%). The Issuing Bank shall notify the Company and the Agent whenever any demand for payment is made under any Letter of Credit by the beneficiary thereunder; provided, the failure of the Issuing Bank to so notify the Company shall not affect the rights of the Issuing Bank or the Banks in any manner whatsoever.

2.3.4 Limitation on Obligations of Issuing Bank. In determining whether to pay under any Letter of Credit, the Issuing Bank shall not have any obligation to the Company or any Bank other than to confirm that any documents required to be delivered under such Letter of Credit appear to have been delivered and appear to comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by the Issuing Bank under or in connection with any Letter of Credit, if taken or omitted in the absence of gross negligence and willful misconduct, shall not impose upon the Issuing Bank any liability to the Company or any Bank and shall not reduce or impair the Company' s reimbursement obligations set forth in Section 2.3.3 or the obligations of the Banks pursuant to Section 2.3.5.

2.3.5 Funding by Banks to Issuing Bank. If the Issuing Bank makes any payment or disbursement under any Letter of Credit and the Company has not reimbursed the Issuing Bank in full for such payment or disbursement by 11:00 A.M., Chicago time, on the date of such payment or disbursement, or if any reimbursement received by the Issuing Bank from the Company is or must be returned or rescinded upon or during any bankruptcy or reorganization of the Company or otherwise, each other Bank shall be obligated to pay to the Agent for the account of the Issuing Bank, in full or partial payment of the purchase price of its participation in such Letter of Credit, its *Pro Rata* Share of such payment or disbursement (but no such payment shall diminish the obligations of the Company under Section 2.3.3), and, upon notice from the Issuing Bank, the Agent shall promptly notify each other Bank thereof. Each other Bank irrevocably and unconditionally agrees to so pay to the Agent in immediately available funds for the Issuing Bank' s account the amount of such other Bank' s *Pro Rata* Share of such payment or disbursement. If and to the extent any Bank shall not have made such amount available to the Agent by 2:00 P.M., Chicago time, on the Business Day on which such Bank receives notice from the Agent of such payment or disbursement (it being understood that any such notice received after noon, Chicago time, on any Business Day shall be deemed to have been received on the next following Business Day), such Bank agrees to pay interest on such amount to the Agent for the Issuing Bank' s account forthwith on demand, for each day from the date such amount was to have been delivered to the Agent to the date such amount is paid, at a rate *per annum* equal to: (a) for the first three (3) days after demand, the Federal Funds Rate from time to time in effect and (b) thereafter, the Base Rate from time to time in effect. Any Bank' s failure to make available to the Agent its *Pro Rata* Share of any such payment or disbursement shall not relieve any other Bank of its obligation hereunder to make available to the Agent such other Bank' s *Pro Rata* Share of such payment, but no Bank shall be responsible for the failure of any other Bank to make available to the Agent such other Bank' s *Pro Rata* Share of any such payment or disbursement.

2.4 Commitments Several. The failure of any Bank to make a requested Loan on any date shall not relieve any other Bank of its obligation (if any) to make a Loan on such date, but no Bank shall be responsible for the failure of any other Bank to make any Loan to be made by such other Bank.

2.5 Certain Conditions. Notwithstanding any other provision of this Agreement, no Bank shall have an obligation to make any Loan, or to permit the continuation of or any conversion into any LIBOR Loan if: (i) an Event of Default or Unmatured Event of Default exists or (ii) the last day of the Interest Period for such Loan would be on or past the Termination Date.

2.6 Incremental Loan. Subject to the terms and conditions set forth herein and so long as no Unmatured Event of Default or Event of Default shall have occurred and then be continuing, the Borrower shall have the right, but not the obligation, after the date of this Agreement and ending thirty (30) days prior to the Termination Date, to request a one-time increase in the Loan Commitment by up to $10,000,000 (the "Incremental Loan Commitment"). The Incremental Loan Commitment shall be obtained from existing Banks or from other banks, financial institutions or investment funds, in each case in accordance with the terms set forth below and the Borrower shall execute such promissory notes as are necessary to reflect the Incremental Loan Commitment.

Borrower shall also provide Agent certified copies of all requisite governmental and regulatory approvals prior the effectiveness of the Incremental Loan Commitment, together with legal opinions from outside legal counsel to Borrower opining as to the sufficiency of such approvals. Participation in the Incremental Loan Commitment shall be offered first to each of the existing Bank, but neither Agent nor any such Bank shall have any obligation whatsoever to provide all or any portion of the Incremental Loan Commitment. Each of the existing Banks shall have ten (10) Business Days following the receipt of the request by Borrower to increase the Loan Commitment to notify the Agent of their acceptance and, in the event the entire Incremental Loan Commitment has not been accepted, of their desire to provide additional commitments with respect to such shortfall. In the event that the Agent has not received commitments from the existing Banks in an amount not less than the Incremental Loan Commitment within such ten (10) Business Day period, then the Borrower may invite other banks, financial institutions and investment funds reasonably acceptable to the Agent to be joined as parties to this Agreement as Banks hereunder with respect to the portion of such Incremental Loan Commitment not taken within such ten (10) Business Day period by existing Banks, provided, that, such other banks, financial institutions and investment funds shall enter into such joinder agreements to give effect thereto as the Agent and the Borrower may reasonably request.

SECTION 3. NOTES EVIDENCING LOANS.

3.1 Notes. The Loans of each Bank shall be evidenced by a promissory note (each a "**Note**") substantially in the form set forth in Exhibit A, with appropriate insertions, payable to the order of such Bank in a face principal amount equal to the sum of such Bank' s *Pro Rata* Share of the Commitment Amount.

3.2 Recordkeeping. Each Bank shall record in its records, or at its option on the schedule attached to its Note, the date and amount of each Loan made by such Bank, each repayment or conversion thereof and, in the case of each LIBOR Loan, the dates on which each Interest Period for such Loan shall begin and end. The aggregate unpaid principal amount so recorded shall be rebuttable presumptive evidence of the principal amount owing and unpaid on such Note. The failure to so record any such amount or any error in so recording any such amount shall not, however, limit or otherwise affect the obligations of the Company hereunder or under any Note to repay the principal amount of the Loans evidenced by such Note together with all interest accruing thereon.

3.3 Maturity. The Loan shall mature, and the Company shall repay all unpaid Obligations in full with respect to the Loan no later than on the Termination Date.

SECTION 4. INTEREST.

4.1 Interest Rates. The Company promises to pay interest on the unpaid principal amount of each Loan for the period commencing on the date of such Loan until (but not including such date as) such Loan is paid in full as follows:

(a) at all times while such Loan is a Base Rate Loan, at a rate *per annum* equal to the sum of the Base Rate *plus* the Base Rate Margin applicable to such Loan in effect from time to time; and

(b) at all times while such Loan is a LIBOR Loan, at a rate *per annum* equal to the sum of LIBOR applicable to the Interest Period for such Loan *plus* the LIBOR Margin applicable to such Loan in effect from time to time;

provided, at any time an Unmatured Event of Default or Event of Default exists, unless otherwise agreed by the Required Banks, the interest rate applicable to each Loan shall be equal the interest rate payable with respect to Base Rate Loans and LIBOR Loans, as applicable, plus, in each case, an additional two percent (2.00%) *per annum*, all of which shall be payable on demand. Additionally, at any time any Unmatured Event of Default or Event of Default exists, all other amounts, fees and sums owing to the Agent and the Banks under this Agreement and the other Loan Documents, unless otherwise agreed by the Required Banks, shall bear interest at a rate *per annum* equal to the sum of the Base Rate from time to time in effect, *plus* two percent (2%), all of which shall be payable on demand.

4.2 Interest Payment Dates. Accrued interest on each Base Rate Loan shall be payable in arrears on the last day of each calendar quarter and on the Termination Date, as applicable. Accrued interest on each LIBOR Loan shall be payable on the last day of each Interest Period relating to such Loan and on the Termination Date, as applicable (and, in the case of a LIBOR Loan with a six-month Interest Period (or such other longer Interest Period, if any, agreed upon by the Company and Agent), on the three-month anniversary of the first day of such Interest Period and on every subsequent three-month anniversary of the first day of such Interest Period (as applicable)). On and after the Termination Date, accrued interest on all Loans shall be payable on demand.

4.3 Setting and Notice of LIBOR. The applicable LIBOR for each Interest Period shall be determined by the Agent, and notice thereof shall be given by the Agent promptly to the Company and each Bank. Each determination of the applicable LIBOR by the Agent shall be conclusive and binding upon the parties hereto, in the absence of demonstrable error. The Agent shall, upon written request of the Company or any Bank, deliver to the Company or such Bank a statement showing the computations used by the Agent in determining any applicable LIBOR hereunder.

4.4 Computation of Interest. Interest on each LIBOR Loan shall be computed for the actual number of days elapsed (including the day a Loan is made but excluding the day it is repaid) on the basis of a year of three hundred sixty (360) days. Interest on each Base Rate Loan shall be computed for the actual number of days elapsed (including the day a Loan is made but excluding the day it is repaid) on the basis of a year of three hundred sixty-five/three hundred sixty-six (365/366) days, as applicable. The applicable interest rate for each Base Rate Loan shall change simultaneously with each change in the Base Rate.

4.5 Maximum Rate of Interest. Anything herein to the contrary notwithstanding, the obligations of the Company hereunder and under the Notes shall be subject to the limitation that payments of interest shall not be required, for any period for which interest in computed hereunder, to the extent (but only to the extent) that contracting for or receiving such payment by the respective Bank would be contrary to the provisions of any law applicable to such Bank limiting the highest rate of interest which may be lawfully contracted for, charged or received by such Bank, and in such event the Company shall pay such Bank interest at the highest rate permitted by applicable law.

SECTION 5. FEES.

5.1 Commitment Fee. The Company agrees to pay to the Agent for the account of each Bank a commitment fee, for the period from the Closing Date to the Termination Date, at the Commitment Fee Rate in effect from time to time of such Bank' s *Pro Rata* Share (as adjusted from time to time) of the unused amount of the Commitment Amount; provided, if requested by the Required Banks, the rate applicable shall be increased by two percent (2%) at any time that an Event of Default exists. For purposes of calculating usage under this Section, the Commitment Amount shall be deemed used to the extent of the aggregate principal amount of all Outstandings. Such commitment fee shall be payable in arrears on the last Business Day of each calendar quarter and on the Termination Date for any period then ending for which such commitment fee shall not have previously been paid. The commitment fee shall be computed for the actual number of days elapsed on the basis of a year of three hundred sixty (360) days.

5.2 Letter of Credit Fees.

(a) The Company agrees to pay to the Agent for the account of each Bank a letter of credit fee for each Letter of Credit equal to the L/C Fee Rate in effect from time to time of such Bank' s *Pro Rata* Share (as adjusted from time to time) of the undrawn amount of such Letter of Credit (computed for the actual number of days elapsed on the basis of a year of three hundred sixty (360) days); provided, if requested by the Required Banks, the rate applicable to each Letter of Credit shall be increased by two percent (2%) at any time that an Event of Default exists. Such letter of credit fee shall be payable in arrears on the last day of each calendar quarter and on the Termination Date (or such later date on which such Letter of Credit expires or is terminated) for the period from the date of the issuance of each Letter of Credit (or the last day on which the letter of credit fee was paid with respect thereto) to the date such payment is due or, if earlier, the date on which such Letter of Credit expired or was terminated.

(b) In addition, with respect to each Letter of Credit, the Company agrees to pay to the Issuing Bank, for its own account: **(i)** such fees and expenses as the Issuing Bank customarily requires in connection with the issuance, negotiation, processing and/or administration of letters of credit in similar situations and **(ii)** a letter of credit fronting fee in the amount and at the times agreed to by the Company and the Issuing Bank.

5.3 Upfront Fees. The Company agrees to pay to the Agent for the account of each Bank on the Closing Date an upfront fee in the amount of $50,000 (and the Agent agrees to promptly forward to each Bank a portion of such upfront fee in the amount previously agreed to between the Agent and such Bank), which fee shall be deemed to be fully-earned and non-refundable on the Closing Date.

5.4 Agent' s Fees. The Company agrees to pay to the Agent such agent' s fees as are mutually agreed to from time to time by the Company and the Agent.

SECTION 6. REDUCTION OR TERMINATION OF THE REVOLVING COMMITMENT AMOUNT; PREPAYMENTS AND PAYMENTS.

6.1 Reduction or Termination of the Commitment Amount.

6.1.1 Voluntary Reduction or Termination of the Commitment Amount. The Company may from time to time on at least five (5) Business Days prior written notice received by the Agent (which shall promptly advise each Bank thereof) permanently reduce the Commitment Amount to an amount not less than the Outstandings. Any such reduction shall be in an amount not less than $1,000,000 or a higher integral multiple of $1,000,000. Concurrently with any reduction of the Commitment Amount to zero ($0), the Company shall pay all interest on the Loans and all other Obligations and all commitment fees and all letter of credit fees and shall Cash Collateralize in full all obligations arising with respect to the Letters of Credit.

6.1.2 Reserved

6.1.3 All Reductions of the Commitment Amount. All reductions of the Commitment Amount shall reduce the Commitments *pro rata* among the Banks according to their respective *Pro Rata* Shares.

6.2 Prepayments.

6.2.1 Voluntary Prepayments. The Company may from time to time prepay the Loans in whole or in part; provided, the Company shall give the Agent (which shall promptly advise each Bank) notice thereof not later than 11:00 A.M., Chicago time, on the day of such prepayment (which shall be a Business Day), specifying the Loans to be prepaid and the date and amount of prepayment. Any such partial prepayment shall be in an amount equal to $100,000 or a higher integral multiple of $100,000. Any amount of Loans which are voluntarily prepaid may be reborrowed, subject to the conditions contained herein and in the other Loan Documents for such borrowings.

6.2.2 Mandatory Prepayments.

(a) The Company shall make a prepayment of the Loans upon the occurrence of any of the following (each a "**Mandatory Prepayment Event**") at the following times and in the following amounts (such applicable amounts being referred to as "**Designated Proceeds**"):

(i) concurrently with the receipt by the Company or any Subsidiary of any Net Cash Proceeds from any Asset Sale, in an amount equal to one hundred percent (100%) of such Net Cash Proceeds; provided, however, in the event that, at the time of any such sale, no Event of Default shall exist or shall result from such sale, the Company may retain up to $3,000,000 in the aggregate of the Net Cash Proceeds resulting from all such Asset Sales which have occurred since the Closing Date; provided, further, that if a mandatory prepayment of the Loans is required pursuant to this subsection 6.2.2(a)(i), such prepayment shall be applied first, to the Loans, and second, to any other Obligations;

(ii) concurrently with the receipt by the Company or any Subsidiary of any Net Cash Proceeds from any issuance of any Debt excluding the proceeds of Debt permitted by clauses (a) through (i) of Section 10.7), an amount equal to one hundred percent (100%) of such Net Cash Proceeds, provided, further, that if a mandatory prepayment of the Loans is required pursuant to this subsection 6.2.2(a)(ii), such prepayment shall be applied first, to the Loans, and second, to any other Obligations;

(iii) concurrently upon receipt by the Company or any Subsidiary of the Company of any Property Loss Proceeds in excess of $3,000,000 in the aggregate during the term of this Agreement, in an amount equal to such excess Property Loss Proceeds; provided, the recipient (other than Agent) of any payment which constitutes Property Loss Proceeds may reinvest such payment within one hundred eighty (180) days, in replacement assets comparable to the assets giving rise to such payment; provided, further, if the Company or its applicable Subsidiary does not intend to reinvest such payment, or if the time period set forth in this sentence expires without such Person having reinvested such payment, the Company shall prepay the Loans in an amount equal to such payment; provided, further, that if a mandatory prepayment of the Loans is required pursuant to this subsection 6.2.2(a)(iii), such prepayment shall be applied first, to the Loans, and second, to any other Obligations; and

(iv) concurrently with the receipt by the Company or any Subsidiary of the Company (or any Joint Venture) of any proceeds of or relating to any Existing Claim in an amount greater than or equal to $15,000, whether as a result of any award, settlement, order, judgment, liquidation or otherwise, an amount equal to one hundred percent (100%) of such proceeds (or, if received by such Joint Venture, in an amount at least equal to the Company' s ownership percentage of such proceeds when, but only when, distributed by such Joint Venture to the Company or any Subsidiary of the Company); provided, that if a mandatory prepayment of the Loans is required pursuant to this subsection 6.2.2(a)(iv), such prepayment shall be applied first, to the Loans, and second, to any other Obligations.

(b) If on any day on which the Outstandings exceed the Commitment Amount, the Company shall immediately prepay the Loans and/or Cash Collateralize the outstanding Letters of Credit, or do a combination of the foregoing, in an amount sufficient to eliminate such excess.

6.3 Miscellaneous Prepayment Provisions. Any partial prepayment of a Group of LIBOR Loans shall be subject to the proviso to subsection 2.2.3(a). Any prepayment of a LIBOR Loan on a day other than the last day of an Interest Period therefor shall include interest on the principal amount being repaid and shall be subject to Section 8.4.

6.4 Payment of Loans. Each Loan made by each Bank shall be paid in full on the Termination Date.

SECTION 7. MAKING AND PRORATION OF PAYMENTS; SETOFF; TAXES.

7.1 Making of Payments. All payments of principal of or interest on the Notes, and of all fees, shall be made by the Company to the Agent in immediately available funds at the office specified by the Agent not later than noon, Chicago time, on the date due; and funds received after that hour shall be deemed to have been received by the Agent on the following Business Day. Provided that such Bank has made all payments required to be made by it under this Agreement and the other Loan Documents, the Agent shall promptly remit to each Bank its share of all such payments received in collected funds by the Agent for the account of such Bank. All payments under Section 8.1 shall be made by the Company directly to the Bank entitled thereto.

7.2 Application of Certain Payments. Each payment of principal shall be applied to such Loans as the Company shall direct by notice to be received by the Agent on or before the date of such payment or, in the absence of such notice, as the Agent shall determine in its discretion. Concurrently with each remittance to any Bank of its share of any such payment, the Agent shall advise such Bank as to the application of such payment.

7.3 Due Date Extension. If any payment of principal or interest with respect to any of the Loans, or of any fees, falls due on a day which is not a Business Day, then such due date shall be extended to the immediately following Business Day (unless, in the case of a LIBOR Loan, such immediately following Business Day is the first Business Day of a calendar month, in which case such due date shall be the immediately preceding Business Day) and, in the case of principal, additional interest shall accrue and be payable for the period of any such extension.

7.4 Setoff. The Company agrees that the Agent and each Bank have all rights of set-off and bankers' lien provided by applicable law, and in addition thereto, the Company agrees that at any time any Event of Default exists, the Agent and each Bank may apply to the payment of any obligations of the Company hereunder, whether or not then due, any and all balances, credits, deposits, accounts or moneys of the Company then or thereafter with the Agent or such Bank.

7.5 Proration of Payments. If any Bank shall obtain any payment or other recovery (whether voluntary, involuntary, by application of offset or otherwise, but excluding any payment pursuant to Section 8.7 or 14.9 and payments of interest on any Affected Loan) on account of principal of or interest on any Loan in excess of its *pro rata* share of payments and other recoveries obtained by all Banks on account of principal of and interest on the Loans then held by them, such Bank shall purchase from the other Banks such participations in the Loans held by them as shall be necessary to cause such purchasing Bank to share the excess payment or other recovery ratably with each of them; provided, if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing Bank, the purchase shall be rescinded and the purchase price restored to the extent of such recovery.

7.6 Taxes. All payments of principal of, and interest on, the Loans and all other amounts payable hereunder shall be made free and clear of and without deduction for any present or future income, excise, stamp or franchise taxes and other taxes, fees, duties, withholdings or other charges of any nature whatsoever imposed by any taxing authority, excluding franchise taxes and taxes imposed on or measured by any Bank' s net income or receipts (all non-excluded items being called "Taxes"). If any withholding or deduction from any payment to be made by the Company hereunder is required in respect of any Taxes pursuant to any applicable law, rule or regulation, then the Company will:

(a) pay directly to the relevant authority the full amount required to be so withheld or deducted;

(b) promptly forward to the Agent an official receipt or other documentation satisfactory to the Agent evidencing such payment to such authority; and

(c) pay to the Agent for the account of the Banks such additional amount as is necessary to ensure that the net amount actually received by each Bank will equal the full amount such Bank would have received had no such withholding or deduction been required.

Moreover, if any Taxes are directly asserted against the Agent or any Bank with respect to any payment received by the Agent or such Bank hereunder, the Agent or such Bank may pay such Taxes and the Company will promptly pay such additional amount (including any penalty, interest or expense) as is necessary in order that the net amount received by such Person after the payment of such Taxes (including any Taxes on such additional amount) shall equal the amount such Person would have received had such Taxes not been asserted.

If the Company fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Agent, for the account of the respective Banks, the required receipts or other required documentary evidence, the Company shall indemnify the Banks for any incremental Taxes, interest or penalties that may become payable by any Bank as a result of any such failure. For purposes of this Section 7.6, a distribution hereunder by the Agent or any Bank to or for the account of any Bank shall be deemed a payment by the Company.

Each Bank that: **(a)** is organized under the laws of a jurisdiction other than the United States of America or a state thereof and **(b)(i)** is a party hereto on the Closing Date or **(ii)** becomes an assignee of an interest under this Agreement under Section 14.9.1 after the Closing Date (unless such Bank was already a Bank hereunder immediately prior to such assignment) shall execute and deliver to the Company and the Agent one or more (as the Company or the Agent may reasonably request) United States Internal Revenue Service Form W8EC or Form W8BEN or such other forms or documents, appropriately completed, as may be applicable to establish that such Bank is exempt from withholding or deduction of Taxes. The Company shall not be required to pay additional amounts to any Bank pursuant to this Section 7.6 to the extent that the obligation to pay such additional amounts would not have arisen but for the failure of such Bank to comply with this paragraph.

SECTION 8. INCREASED COSTS; SPECIAL PROVISIONS FOR EURODOLLAR LOANS.

8.1 Increased Costs.

(a) If, after the date hereof, the adoption of, or any change in, any applicable law, rule or regulation, or any change in the interpretation or administration of any applicable law, rule or regulation by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or any LIBOR Office of such Bank) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) shall subject any Bank (or any LIBOR Office of such Bank) to any tax, duty or other charge with respect to its LIBOR Loans, its Note or its obligation to make LIBOR Loans, or shall change the basis of taxation of payments to any Bank of the principal of or interest on its LIBOR Loans or any other amounts due under this Agreement in respect of its LIBOR Loans or its obligation to make LIBOR Loans (except for changes in the rate of tax on the overall net income of such Bank or its LIBOR Office imposed by the jurisdiction in which such Bank' s principal executive office or LIBOR Office is located);

(ii) shall impose, modify or deem applicable any reserve (including any reserve imposed by the FRB, but excluding any reserve included in the determination of interest rates pursuant to Section 4), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by any Bank (or any LIBOR Office of such Bank); or

(iii) shall impose on any Bank (or its LIBOR Office) any other condition affecting its LIBOR Loans, its Note or its obligation to make LIBOR Loans;

and the result of any of the foregoing is to increase the cost to (or to impose a cost on) such Bank (or any LIBOR Office of such Bank) of making or maintaining any LIBOR Loan, or to reduce the amount of any sum received or receivable by such Bank (or its LIBOR Office) under this Agreement or under its Note with respect thereto, then upon demand by such Bank (which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail, a copy of which shall be furnished to the Agent), the Company shall pay directly to such Bank such additional amount as will compensate such Bank for such increased cost or such reduction.

(b) If any Bank shall reasonably determine that any change in, or the adoption or phase-in of, any applicable law, rule or regulation regarding capital adequacy, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank or any Person controlling such Bank with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank' s or such controlling Person' s capital as a consequence of such Bank' s obligations hereunder or under any Letter of Credit to a level below that which such Bank or such controlling Person could have achieved but for such change, adoption, phase-in or compliance (taking into consideration such Bank' s or such controlling Person' s policies with respect to capital adequacy) by an amount deemed by such Bank or such controlling Person to be material, then from time to time, upon demand by such Bank (which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail, a copy of which shall be furnished to the Agent), the Company shall pay to such Bank such additional amount as will compensate such Bank or such controlling Person for such reduction.

8.2 Basis for Determining Interest Rate Inadequate or Unfair. If with respect to any Interest Period:

(a) deposits in Dollars (in the applicable amounts) are not being offered to the Agent in the interbank eurodollar market for such Interest Period, or the Agent otherwise reasonably determines (which determination shall be binding and conclusive on the Company) that by reason of circumstances affecting the interbank eurodollar market adequate and reasonable means do not exist for ascertaining the applicable LIBOR; or

(b) Banks having aggregate *Pro Rata* Shares of forty percent (40%) or more advise the Agent that LIBOR as determined by the Agent will not adequately and fairly reflect the cost to such Banks of maintaining or funding LIBOR Loans for such Interest Period (taking into account any amount to which such Banks may be entitled under Section 8.1) or that the making or funding of LIBOR Loans has become impracticable as a result of an event occurring after the date of this Agreement which in the opinion of such Banks materially affects such Loans;

then the Agent shall promptly notify the other parties thereof and, so long as such circumstances shall continue: **(i)** no Bank shall be under any obligation to make or convert into LIBOR Loans and **(ii)** on the last day of the current Interest Period for each LIBOR Loan, such Loan shall, unless then repaid in full, automatically convert to a Base Rate Loan.

8.3 Changes in Law Rendering LIBOR Loans Unlawful. If any change in, or the adoption of any new, law, rule or regulation, or any change in the interpretation of any applicable law, rule or regulation by any governmental or other regulatory body charged with the administration thereof, should make it (or in the good faith judgment of any Bank cause a substantial question as to whether it is) unlawful for any Bank to make, maintain or fund LIBOR Loans, then such Bank shall promptly notify each of the other parties hereto and, so long as such circumstances shall continue: (a) such Bank shall have no obligation to make or convert into LIBOR Loans (but shall make Base Rate Loans concurrently with the making of or conversion into LIBOR Loans by the Banks which are not so affected, in each case in an amount equal to the amount of LIBOR Loans which would be made or converted into by such Bank at such time in the absence of such circumstances) and (b) on the last day of the current Interest Period for each LIBOR Loan of such Bank (or, in any event, on such earlier date as may be required by the relevant law, regulation or interpretation), such LIBOR Loan shall, unless then repaid in full, automatically convert to a Base Rate Loan. Each Base Rate Loan made by a Bank which, but for the circumstances described in the foregoing sentence, would be a LIBOR Loan (an "Affected Loan") shall remain outstanding for the same period as the Group of LIBOR Loans of which such Affected Loan would be a part absent such circumstances.

8.4 Funding Losses. The Company hereby agrees that upon demand by any Bank (which demand shall be accompanied by a statement setting forth the basis for the amount being claimed, a copy of which shall be furnished to the Agent), the Company will indemnify such Bank against any net loss or expense which such Bank may sustain or incur (including any net loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund or maintain any LIBOR Loan), as reasonably determined by such Bank, as a result of: (a) any payment, prepayment or conversion of any LIBOR Loan of such Bank on a date other than the last day of an Interest Period for such Loan (including any conversion pursuant to Section 8.3) or (b) any failure of the Company to borrow, prepay, convert or continue any Loan on a date specified therefor in a notice of borrowing, prepayment, conversion or continuation pursuant to this Agreement. For this purpose, all notices to the Agent pursuant to this Agreement shall be deemed to be irrevocable.

8.5 Right of Banks to Fund through Other Offices. Each Bank may, if it so elects, fulfill its commitment as to any LIBOR Loan by causing a foreign branch or Affiliate of such Bank to make such Loan; provided, in such event for the purposes of this Agreement such Loan shall be deemed to have been made by such Bank and the obligation of the Company to repay such Loan shall nevertheless be to such Bank and shall be deemed held by it, to the extent of such Loan, for the account of such branch or Affiliate.

8.6 Discretion of Banks as to Manner of Funding. Notwithstanding any provision of this Agreement to the contrary, each Bank shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if such Bank had actually funded and maintained each LIBOR Loan during each Interest Period for such Loan through the purchase of deposits having a maturity corresponding to such Interest Period and bearing an interest rate equal to the LIBOR for such Interest Period.

8.7 Mitigation of Circumstances; Replacement of Banks.

(a) Each Bank shall promptly notify the Company and the Agent of any event of which it has knowledge which will result in, and will use reasonable commercial efforts available to it (and not, in such Bank' s sole judgment, otherwise disadvantageous to such Bank) to mitigate or avoid: **(i)** any obligation by the Company to pay any amount pursuant to Section 7.6 or 8.1 or **(ii)** the occurrence of any circumstances described in Section 8.2 or 8.3 (and, if any Bank has given notice of any such event described in clause (i) or (ii) above and thereafter such event ceases to exist, such Bank shall promptly so notify the Company and the Agent). Without limiting the foregoing, each Bank will designate a different funding office if such designation will avoid (or reduce the cost to the Company of) any event described in clause (i) or (ii) of the preceding sentence and such designation will not, in such Bank' s sole judgment, be otherwise disadvantageous to such Bank.

(b) If the Company becomes obligated to pay additional amounts to any Bank pursuant to Section 7.6 or 8.1, or any Bank gives notice of the occurrence of any circumstances described in Section 8.2 or 8.3, the Company may designate another bank which is acceptable to the Agent and the Issuing Bank in their reasonable discretion (such other bank being called a "**Replacement Bank**") to purchase the Loans of such Bank and such Bank' s rights hereunder, without recourse to or warranty by, or expense to, such Bank, for a purchase price equal to the outstanding principal amount of the Loans payable to such Bank plus any accrued but unpaid interest on such Loans and all accrued but unpaid fees owed to such Bank and any other amounts payable to such Bank under this Agreement, and to assume all the obligations of such Bank hereunder, and, upon such purchase and assumption (pursuant to an Assignment Agreement), such Bank shall no longer be a party hereto or have any rights hereunder (other than rights with respect to indemnities and similar rights applicable to such Bank prior to the date of such purchase and assumption) and shall be relieved from all obligations to the Company hereunder, and the Replacement Bank shall succeed to the rights and obligations of such Bank hereunder.

8.8 Conclusiveness of Statements; Survival of Provisions. Determinations and statements of any Bank pursuant to Section 8.1, 8.2, 8.3 or 8.4 shall be conclusive absent demonstrable error. Banks may use reasonable averaging and attribution methods in determining compensation under Sections 8.1 and 8.4, and the provisions of such Sections shall survive repayment of the Loans, expiration or termination of the Letters of Credit, cancellation of the Notes, and termination of this Agreement.

SECTION 9. WARRANTIES.

To induce the Agent and the Banks to enter into this Agreement and to induce the Banks to make Loans and to issue or participate in Letters of Credit, the Company warrants to the Agent and the Banks that:

9.1 Organization. The Company is a corporation validly existing and in good standing under the laws of the State of Montana; each Subsidiary is validly existing and in good standing under the laws of the jurisdiction of its organization; and each of the Company and each Subsidiary is duly qualified to do business in each jurisdiction where, because of the nature of its activities or properties, such qualification is required, except for such jurisdictions where the failure to so qualify would not have a Material Adverse Effect.

9.2 Authorization; No Conflict. Each of the Company and each other Loan Party is duly authorized to execute and deliver each Loan Document to which it is a party, the Company is duly authorized to borrow monies hereunder and each of the Company and each other Loan Party is duly authorized to perform its obligations under each Loan Document to which it is a party. The execution, delivery and performance by the Company of this Agreement and by each of the Company and each other Loan Party of each Loan Document to which it is a party, and the borrowings by the Company hereunder, do not and will not: (a) require any consent or approval of any governmental agency or authority (other than any consent or approval which has been obtained and is in full force and effect), (b) conflict with: (i) any provision of law, (ii) the charter, bylaws or other organizational documents of the Company or any other Loan Party or (iii) any agreement, indenture, instrument or other document, or any judgment, order or decree, which is binding upon the Company or any other Loan Party or any of their respective properties or (c) require, or result in, the creation or imposition of any Lien on any asset of the Company, any Subsidiary or any other Loan Party. In addition to and not in limitation of the foregoing, each of the Montana Public Service Commission (the "**Montana Commission**") and the Wyoming Public Service Commission (the "**Wyoming Commission**") has entered one or more orders authorizing the execution and delivery of this Credit Agreement.

9.3 Validity and Binding Nature. Each of this Agreement and each other Loan Document to which the Company or any other Loan Party is a party is the legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity.

9.4 Financial Condition. The audited consolidated financial statements of the Company and its Subsidiaries as at June 30, 2006 and the unaudited consolidated financial statements of the Company and its Subsidiaries for the nine (9) months ending as of March 31, 2007, copies of each of which have been delivered to each Bank, were prepared in accordance with GAAP (subject, in the case of such unaudited statements, to the absence of footnotes and to normal year-end adjustments) and present fairly the consolidated financial condition of the Company and its Subsidiaries as at such dates and the results of their operations for the periods then ended.

9.5 No Material Adverse Change. Except as set forth on Schedule 9.5, since June 30, 2006, there has been no material adverse change in the financial condition, operations, assets, business, properties or prospects of the Company and its Subsidiaries taken as a whole.

9.6 Litigation and Contingent Liabilities. No litigation (including derivative actions), arbitration proceeding or governmental investigation or proceeding is pending or, to the Company' s knowledge, threatened against the Company or any Subsidiary which might reasonably be expected to have a Material Adverse Effect, except as set forth in Schedule 9.6. Other than any liability incident to such litigation or proceedings, neither the Company nor any Subsidiary has any material contingent liabilities not listed on Schedule 9.6 or permitted by Section 10.7.

9.7 Ownership of Properties; Liens. Each of the Company and each Subsidiary owns good title and, in the case of real property, good and marketable fee, leasehold or easement (as applicable) title to all of its properties and assets, real and personal, tangible and intangible, of any nature whatsoever (including patents, trademarks, trade names, service marks and copyrights), free and clear of all Liens, charges and claims (including infringement claims with respect to patents, trademarks, service marks, copyrights and the like) except as permitted by Section 10.8.

9.8 Subsidiaries. As of the Closing Date, the Company has no Subsidiaries other than those listed on Schedule 9.8.

9.9 Pension Plans.

(a) During the period of twelve (12) consecutive months prior to the date of the execution and delivery of this Agreement or the making of any Loan, **(i)** no steps have been taken to terminate any Pension Plan and **(ii)** no contribution failure has occurred with respect to any Pension Plan sufficient to give rise to a Lien under Section 302(f) of ERISA. No condition exists or event or transaction has occurred with respect to any Pension Plan which could result in the incurrence by the Company of any material liability, fine or penalty.

(b) All contributions (if any) have been made to any Multiemployer Pension Plan that are required to be made by the Company or any other member of the Controlled Group under the terms of the plan or of any collective bargaining agreement or by applicable law; neither the Company nor any member of the Controlled Group has withdrawn or partially withdrawn from any Multiemployer Pension Plan, incurred any withdrawal liability with respect to any such plan or received notice of any claim or demand for withdrawal liability or partial withdrawal liability from any such plan, and no condition has occurred which, if continued, might result in a withdrawal or partial withdrawal from any such plan; and neither the Company nor any member of the Controlled Group has received any notice that any Multiemployer Pension Plan is in reorganization, that increased contributions may be required to avoid a reduction in plan benefits or the imposition of any excise tax, that any such plan is or has been funded at a rate less than that required under Section 412 of the Code, that any such plan is or may be terminated, or that any such plan is or may become insolvent.

9.10 Investment Company Act. Neither the Company nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940.

9.11 Status Under Certain Statutes. Neither the Company nor any Subsidiary is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 2005. Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the ICC Termination Act, as amended, or the Federal Power Act, as amended. The Company is a public utility as defined in the statutes of the States of Montana and Wyoming and has the legal right to function and operate as a natural gas utility in the States of Montana and Wyoming.

9.12 Regulation U. The Company is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

9.13 Taxes. Each of the Company and each Subsidiary has filed all tax returns and reports required by law to have been filed by it and has paid all taxes and governmental charges thereby shown to be owing, except any such taxes or charges which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books.

9.14 Solvency, etc. On the Closing Date, and immediately prior to and after giving effect to each each issuance of a Letter of Credit and borrowing hereunder and the use of the proceeds thereof: (a) the Company' s and each other Loan Party' s assets will exceed its liabilities and (b) the Company and each other Loan Party will be Solvent.

9.15 Environmental Matters.

(a) No Violations. Except as set forth on Schedule 9.15, neither the Company nor any Subsidiary, nor any operator of the Company' s or any Subsidiary' s properties, is in violation, or alleged violation, of any judgment, decree, order, law, permit, license, rule or regulation pertaining to Environmental Matters, including those arising under the Resource Conservation and Recovery Act ("**RCRA**"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("**CERCLA**"), the Superfund Amendments and Reauthorization Act of 1986 or any other Environmental Law which: **(i)** in any single case, requires expenditures in any three (3) year period of $50,000 or more by the Company and its Subsidiaries in penalties and/or for investigative, removal or remedial actions or **(ii)** individually or in the aggregate otherwise might reasonably be expected to have a Material Adverse Effect.

(b) Notices. Except as set forth on Schedule 9.15 and for matters arising after the Closing Date, in each case none of which could singly or in the aggregate be expected to have a Material Adverse Effect, neither the Company nor any Subsidiary has received notice from any third party, including any Federal, state or local governmental authority: **(i)** that any one (1) of them has been identified by the U.S. Environmental Protection Agency as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B; **(ii)** that any hazardous waste, as defined by 42 U.S.C. §6903(5), any hazardous substance as defined by 42 U.S.C. §9601(14), any pollutant or contaminant as defined by 42 U.S.C. §9601(33) or any toxic substance, oil or hazardous material or other chemical or substance regulated by any Environmental Law (all of the foregoing, "**Hazardous Substances**") which any one (1) of them has generated, transported or disposed of has been found at any site at which a Federal, state or local agency or other third party has conducted a remedial investigation, removal or other response action pursuant to any Environmental Law; **(iii)** that the Company or any Subsidiary must conduct a remedial investigation, removal, response action or other activity pursuant to any Environmental Law; or **(iv)** of any Environmental Claim.

(c) Handling of Hazardous Substances. Except as set forth on Schedule 9.15: **(i)** no portion of the real property or other assets of the Company or any Subsidiary has been used for the handling, processing, storage or disposal of Hazardous Substances except in accordance in all material respects with applicable Environmental Laws; and no underground tank or other underground storage receptacle for Hazardous Substances is located on such properties; **(ii)** in the course of any activities conducted by the Company, any Subsidiary or the operators of any real property of the Company or any Subsidiary, no Hazardous Substances have been generated or are being used on such properties except in accordance in all material respects with applicable Environmental Laws; **(iii)** there have been no unpermitted or unauthorized Releases or threatened Releases of Hazardous Substances on, upon, into or from any real property or other assets of the Company or any Subsidiary, which Releases singly or in the aggregate might reasonably be expected to have a Material Adverse Effect on the value of such real property or assets; **(iv)** there have been no Releases on, upon, from or into any real property in the vicinity of the real property or other assets of the Company or any Subsidiary which, through soil or groundwater contamination, may have come to be located on, and which might reasonably be expected to have a Material Adverse Effect on the value of, the real property or other assets of the Company or any Subsidiary; and **(v)** any Hazardous Substances generated by the Company and its Subsidiaries have been transported offsite only by properly licensed carriers and delivered, to the knowledge of the Company and its Subsidiaries, only to treatment or disposal facilities maintaining valid permits as required under applicable Environmental Laws, which transporters and facilities, to the knowledge of the Company and its Subsidiaries, have been and are operating in compliance in all material respects with such permits and applicable Environmental Laws.

9.16 Reserved.

9.17 Insurance. Set forth on Schedule 9.17 is a complete and accurate summary of the property and casualty insurance program of the Company and its Subsidiaries as of the Closing Date (including the names of all insurers, policy numbers, expiration dates, amounts and types of coverage, annual premiums, deductibles, self-insured retention, and a description in reasonable detail of any self-insurance program, retrospective rating plan, fronting arrangement or other risk assumption arrangement involving the Company or any Subsidiary).

9.18 Real Property. Set forth on Schedule 9.18 is a complete and accurate list, as of the Closing Date, of the addresses of all real property held through fee ownership, leasehold or easement title by the Company or any Subsidiary.

9.19 Information. All information heretofore or contemporaneously herewith furnished in writing by the Company or any other Loan Party to the Agent or any Bank for purposes of or in connection with this Agreement and the transactions contemplated hereby is, and all written information hereafter furnished by or on behalf of the Company or any Subsidiary to the Agent or any Bank pursuant hereto or in connection herewith will be, true and accurate in every material respect on the date as of which such information is dated or certified, and none of such information is or will be incomplete by omitting to state any material fact necessary to make such information not misleading in light of the circumstances under which made (it being recognized by the Agent and the Banks that any projections and forecasts provided by the Company are based on good faith estimates and assumptions believed by the Company to be reasonable as of the date of the applicable projections or assumptions and that actual results during the period or periods covered by any such projections and forecasts may differ from projected or forecasted results).

9.20 Intellectual Property. The Company and each Subsidiary owns and possesses or has a license or other right to use all patents, patent rights, trademarks, trademark rights, trade names, trade name rights, service marks, service mark rights and copyrights as are necessary for the conduct of the business of the Company and its Subsidiaries, without any infringement upon rights of others which could reasonably be expected to have a Material Adverse Effect.

9.21 Burdensome Obligations. Neither the Company nor any Subsidiary is a party to any agreement or contract or subject to any corporate or partnership restriction which might reasonably be expected to have a Material Adverse Effect.

9.22 Labor Matters. Except as set forth on Schedule 9.22, neither the Company nor any Subsidiary is subject to any labor or collective bargaining agreement. There are no existing or threatened strikes, lockouts or other labor disputes involving the Company or any Subsidiary that singly or in the aggregate could reasonably be expected to have a Material Adverse Effect. Hours worked by and payment made to employees of the Company and its Subsidiaries are not in violation of the Fair Labor Standards Act or any other applicable law, rule or regulation dealing with such matters.

9.23 No Default. No Event of Default or Unmatured Event of Default exists or would result from the incurring by the Company of any Debt hereunder or under any other Loan Document.

9.24 Foreign Assets Control Regulations and Anti-Money Laundering.

(a) OFAC. Neither the Company nor any of its Subsidiaries: **(i)** is a Person whose property or interest in property is blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)); **(ii)** engages in any dealings or transactions prohibited by Section 2 of such executive order, or is otherwise associated with any such Person in any manner violative of Section 2; or **(iii)** is a Person on the list of Specially Designated Nationals and Blocked Persons or subject to the limitations or prohibitions under any other U.S. Department of Treasury' s Office of Foreign Assets Control regulation or executive order.

(b) Patriot Act. The Company and each of its Subsidiaries are in compliance, in all material respects, with the Patriot Act. No part of the proceeds of the Loans will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

9.25 Capitalization. Schedule 9.25 sets forth the authorized equity securities of each Loan Party as of the date hereof. All issued and outstanding equity securities of each Loan Party are duly authorized and validly issued, fully paid, non-assessable, and, other than with respect to the capital stock of the Company, free and clear of all Liens. All such securities were issued in compliance with all applicable state and federal laws concerning the issuance of securities. All of the issued and outstanding equity securities of each Loan Party (other than the Company) are owned in the amounts and by the Persons as set forth in such Schedule 9.25. Except as otherwise set forth on Schedule 9.25, there are no pre-emptive or other outstanding rights, options, warrants, conversion rights or other similar agreements or understandings for the purchase or acquisition of any equity securities in any such entity.

SECTION 10. COVENANTS.

Until the expiration or termination of the Commitments and thereafter until all obligations of the Company hereunder and under the other Loan Documents are paid in full, the Company agrees that, unless at any time the Required Banks shall otherwise expressly consent in writing, it will:

10.1 Reports, Certificates and Other Information. Furnish to the Agent and each Bank:

10.1.1 Annual Report. Promptly when available and in any event within ninety (90) days after the close of each Fiscal Year, a copy of the annual audit report of the Company and its Subsidiaries for such Fiscal Year, including therein consolidated balance sheets and statements of earnings and cash flows of the Company and its Subsidiaries as at the end of such Fiscal Year, certified without qualification by Hein & Associates LLP or other independent auditors of recognized standing selected by the Company and reasonably acceptable to the Required Banks, together with: **(i)** a written statement from such accountants to the effect that in making the examination necessary for the signing of such annual audit report by such accountants, nothing came to their attention that caused them to believe that the Company was not in compliance with any provision of Section 10.6, 10.7, 10.9 or 10.10 of this Agreement insofar as such provision relates to accounting matters or, if something has come to their attention that caused them to believe that the Company was not in compliance with any such provision, describing such non-compliance in reasonable detail and **(ii)** a comparison with the budget for such Fiscal Year and a comparison with the previous Fiscal Year.

10.1.2 Interim Reports. Promptly when available and in any event within forty five (45) days after the end of each Fiscal Quarter (except the last Fiscal Quarter of each Fiscal Year), consolidated balance sheets of the Company and its Subsidiaries as of the end of such Fiscal Quarter, together with consolidated statements of earnings and cash flows for such Fiscal Quarter and for the period beginning with the first day of such Fiscal Year and ending on the last day of such Fiscal Quarter, together with a comparison with the corresponding period of the previous Fiscal Year and a comparison with the budget for such period of the current Fiscal Year, certified by a Responsible Officer of the Company.

10.1.3 Compliance Certificates. Contemporaneously with the furnishing of a copy of each annual audit report pursuant to Section 10.1.1 and each set of quarterly statements pursuant to Section 10.1.2, a duly completed compliance certificate in the form of Exhibit B, with appropriate insertions, dated the date of such annual report or such quarterly statements and signed by a Responsible Officer of the Company, containing a computation of each of the financial ratios and restrictions set forth in Section 10.6 and a statement to the effect that such officer has not become aware of any Event of Default or Unmatured Event of Default that has occurred and is continuing or, if there is any such event, describing it and the steps, if any, being taken to cure it.

10.1.4 Reports to the SEC and to Shareholders. Promptly upon the filing or sending thereof, copies of all regular, periodic or special reports of the Company or any Subsidiary filed with the SEC; copies of all registration statements of the Company or any Subsidiary filed with the SEC (other than on Form S-8); and copies of all proxy statements or other communications made to security holders generally.

10.1.5 Notice of Default, Litigation and ERISA Matters. Promptly upon becoming aware of any of the following, written notice describing the same and the steps being taken by the Company or the Subsidiary affected thereby with respect thereto:

(a) the occurrence of an Event of Default or an Unmatured Event of Default;

(b) any litigation, arbitration or governmental investigation or proceeding not previously disclosed by the Company to the Banks which has been instituted or, to the knowledge of the Company, is threatened against the Company or any Subsidiary or to which any of the properties of any thereof is subject which might reasonably be expected to have a Material Adverse Effect;

(c) the institution of any steps by any member of the Controlled Group or any other Person to terminate any Pension Plan, or the failure of any member of the Controlled Group to make a required contribution to any Pension Plan (if such failure is sufficient to give rise to a Lien under Section 302(f) of ERISA) or to any Multiemployer Pension Plan, or the taking of any action with respect to a Pension Plan which could result in the requirement that the Company furnish a bond or other security to the PBGC or such Pension Plan, or the occurrence of any event with respect to any Pension Plan or Multiemployer Pension Plan which could result in the incurrence by any member of the Controlled Group of any material liability, fine or penalty (including any claim or demand for withdrawal liability or partial withdrawal from any Multiemployer Pension Plan), or any material increase in the contingent liability of the Company with respect to any post-retirement welfare plan benefit, or any notice that any Multiemployer Pension Plan is in reorganization, that increased contributions may be required to avoid a reduction in plan benefits or the imposition of an excise tax, that any such plan is or has been funded at a rate less than that required under Section 412 of the Code, that any such plan is or may be terminated, or that any such plan is or may become insolvent;

(d) any cancellation or material change in any insurance maintained by the Company or any Subsidiary; or

(e) any other event (including: **(i)** any violation of any Environmental Law or the assertion of any Environmental Claim or **(ii)** the enactment or effectiveness of any law, rule or regulation) which might reasonably be expected to have a Material Adverse Effect.

10.1.6 Reserved.

10.1.7 Management Reports. Promptly upon the request of the Agent or any Bank, copies of all detailed financial and management reports submitted to the Company by independent auditors in connection with each annual or interim audit made by such auditors of the books of the Company.

10.1.8 Projections. As soon as practicable, and in any event within thirty (30) days after approval by the board of directors thereof, financial projections for the Company and its Subsidiaries for the next Fiscal Year (including an operating budget and a capital budget) prepared in a manner consistent with the projections delivered by the Company to the Banks prior to the Closing Date or otherwise in a manner reasonably satisfactory to the Agent, accompanied by a certificate of a Responsible Officer of the Company on behalf of the Company to the effect that: **(i)** such projections were prepared by the Company in good faith, **(ii)** the Company has a reasonable basis for the assumptions contained in such projections and **(iii)** such projections have been prepared in accordance with such assumptions.

10.1.9 Subordinated Debt and Private Placement Notes Documents. Promptly from time to time, copies of any notices (including notices of default or acceleration) received from any holder or trustee of, under or with respect to any Private Placement Notes Debt or Subordinated Debt.

10.1.10 Reserved.

10.1.11 Other Information. Promptly from time to time, such other information concerning the Company and its Subsidiaries as any Bank or the Agent may reasonably request.

10.2 Books, Records and Inspections. Keep, and cause each Subsidiary to keep, its books and records in accordance with sound business practices sufficient to allow the preparation of financial statements in accordance with GAAP; permit, and cause each Subsidiary to permit, any Bank or the Agent or any representative thereof to inspect the properties and operations of the Company or such Subsidiary; and permit, and cause each Subsidiary to permit, at any reasonable time and with reasonable notice (or at any time without notice if an Event of Default exists), any Bank or the Agent or any representative thereof to visit any or all of its offices, to discuss its financial matters with its officers and its independent auditors (and the Company hereby authorizes such independent auditors to discuss such financial matters with any Bank or the Agent or any representative thereof), and to examine (and, at the expense of the Company or the applicable Subsidiary, photocopy extracts from) any of its books or other records. All such inspections by the Agent shall be at the Company' s expense.

10.3 Maintenance of Property; Insurance.

(a) Keep, and cause each Subsidiary to keep, all property useful and necessary in the business of the Company or such Subsidiary in good working order and condition, ordinary wear and tear excepted.

(b) Maintain, and cause each Subsidiary to maintain, with responsible insurance companies, such insurance as may be required by any law or governmental regulation or court decree or order applicable to it and such other insurance, to such extent and against such hazards and liabilities, as is customarily maintained by companies similarly situated, but which shall insure against all risks and liabilities of the type identified on Schedule 9.17 and shall have insured amounts no less than, and deductibles no higher than, those set forth on such schedule; and, upon request of the Agent or any Bank, furnish to the Agent or such Bank a certificate setting forth in reasonable detail the nature and extent of all insurance maintained by the Company and its Subsidiaries.

10.4 Compliance with Laws; Payment of Taxes and Liabilities.

(a) Comply, and cause each Subsidiary to comply, in all material respects with all applicable laws, rules, regulations, decrees, orders, judgments, licenses and permits, except where failure to comply could not reasonably be expected to have a Material Adverse Effect; and

(b) Pay, and cause each Subsidiary to pay, prior to delinquency, all taxes and other governmental charges against it or any of its property, as well as claims of any kind which, if unpaid, might become a Lien on any of its property; provided the foregoing shall not require the Company or any Subsidiary to pay any such tax or charge so long as it shall contest the validity thereof in good faith by appropriate proceedings and shall set aside on its books adequate reserves with respect thereto in accordance with GAAP.

10.5 Maintenance of Existence, etc. Maintain and preserve, and (subject to Section 10.11) cause each Subsidiary to maintain and preserve: (a) its existence and good standing in the jurisdiction of its organization and (b) its qualification to do business and good standing in each jurisdiction where the nature of its business makes such qualification necessary (except in those instances in which the failure to be qualified or in good standing does not have a Material Adverse Effect).

10.6 Financial Covenants.

10.6.1 Interest Coverage Ratio. Not permit the Interest Coverage Ratio for any Computation Period to be less than 2.00 to 1.00 as of the last day of any Fiscal Quarter.

10.6.2 Total Debt to Capital Ratio. Not permit the Total Debt to Capital Ratio as of the last day of any Fiscal Quarter to exceed 0.65 to 1.00.

10.7 Limitations on Debt. Not, and not permit any Subsidiary to, create, incur, assume or suffer to exist any Debt, except:

(a) obligations under this Agreement and the other Loan Documents;

(b) Debt secured by Liens permitted by subsection 10.8(d), and extensions, renewals and refinancings thereof; provided that the aggregate amount of all such Debt at any time outstanding shall not exceed $500,000;

(c) Debt of Subsidiaries to the Company; provided, however, **(i)** in no event shall the Debt of Resources to the Company, when taken together with all capital contributions and other distributions of the Company or any of its Subsidiaries other than Resources made to, as well as all Investments by such Persons in, Resources from and after the Closing Date, exceed $3,000,000 in the aggregate at any time, and **(ii)** any Debt of Bangor Gas and Frontier Energy to any Loan Party shall be evidenced by an effective intercompany promissory note in form and substance reasonably satisfactory to Agent;

(d) unsecured Debt of the Company to Subsidiaries;

(e) (i) Subordinated Debt; and **(ii)** Private Placement Notes Debt;

(f) Hedging Obligations incurred for bona fide hedging purposes and not for speculation, provided, that any such Hedging Obligations shall be pursuant to Hedging Agreement entered into by the Company or any of its Subsidiaries with one or more of the Banks party hereto, provided further, that if all of the Banks fail to offer the Company or its Subsidiaries (as applicable) a market rate with respect to any proposed Hedging Agreement, the Company or its Subsidiaries (as applicable) may enter into such a Hedging Agreement on an unsecured basis with a third party, and on terms, reasonably satisfactory to Agent;

(g) Debt described on Schedule 10.7 and any extension, renewal or refinancing thereof so long as the principal amount thereof is not increased;

(h) other Debt, in addition to the Debt listed above, in an aggregate amount not at any time exceeding $1,000,000.

10.8 Liens. Not, and not permit any Subsidiary to, create or permit to exist any Lien on any of its real or personal properties, assets or rights of whatsoever nature (whether now owned or hereafter acquired), except:

(a) Liens for taxes or other governmental charges not at the time delinquent or thereafter payable without penalty or being contested in good faith by appropriate proceedings and, in each case, for which it maintains adequate reserves;

(b) Liens arising in the ordinary course of business (such as: **(i)** Liens of carriers, warehousemen, mechanics and materialmen and other similar Liens imposed by law and **(ii)** Liens incurred in connection with worker' s compensation, unemployment compensation and other types of social security (excluding Liens arising under ERISA) or in connection with surety bonds, bids, performance bonds and similar obligations) for sums not overdue or being contested in good faith by appropriate proceedings and not involving any deposits or advances or borrowed money or the deferred purchase price of property or services and, in each case, for which it maintains adequate reserves;

(c) Liens described on Schedule 10.8;

(d) subject to the limitation set forth in subsection 10.7(b): **(i)** Liens arising in connection with Capital Leases (and attaching only to the property being leased), **(ii)** Liens existing on property at the time of the acquisition thereof by the Company or any Subsidiary (and not created in contemplation of such acquisition) and **(iii)** Liens that constitute purchase money security interests on any property securing debt incurred for the purpose of financing all or any part of the cost of acquiring such property; provided, any such Lien attaches to such property within sixty (60) days of the acquisition thereof and attaches solely to the property so acquired;

(e) attachments, appeal bonds, judgments and other similar Liens, for sums not exceeding $250,000 arising in connection with court proceedings, provided, execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings;

(f) easements, rights of way, restrictions, minor defects or irregularities in title and other similar Liens not interfering in any material respect with the ordinary conduct of the business of the Company or any Subsidiary;

(g) reserved;

(h) any other Liens securing Debt which do not exceed an aggregate amount of $1,000,000; and

(i) the replacement, extension or renewal of any Lien permitted by clauses (c) or (h) above upon or in the same property theretofore subject thereto arising out of the extension, renewal or replacement of the Debt secured thereby (without increase in the amount thereof).

10.9 Operating Leases. Not permit the aggregate amount of all rental payments under Operating Leases made (or scheduled to be made) by the Company and its Subsidiaries (on a consolidated basis) to exceed $500,000 in any Fiscal Year.

10.10 Restricted Payments. Not, and not permit any Subsidiary to: (a) make any distribution to any of its shareholders, (b) purchase or redeem any of its capital stock or other equity interests or any warrants, options or other rights in respect thereof, (c) pay any management fees or similar fees to any of its shareholders or any Affiliate thereof, (d) make any redemption, prepayment, defeasance or repurchase of any Private Placement Notes Debt, other than at regularly-scheduled times (without giving effect to mandatory prepayment, acceleration or similar provisions), or (e) set aside funds for any of the foregoing. Notwithstanding the foregoing (i) any Subsidiary may pay dividends or make other distributions to the Company or to a Wholly-Owned Subsidiary (other than to Bangor Gas and Frontier Energy) and the Company may declare and pay dividends once each Fiscal Quarter to its shareholders if and solely to the extent: (x) such payment, when added to all other such payments made pursuant to this clause (i) and all payments made pursuant to clause (ii) below during the sixty (60) months immediately preceding the month in which such dividend is declared and paid, will not exceed seventy five percent (75%) of the Consolidated Net Income for the sixty (60) months immediately preceding the month in which such dividend is declared and paid; (y) no Unmatured Event of Default or Event of Default has occurred or would occur after giving effect to such dividend; and (z) after giving effect to the declaration and payment of such dividend, the Company is in compliance with the financial covenants set forth in Section 10.6, as computed for the most recent Fiscal Quarter for which financial statements have been (and are required to be) delivered hereunder; and (ii) the Borrower may purchase or redeem a portion of its capital stock or other equity interests or any warrants, options or other rights in respect thereof, if and solely to the extent: (x) such payment, when added to all other such payments made pursuant to this clause (ii) and all payments made pursuant to clause (i) above during the sixty (60) months immediately preceding the month in which such purchase or redemption is declared and paid, will not exceed seventy five percent (75%) of the Consolidated Net Income for the sixty (60) months immediately preceding the month in which such purchase or redemption is declared and paid; (y) no Unmatured Event of Default or Event of Default has occurred or would occur after giving effect to such purchase or redemption; and (z) after giving effect to the declaration and payment of such purchase or redemption, the Company is in compliance with the financial covenants set forth in Section 10.6, as computed for the most recent Fiscal Quarter for which financial statements have been (and are required to be) delivered hereunder.

10.11 Mergers, Consolidations, Sales. Not, and not permit any Subsidiary to, be a party to any merger or consolidation, sell all or substantially all assets or any stock of any class of, or any partnership or joint venture or other equity interest in, any such Person, or, except in the ordinary course of its business, sell, transfer, convey or lease all or any substantial part of its assets, or sell or assign with or without recourse any receivables, except for: (a) any such merger, consolidation, sale, transfer, conveyance, lease or assignment of or by any Wholly-Owned Subsidiary (other than Bangor Gas, Frontier Energy and Resources) into the Company or into, with or to any other Wholly-Owned Subsidiary (other than Bangor Gas, Frontier Energy and Resources); (b) any such purchase or other acquisition by the Company or any Wholly-Owned Subsidiary (other than Bangor Gas, Frontier Energy and Resources) of the assets or stock of any Wholly-Owned Subsidiary (other than Bangor Gas, Frontier Energy and Resources); and (c) sales and dispositions of assets (including the stock of Subsidiaries) for at least fair market value (as determined by the Board of Directors of the Company) so long as the net book value of all assets sold or otherwise disposed of in any Fiscal Year (other than Inventory sold in the ordinary course of business and in accordance with past practices) does not exceed five percent (5%) of the net book value of the consolidated assets of the Company and its Subsidiaries as of the last day of the preceding Fiscal Year; provided, however, if and solely to the extent (i) such disposition or dispositions are conducted pursuant to documentation in form and substance reasonably satisfactory to the Agent, (ii) the proceeds of such disposition are applied as a mandatory prepayment against the Loans in the manner required by the terms of the Credit Agreement, and (iii) no Unmatured Default or Event of Default is then existing or shall arise as a result thereof.

10.12 Modification of Organizational Documents. Not permit the Certificate or Articles of Incorporation, Bylaws or other organizational documents of the Company or any Subsidiary to be amended or modified in any way which might reasonably be expected to materially adversely affect the interests of the Banks.

10.13 Use of Proceeds. Use the proceeds of the Loans solely to finance working capital needs and other general corporate purposes of the Company and its Subsidiaries; and in no event use or permit any proceeds of any Loan to be used, either directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of "purchasing or carrying" any Margin Stock.

10.14 Further Assurances. Take, and cause each Subsidiary to take, such actions as are necessary or as the Agent or the Required Banks may reasonably request from time to time (including the execution and delivery of guaranties) to ensure that the obligations of the Company hereunder and under the other Loan Documents are guaranteed by all of its Subsidiaries (including, promptly upon the acquisition or creation thereof, any Subsidiary acquired or created after the date hereof) by execution of a counterpart of the Guaranty.

10.15 Transactions with Affiliates. Not, and not permit any Subsidiary to, enter into, or cause, suffer or permit to exist any transaction, arrangement or contract with any of its other Affiliates (other than the Company and its Subsidiaries) which is on terms that are less favorable than are obtainable from any Person which is not one of its Affiliates.

10.16 Employee Benefit Plans. Maintain, and cause each Subsidiary to maintain, each Pension Plan in substantial compliance with all applicable requirements of law and regulations.

10.17 Environmental Matters.

(a) If any Release or Disposal of Hazardous Substances shall occur or shall have occurred on any real property or any other assets of the Company or any Subsidiary, the Company shall, or shall cause the applicable Subsidiary to, cause the prompt containment and removal of such Hazardous Substances and the remediation of such real property or other assets as necessary to comply with all Environmental Laws and to preserve the value of such real property or other assets. Without limiting the generality of the foregoing, the Company shall, and shall cause each Subsidiary to, comply with any valid Federal or state judicial or administrative order requiring the performance at any real property of the Company or any Subsidiary of activities in response to the Release or threatened Release of a Hazardous Substance.

(b) To the extent that the transportation of "hazardous waste" as defined by RCRA is permitted by this Agreement, the Company shall, and shall cause its Subsidiaries to, dispose of such hazardous waste only at licensed disposal facilities operating in compliance with Environmental Laws.

10.18 Unconditional Purchase Obligations. Not, and not permit any Subsidiary to, enter into or be a party to any contract for the purchase of materials, supplies or other property or services if such contract requires that payment be made by it regardless of whether delivery is ever made of such materials, supplies or other property or services, other than contracts entered into in the ordinary course of business and in accordance with past practices.

10.19 Inconsistent Agreements. Not, and not permit any Subsidiary to, enter into any agreement containing any provision which would: (a) be violated or breached by any borrowing by the Company hereunder or by the performance by the Company or any Subsidiary of any of its obligations hereunder or under any other Loan Document, or (b) create or permit to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to: (i) pay dividends or make other distributions to the Company or any other applicable Subsidiary, or pay any Debt owed to the Company or any other Subsidiary, (ii) make loans or advances to the Company or (iii) transfer any of its assets or properties to the Company.

10.20 Business Activities. Not, and not permit any Subsidiary to, engage in any line of business other than the businesses engaged in on the date hereof and businesses reasonably related thereto.

10.21 Investments. Not, and not permit any Subsidiary to, make or permit to exist any Investment in any other Person, or maintain any master, operating, disbursement, payroll, petty cash, deposit, checking, savings, money market investments, certificates of deposits, securities or any other account with any Person, except (without duplication) the following:

(a) contributions by the Company to the capital of any of its Subsidiaries (other than Bangor Gas and Frontier Energy), or by any such Subsidiary to the capital of any of its Subsidiaries (other than Bangor Gas and Frontier Energy); provided, however, in no event shall the amount of all capital contributions and other distributions of the Company and its Subsidiaries other than Resources made to, as well as all Investments by such Persons in, Resources from and after the Closing Date, when taken together with the amount of Debt of Resources to the Company and its Subsidiaries other than Resources outstanding, exceed $3,000,000 in the aggregate at any time;

(b) in the ordinary course of business, Investments by the Company in any Subsidiary or by any Subsidiary in the Company, by way of intercompany loans, advances or guaranties, all to the extent permitted by Section 10.7; provided, however, in no event shall the amount of all capital contributions and other distributions of the Company and its Subsidiaries other than Resources made to, as well as all Investments by such Persons in, Resources from and after the Closing Date, when taken together with the amount of Debt of Resources to the Company and its Subsidiaries other than Resources outstanding, exceed $3,000,000 in the aggregate at any time;

(c) Suretyship Liabilities permitted by Section 10.7;

(d) Cash Equivalent Investments;

(e) bank deposits in the ordinary course of business; provided, the aggregate amount of all such deposits (excluding amounts in payroll accounts) which are maintained with any bank other than a Bank shall not exceed $500,000 for any period of three (3) consecutive days;

(f) Investments in securities of account debtors received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such account debtors;

(g) Investments listed on Schedule 10.21;

(h) Permitted Acquisitions; and

(i) equity Investments in a Person (other than the Company or its Subsidiaries) by the Company or any of its Subsidiaries (other than Bangor Gas, Frontier Energy or Resources) representing less than fifty percent (50%) of the outstanding equity capital of such Person; provided, **(1)** such Person is in the same line of business as the Company and **(2)** such Investment does not constitute a Joint Venture;

provided; in no event shall the aggregate amount of all such Investments, including, without limitation, Permitted Acquisitions, in any Fiscal Year exceed twenty five percent (25%) of Borrower' s net worth as of the last day of Borrower' s most recently completed Fiscal Year; provided, further: **(x)** any Investment which when made complies with the requirements of the definition of the term "**Cash Equivalent Investment**" may continue to be held notwithstanding that such Investment if made thereafter would not comply with such requirements; **(y)** no Investment otherwise permitted by clause (b), (c), or (g) shall be permitted to be made if, immediately before or after giving effect thereto, any Event of Default or Unmatured Event of Default exists.

10.22 Restriction of Amendments to Certain Documents. Not amend or otherwise modify, or waive any rights under, any of the Subordinated Debt Documents or the Private Placement Notes Documents without the prior written consent of Agent and the Banks, which consent shall be given in their sole discretion.

10.23 Fiscal Year. Not change its Fiscal Year without giving Agent at least thirty (30) days prior written notice thereof.

10.24 Cancellation of Debt. Not, and not permit any Subsidiary to (i) cancel any claim or debt owing to it, except for reasonable consideration or in the ordinary course of business, and except for the cancellation of debts, or (ii) cancel, settle or otherwise waive any rights in respect of any Existing Claim except any settlement or waiver determined by the Company or such Subsidiary to be advantageous to or in the best interests of the Company or such Subsidiary in its reasonable business judgment.

10.25 Foreign Subsidiaries. Anything contained in this Agreement to the contrary notwithstanding, not, and not permit any Subsidiary to, invest, create or otherwise permit to exist any Subsidiary that is not organized, formed or existing under the laws of a State of the United Sates.

10.26 Reserved.

10.27 Reserved.

10.28 OFAC, Etc. Neither the Company nor any of its Subsidiaries: (a) will become a Person whose property or interests in property are blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit or Support Terrorism (66 Fed. Reg. 49079(2001); (b) will engage in any dealings or transactions prohibited by Section 2 of such executive order, or be otherwise associated with any such Person in any manner volatile of such Section 2; or (c) will otherwise become a Person on the list of Specially Designated Nationals and Blocked Persons or subject to the limitations or prohibitions under any other OFAC regulation or executive order.

10.29 Negative Pledges. Except as a result of the Loan Documents or the Private Placement Notes Documents, Borrower shall not and shall not permit or cause any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual restriction or encumbrance of any kind on the ability of Borrower or any such Subsidiary to pay dividends or make any other distribution on Borrower' s or any of such Subsidiary' s equity securities or to pay fees or make other payments and distributions to Borrower. Borrower shall not and shall not permit or cause any of its Subsidiaries to, directly or indirectly, enter into, assume or become subject to any contract or agreement containing any anti-assignment clause, except in connection with any document or instrument governing Liens related to purchase money Debt and Capital Leases which, in each case, otherwise constitute permitted Liens.

10.30 Post-Closing Obligations. Notwithstanding the conditions precedent set forth in Section 11 below, Borrower has informed Agent and the Banks that certain of such items required to be delivered to Agent as conditions precedent to the effectiveness of this Agreement will not be delivered to Agent as of the date hereof. Therefore, with respect to the items set forth below (the "Outstanding Items"), and notwithstanding anything to the contrary contained herein or in any other Loan Document, the Borrower shall deliver each Outstanding Item to Agent in the form, manner and time set forth below for such Outstanding Item:

(a) Within three (3) Business Days after the Closing Date, Borrower shall deliver or cause to be delivered to Agent an opinion of law by Brunenkant & Cross, LLP replacing that certain legal opinion dated as of June 20, 2007 issued by Brunenkant & Cross, LLP to Agent and reflecting such modifications requested by, and otherwise being in form and substance satisfactory to Agent; and

(b) Within sixty (60) days after the Closing Date, Borrower shall deliver to Agent an opinion of law by legal counsel acceptable to Agent with respect to certain Wyoming state regulatory matters affecting Borrower and each of its Subsidiaries in form and substance satisfactory to Agent.

SECTION 11. EFFECTIVENESS; CONDITIONS OF LENDING, ETC.

The obligation of each Bank to make its Loans and of the Issuing Bank to issue Letters of Credit is subject to the following conditions precedent:

11.1 Initial Credit Extension. The obligation of the Banks to make any initial Loans and of the Issuing Bank to issue any initial Letters of Credit (whichever comes first) is, in addition to the conditions precedent specified in Section 11.2, subject to the conditions precedent that the Agent shall have received all of the following, each duly executed and dated the Closing Date (or such earlier date as shall be satisfactory to the Agent), in form and substance satisfactory to the Agent (and the date on which all such conditions precedent have been satisfied or waived in writing by the Agent and the Required Banks is called the "**Closing Date**"):

11.1.1 Notes. The Notes.

11.1.2 Resolutions. Certified copies of resolutions of the Board of Directors of the Company authorizing the execution, delivery and performance by the Company of this Agreement, the Notes and the other Loan Documents to which the Company is a party; and certified copies of resolutions of the Board of Directors of each other Loan Party authorizing the execution, delivery and performance by such Loan Party of each Loan Document to which such entity is a party.

11.1.3 Consents, etc. Certified copies of all documents evidencing any necessary corporate or partnership action, consents and governmental approvals (if any) required for the execution, delivery and performance by the Company and each other Loan Party of the documents referred to in this Section 11.

11.1.4 Incumbency and Signature Certificates. A certificate of the Secretary or an Assistant Secretary (or other appropriate representative) of each Loan Party certifying the names of the officer or officers of such entity authorized to sign the Loan Documents to which such entity is a party, together with a sample of the true signature of each such officer (it being understood that the Agent and each Bank may conclusively rely on each such certificate until formally advised by a like certificate of any changes therein).

11.1.5 Guaranty. A counterpart of the Guaranty executed by each Subsidiary of the Company other than Bangor and Frontier.

11.1.6 Reserved.

11.1.7 Reserved.

11.1.8 Opinions of Counsel. Written opinions of law of counsel to the Company and its Subsidiaries, all in form and substance and covering such subject matter as is satisfactory to Agent and its counsel and dated as of the Closing Date.

11.1.9 Insurance. Evidence satisfactory to the Agent of the existence of insurance required to be maintained pursuant to subsection 10.3(b).

11.1.10 Copies of Documents. Copies, in form and substance satisfactory to Agent and the Banks and certified by the Secretary of the Company, of: **(a)** the Private Placement Notes Documents, **(b) (i)** audited consolidated financial statements for the Fiscal Year ended June 30, 2006, and **(ii)** unaudited financial statements for the Fiscal Quarters ended September 30, 2006, December 31, 2006 and March 31, 2007, and **(c)** projected summary income statements as well as cash flow and shareholders' equity projections for each Fiscal Year through the Fiscal Year ending June 30, 2010 (the "**Forecasts**"). The Forecasts shall be presented on a pro forma basis to include such adjustments as are necessary to give effect to the consummation of the financings contemplated hereby as if such transactions had already occurred, consistent in all material respects with the sources and uses of cash as previously described to the Banks and the forecasts previously provided to the Banks prepared by the Company. The Agent and the Banks acknowledge the Forecasts **(x)** are based on good faith estimates and assumptions made by the management of the Company, it being recognized, however, that forecasts and projections as to future events are not to be viewed as facts and that the actual results during the period or periods covered by the Forecasts may differ from the projected and forecast results and that the differences may be material, and **(y)** are confidential and non-public information, and **(z)** are furnished separately for the information of the Agent and the Banks and are not made part of this Agreement.

11.1.11 Payment of Fees. Evidence of payment by the Company of all accrued and unpaid fees, costs and expenses to the extent then due and payable on the Closing Date, together with all Attorney Costs of the Agent to the extent invoiced prior to the Closing Date *plus* such additional amounts of Attorney Costs as shall constitute the Agent' s reasonable estimate of Attorney Costs incurred or to be incurred by the Agent through the closing proceedings; provided, such estimate shall not thereafter preclude final settling of accounts between the Company and the Agent.

11.1.12 Solvency Certificate. A Solvency Certificate, substantially in the form provided and approved by Agent, executed by a Responsible Officer of the Company.

11.1.13 Reserved.

11.1.14 Search Results; Lien Terminations. To the extent required by the Agent, certified copies of search reports certified by a party acceptable to the Agent, dated a date reasonably near to the Closing Date, listing all effective financing statements which name the Company and each Subsidiary (under their present names and any previous names) as debtors, together with: **(i)** copies of such financing statements, **(ii)** executed copies of proper UCC termination statements, if any, necessary to release all Liens and other rights of any Person in any Property of the Loan Parties (other than Liens permitted by Section 10.8) and **(iii)** such other UCC termination statements as the Agent may reasonably request.

11.1.15 Reserved.

11.1.16 Closing Certificate. A certificate signed by a Responsible Officer of the Company dated as of the Closing Date, affirming the matters set forth in Section 11.2.1 as of the Closing Date.

11.1.17 Reserved.

11.1.18 Certificate, Consents and Permits. Evidence satisfactory to the Agent that: (i) all necessary governmental, regulatory, creditor, shareholder, partner and other material consents, approvals and exemptions required to be obtained by the Company in connection with the execution, delivery and performance by the Company and its Subsidiaries under this Agreement and the other Loan Documents have been duly obtained and are in full force and effect and (ii) all material permits necessary for the operation of the business have been obtained.

11.1.19 Other. Such other documents as the Agent or any Bank may reasonably request.

11.2 Conditions. The obligation of each Bank to make each Loan and of the Issuing Bank to issue each Letter of Credit is subject to the following further conditions precedent that:

11.2.1 Compliance with Warranties, No Default, etc. Both before and after giving effect to any borrowing and any issuance of a Letter of Credit, the following statements shall be true and correct:

(a) the representations and warranties of the Company and each Subsidiary set forth in this Agreement and the other Loan Documents shall be true and correct in all material respects with the same effect as if then made (except to the extent stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct as of such earlier date) and, in any event, except as set forth on Schedule 9.5, since June 30, 2006, there has been no material adverse change in the financial condition, operations, assets, business, properties or prospects of the Company and its Subsidiaries taken as a whole; and

(b) no Event of Default or Unmatured Event of Default shall have then occurred and be continuing.

11.2.2 Confirmatory Certificate. If requested by the Agent or any Bank, the Agent shall have received (in sufficient counterparts to provide one to each Bank) a certificate dated the date of such requested Loan or issuance of a Letter of Credit and signed by a duly authorized representative of the Company as to the matters set out in Section 11.2.1 (it being understood that each request by the Company for the making of a Loan or issuance of a Letter of Credit shall be deemed to constitute a warranty by the Company that the conditions precedent set forth in Section 11.2.1 will be satisfied at the time of the making of such Loan or issuance of such Letter of Credit), together with such other documents as the Agent or any Bank may reasonably request in support thereof.

SECTION 12. EVENTS OF DEFAULT AND THEIR EFFECT.

12.1 Events of Default. Each of the following shall constitute an Event of Default under this Agreement:

12.1.1 Non-Payment of the Loans, etc. Default in the payment when due of the principal of any Loan; or default, and continuance thereof for five (5) days, in the payment when due of any interest, fee, reimbursement obligation with respect to any other amount payable by the Company hereunder or under any other Loan Document.

12.1.2 Defaults Regarding Other Debt. Any default or event of default shall occur under the terms applicable to: **(a)** the Subordinated Debt or the Private Placement Notes Debt; or **(b)** any other Debt of the Company or any Subsidiary in an aggregate amount (for all such Debt so affected) exceeding $100,000 and such default shall: **(i)** consist of the failure to pay such Debt when due, whether by acceleration or otherwise, or **(ii)** accelerate the maturity of such Debt or permit the holder or holders thereof, or any trustee or agent for such holder or holders, to cause such Debt to become due and payable (or require the Company or any Subsidiary to purchase or redeem such Debt) prior to its expressed maturity.

12.1.3 Other Material Obligations. Default in the payment when due, or in the performance or observance of, any material obligation of, or condition agreed to by, the Company or any Subsidiary with respect to any of the Subordinated Debt, the Private Placement Notes Debt or any material purchase or lease of goods or services, in each such case where such default, singly or in the aggregate with all other such defaults, might reasonably be expected to have a Material Adverse Effect.

12.1.4 Bankruptcy, Insolvency, etc. The Company or any Subsidiary becomes insolvent or generally fails to pay, or admits in writing its inability or refusal to pay, debts as they become due; or the Company or any Subsidiary applies for, consents to, or acquiesces in the appointment of a trustee, receiver or other custodian for the Company or such Subsidiary or any property thereof, or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for the Company or any Subsidiary or for a substantial part of the property of any thereof and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is commenced in respect of the Company or any Subsidiary, and if such case or proceeding is not commenced by the Company or such Subsidiary, it is consented to or acquiesced in by the Company or such Subsidiary, or remains for 30 days undismissed; or the Company or any Subsidiary takes any action to authorize, or in furtherance of, any of the foregoing.

12.1.5 Non-Compliance with Loan Documents.

(a) Failure by the Company to comply with or to perform any covenant set forth in Section 10 of this Agreement; or

(b) failure by the Company to comply with or to perform any other provision of this Agreement or any other Loan Document (and not constituting an Event of Default under any other provision of this Section 12) and continuance of such failure described in this clause (b) for thirty (30) days.

12.1.6 Warranties. Any warranty made by the Company or any Subsidiary herein or any other Loan Document is breached or is false or misleading in any material respect, or any schedule, certificate, financial statement, report, notice or other writing furnished by the Company or any Subsidiary to the Agent or any Bank in connection herewith is false or misleading in any material respect on the date as of which the facts therein set forth are stated or certified.

12.1.7 Pension Plans. (i) Institution of any steps by the Company or any other Person to terminate a Pension Plan if as a result of such termination the Company could be required to make a contribution to such Pension Plan, or could incur a liability or obligation to such Pension Plan, in excess of $25,000; **(ii)** a contribution failure occurs with respect to any Pension Plan sufficient to give rise to a Lien under Section 302(f) of ERISA; or **(iii)** there shall occur any withdrawal or partial withdrawal from a Multiemployer Pension Plan and the withdrawal liability (without unaccrued interest) to Multiemployer Pension Plans as a result of such withdrawal (including any outstanding withdrawal liability that the Company and the Controlled Group have incurred on the date of such withdrawal) exceeds $25,000.

12.1.8 Judgments. Final judgments which exceed an aggregate of $250,000 shall be rendered against the Company or any Subsidiary and shall not have been paid, discharged or vacated or had execution thereof stayed pending appeal within thirty (30) days after entry or filing of such judgments.

12.1.9 Invalidity of Guaranty, etc. The Guaranty shall cease to be in full force and effect with respect to any Subsidiary; or any Subsidiary (or any Person by, through or on behalf of such Subsidiary) shall contest in any manner the validity, binding nature or enforceability of the Guaranty with respect to such Subsidiary.

12.1.10 Reserved.

12.1.11 Invalidity of Subordination Provisions, etc. Any subordination provision in any document or instrument governing Subordinated Debt, or any subordination provision in any guaranty by any Subsidiary of any Subordinated Debt, shall cease to be in full force and effect, or the Company or any other Person (including the holder of any applicable Subordinated Debt) shall contest in any manner the validity, binding nature or enforceability of any such provision.

12.1.12 Change of Control. The occurrence of any Change of Control.

12.1.13 Reserved.

12.1.14 Material Adverse Effect. The occurrence of any event having a Material Adverse Effect.

12.1.15 Reserved.

12.1.16 Non Monetary Judgments. Any non monetary judgment, order or decree shall be rendered against any Loan Party which does or could reasonably be expected to have a Material Adverse Effect, and there shall be any period of thirty (30) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

12.2 Effect of Event of Default. If any Event of Default described in Section 12.1.4 shall occur, the Commitments (if they have not theretofore terminated) shall immediately terminate and the Loans and all other obligations hereunder shall become immediately due and payable and the Company shall become immediately obligated to Cash Collateralize all Letters of Credit, all without presentment, demand, protest or notice of any kind; and, if any other Event of Default shall occur and be continuing, the Agent (upon written request of the Required Banks) shall declare the Commitments (if they have not theretofore terminated) to be terminated and/or declare all Loans and all other obligations hereunder to be due and payable and/or demand that the Company immediately Cash Collateralize all Letters of Credit, whereupon the Commitments (if they have not theretofore terminated) shall immediately terminate and/or all Loans and all other obligations hereunder shall become immediately due and payable and/or the Company shall immediately become obligated to Cash Collateralize all Letters of Credit, all without presentment, demand, protest or notice of any kind. The Agent shall promptly advise the Company of any such declaration, but failure to do so shall not impair the effect of such declaration. Notwithstanding the foregoing, the effect as an Event of Default of any event described in Section 12.1.1 or Section 12.1.4 may be waived by the written concurrence of all of the Banks, and the effect as an Event of Default of any other event described in this Section 12 may be waived by the written concurrence of the Required Banks. Any cash collateral delivered hereunder shall be held by the Agent (without liability for interest thereon) and applied to Obligations arising in connection with any drawing under a Letter of Credit. After the expiration or termination of all Letters of Credit, such cash collateral shall be applied by the Agent to any remaining obligations hereunder and any excess shall be delivered to the Company or as a court of competent jurisdiction may elect.

12.3 Attorney-in-Fact. The Company hereby irrevocably makes, constitutes and appoints the Agent (and any officer of the Agent or any Person designated by the Agent for that purpose) as the Company' s true and lawful proxy and attorney-in-fact (and agent-in-fact) in the Company' s name, place and stead, with full power of substitution, to (i) take such actions as are permitted in this Agreement and the other Loan Documents, and (ii) carry out any remedy provided for in this Agreement. The Company hereby acknowledges that the constitution and appointment of such proxy and attorney-in-fact are coupled with an interest and are irrevocable. The Company hereby ratifies and confirms all that said attorney-in-fact may do or cause to be done by virtue of any provision of this Agreement.

SECTION 13. THE AGENT.

13.1 Appointment and Authorization.

(a) Each Bank hereby irrevocably (subject to Section 13.9) appoints, designates and authorizes the Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Agent shall not have any duty or responsibility except those expressly set forth herein, nor shall the Agent have or be deemed to have any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Agent.

(b) The Issuing Bank shall act on behalf of the Banks with respect to any Letters of Credit issued by it and the documents associated therewith. The Issuing Bank shall have all of the benefits and immunities: (i) provided to the Agent in this Section 13 with respect to any acts taken or omissions suffered by the Issuing Bank in connection with Letters of Credit issued by it or proposed to be issued by it and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Agent", as used in this Section 13, included the Issuing Bank with respect to such acts or omissions and (ii) as additionally provided in this Agreement with respect to the Issuing Bank.

13.2 Delegation of Duties. The Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

13.3 Liability of Agent. None of the Agent nor any of its directors, officers, employees or agents shall: (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Banks for any recital, statement, representation or warranty made by the Company or any Subsidiary or Affiliate of the Company, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Company or any other party to any Loan Document to perform its obligations hereunder or thereunder. The Agent shall not be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Company or any of the Company' s Subsidiaries or Affiliates.

13.4 Reliance by Agent. The Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company), independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Banks as it deems appropriate and, if it so requests, confirmation from the Banks of their obligation to indemnify the Agent against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Banks and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Banks.

13.5 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Event of Default or Unmatured Event of Default except with respect to defaults in the payment of principal, interest and fees required to be paid to the Agent for the account of the Banks, unless the Agent shall have received written notice from a Bank or the Company referring to this Agreement, describing such Event of Default or Unmatured Event of Default and stating that such notice is a "notice of default." The Agent will notify the Banks of its receipt of any such notice. The Agent shall take such action with respect to such Event of Default or Unmatured Event of Default as may be requested by the Required Banks in accordance with Section 12; provided, unless and until the Agent has received any such request, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Event of Default or Unmatured Event of Default as it shall deem advisable or in the best interest of the Banks.

13.6 Credit Decision. Each Bank acknowledges that the Agent has not made any representation or warranty to it, and that no act by the Agent hereafter taken, including any review of the affairs of the Company and its Subsidiaries, shall be deemed to constitute any representation or warranty by the Agent to any Bank. Each Bank represents to the Agent that it has, independently and without reliance upon the Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Company and its Subsidiaries, and made its own decision to enter into this Agreement and to extend credit to the Company hereunder. Each Bank also represents that it will, independently and without reliance upon the Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly herein required to be furnished to the Banks by the Agent, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, prospects, operations, property, financial or other condition or creditworthiness of the Company which may come into the possession of the Agent.

13.7 Indemnification. Whether or not the transactions contemplated hereby are consummated, the Banks shall indemnify upon demand the Agent and its directors, officers, employees and agents (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), *pro rata*, from and against any and all Indemnified Liabilities (as defined in Section 14.13); provided, no Bank shall be liable for any payment to any such Person of any portion of the Indemnified Liabilities resulting from such Person' s gross negligence or willful misconduct. Without limitation of the foregoing, each Bank shall reimburse the Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Agent is not reimbursed for such expenses by or on behalf of the Company. The undertaking in this Section shall survive repayment of the Loans, expiration or termination of the Letters of Credit, cancellation of the Notes, termination of this Agreement and the resignation or replacement of the Agent.

13.8 Agent in Individual Capacity. LaSalle and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Company and its Subsidiaries and Affiliates as though LaSalle were not the Agent or the Issuing Bank hereunder and without notice to or consent of the Banks. The Banks acknowledge that, pursuant to such activities, LaSalle or its Affiliates may receive information regarding the Company or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Company or such Affiliate) and acknowledge that the Agent shall be under no obligation to provide such information to them. With respect to their Loans (if any), LaSalle and its Affiliates shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though LaSalle were not the Agent and the Issuing Bank, and the terms "Bank" and "Banks" include LaSalle and its Affiliates, to the extent applicable, in their individual capacities

13.9 Successor Agent. The Agent may resign as Agent upon thirty (30) days notice to the Banks. If the Agent resigns under this Agreement, the Required Banks shall, with (so long as no Event of Default exists) the consent of the Company (which shall not be unreasonably withheld or delayed), appoint from among the Banks a successor agent for the Banks. If no successor agent is appointed prior to the effective date of the resignation of the Agent, the Agent may appoint, after consulting with the Banks and the Company, a successor agent from among the Banks. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Agent and the term "Agent" shall mean such successor agent, and the retiring Agent' s appointment, powers and duties as Agent shall be terminated. After any retiring Agent' s resignation hereunder as Agent, the provisions of this Section 13 and Sections 14.6 and 14.13 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. If no successor agent has accepted appointment as Agent by the date which is thirty (30) days following a retiring Agent' s notice of resignation, the retiring Agent' s resignation shall nevertheless thereupon become effective and the Banks shall perform all of the duties of the Agent hereunder until such time, if any, as the Required Banks appoint a successor agent as provided for above.

13.10 Reserved.

13.11 Funding Reliance.

(a) Unless the Agent receives notice from a Bank by noon, Chicago time, on the day of a proposed borrowing that such Bank will not make available to the Agent an amount equal to its *Pro Rata* Share of such borrowing, the Agent may assume that such Bank has made such amount available to the Agent and, in reliance upon such assumption, make a corresponding amount available to the Company. If and to the extent such Bank has not made such amount available to the Agent, such Bank and the Company jointly and severally agree to repay such amount to the Agent forthwith on demand, together with interest thereon at the interest rate applicable to Loans comprising such borrowing or, in the case of any Bank which repays such amount within three Business Days, the Federal Funds Rate (together with such other compensatory amounts as may be required to be paid by such Bank to the Agent pursuant to the Rules for Interbank Compensation of the Council on International Banking or the Clearinghouse Compensation Committee, as applicable, as in effect from time to time). Nothing set forth in this clause (a) shall relieve any Bank of any obligation it may have to make any Loan hereunder.

(b) Unless the Agent receives notice from the Company prior to the due date for any payment hereunder that the Company does not intend to make such payment, the Agent may assume that the Company has made such payment and, in reliance upon such assumption, make available to each Bank its share of such payment. If and to the extent that the Company has not made any such payment to the Agent, each Bank which received a share of such payment shall repay such share (or the relevant portion thereof) to the Agent forthwith on demand, together with interest thereon at the Base Rate (or, in the case of any Bank which repays such amount within three Business Days, the Federal Funds Rate). Nothing set forth in this clause (b) shall relieve the Company of any obligation it may have to make any payment hereunder.

SECTION 14. GENERAL.

14.1 Waiver; Amendments. No delay on the part of the Agent or any Bank in the exercise of any right, power or remedy shall operate as a waiver thereof, nor shall any single or partial exercise by any of them of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy. No amendment, modification or waiver of, or consent with respect to, any provision of this Agreement or the Notes shall in any event be effective unless the same shall be in writing and signed and delivered by Banks having an aggregate *Pro Rata*

Share of not less than the aggregate *Pro Rata* Share expressly designated herein with respect thereto or, in the absence of such designation as to any provision of this Agreement or the Notes, by the Required Banks, and then any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No amendment, modification, waiver or consent shall change the *Pro Rata* Share of any Bank without the consent of such Bank. No amendment, modification, waiver or consent shall: (i) increase the Commitment Amount, (ii) extend the date for payment of any principal of or interest on the Loans or any fees payable hereunder, (iii) reduce the principal amount of any Loan, the rate of interest thereon or any fees payable hereunder, (iv) release the Guaranty or (v) reduce the aggregate *Pro Rata* Share required to effect an amendment, modification, waiver or consent without, in each case, the consent of all Banks. No provision of Section 13 or other provision of this Agreement affecting the Agent in its capacity as such shall be amended, modified or waived without the consent of the Agent. Notwithstanding the foregoing or anything else to the contrary in this Section 14.1, Agent, without the further consent of any Lender, may (and hereby is authorized to) amend or otherwise modify this Agreement or any other Loan Document in order to effectuate the Incremental Loan Commitment and the making of the Incremental Loans, provided that any such amendment or modification shall not be inconsistent with the terms of Section 14.1 of this Agreement or the definitions used in such Section insofar as such definitions affect the substance of such Section. No provision of Section 13 or other provision of this Agreement affecting the Agent in its capacity as such shall be amended, modified or waived without the consent of the Agent. No provision of this Agreement relating to the rights or duties of the Issuing Bank in its capacity as such shall be amended, modified or waived without the consent of the Issuing Bank.

14.2 Confirmations. The Company and each holder of a Note agree from time to time, upon written request received by it from the other, to confirm to the other in writing (with a copy of each such confirmation to the Agent) the aggregate unpaid principal amount of the Loans then outstanding under such Note.

14.3 Notices. Except as otherwise provided in Sections 2.2.2 and 2.2.3, all notices hereunder shall be in writing (including facsimile transmission) and shall be sent to the applicable party at its address shown on Schedule 14.3 or at such other address as such party may, by written notice received by the other parties, have designated as its address for such purpose. Notices sent by facsimile transmission shall be deemed to have been given when sent; notices sent by mail shall be deemed to have been given three Business Days after the date when sent by registered or certified mail, postage prepaid; and notices sent by hand delivery or overnight courier service shall be deemed to have been given when received. For purposes of Sections 2.2.2 and 2.2.3, the Agent shall be entitled to rely on telephonic instructions from any person that the Agent in good faith believes is an authorized officer or employee of the Company, and the Company shall hold the Agent and each other Bank harmless from any loss, cost or expense resulting from any such reliance.

14.4 Computations. Where the character or amount of any asset or liability or item of income or expense is required to be determined, or any consolidation or other accounting computation is required to be made, for the purpose of this Agreement, such determination or calculation shall, to the extent applicable and except as otherwise specified in this Agreement, be made in accordance with GAAP, consistently applied; provided, if the Company notifies the Agent that the Company wishes to amend any covenant in Section 10 to eliminate or to take into account the effect of any change in GAAP on the operation of such covenant (or if the Agent notifies the Company that the Required Banks wish to amend Section 10 for such purpose), then the Company' s compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Company and the Required Banks.

14.5 Regulation U. Each Bank represents that it in good faith is not relying, either directly or indirectly, upon any Margin Stock as collateral security for the extension or maintenance by it of any credit provided for in this Agreement.

14.6 Costs, Expenses and Taxes. The Company agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Agent (including Attorney Costs) in connection with the preparation, execution, syndication, delivery and administration of this Agreement, the other Loan Documents and all other documents provided for herein or delivered or to be delivered hereunder or in connection herewith (including any amendment, supplement or waiver to any Loan Document), and all reasonable out-of-pocket costs and expenses (including Attorney Costs) incurred by the Agent and each Bank after an Event of Default in connection with the enforcement of this Agreement, the other Loan Documents or any such other documents. In addition, the Company agrees to pay, and to save the Agent and the Banks harmless from all liability for: (a) any stamp or other taxes (excluding income taxes and franchise taxes based on net income) which may be payable in connection with the execution and delivery of this Agreement, the borrowings hereunder, the issuance of the Notes or the execution and delivery of any other Loan Document or any other document provided for herein or delivered or to be delivered hereunder or in connection herewith and (b) any fees of the Company' s auditors in connection with any reasonable exercise by the Agent and the Banks of their rights pursuant to Section 10.2. All obligations provided for in this Section 14.6 shall survive repayment of the Loans, cancellation of the Notes, expiration or termination fo the Letters of Credit and termination of this Agreement.

14.7 Subsidiary References. The provisions of this Agreement relating to Subsidiaries shall apply only during such times as the Company has one or more Subsidiaries. Additionally, references to Bangor Gas and Frontier Energy as Subsidiaries of the Company shall only be applicable if and when such Persons are in fact either direct or indirect Subsidiaries of the Company.

14.8 Captions. Section captions used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

14.9 Assignments; Participations.

14.9.1 Assignments. Any Bank may, with the prior written consents of the Issuing Bank and the Agent and (so long as no Event of Default exists) the Company (which consents shall not be unreasonably delayed or withheld and, in any event, shall not be required for an assignment by a Bank to one of its Affiliates or another Bank or by LaSalle to an Approved Fund), at any time assign and delegate to one or more commercial banks or other Persons (any Person to whom such an assignment and delegation is to be made being herein called an "Assignee") all or any fraction of such Bank' s Loans and Commitment (which assignment and delegation shall be of a constant, and not a varying, percentage of all the assigning Bank' s Loans and Commitment) in a minimum aggregate amount equal to the lesser of: **(i)** the amount of the assigning Bank' s *Pro Rata* Share of the Commitment Amount and **(ii)** $3,000,000 (except in connection with an assignment to an Affiliate or another Bank or by LaSalle to an Approved Fund, to which no minimum amount shall apply); provided: **(a)** no assignment and delegation may be made to any Person if, at the time of such assignment and delegation, the Company would be obligated to pay any greater amount under Section 7.6 or Section 8 to the Assignee than the Company is then obligated to pay to the assigning Bank under such Sections (and if any assignment is made in violation of the foregoing, the Company will not be required to pay the incremental amounts) and **(b)** the Company and the Agent shall be entitled to continue to deal solely and directly with such Bank in connection with the interests so assigned and delegated to an Assignee until the date when all of the following conditions shall have been met:

(x) five (5) Business Days (or such lesser period of time as the Agent and the assigning Bank shall agree) shall have passed after written notice of such assignment and delegation, together with payment instructions, addresses and related information with respect to such Assignee, shall have been given to the Company and the Agent by such assigning Bank and the Assignee,

(y) the assigning Bank and the Assignee shall have executed and delivered to the Company and the Agent an assignment agreement substantially in the form of Exhibit D (an "**Assignment Agreement**"), together with any documents required to be delivered thereunder, which Assignment Agreement shall have been accepted by the Agent, and

(z) except in the case of an assignment by a Bank to one of its Affiliates, the assigning Bank or the Assignee shall have paid the Agent a processing fee of $3,500.

From and after the date on which the conditions described above have been met: **(x)** such Assignee shall be deemed automatically to have become a party hereto and, to the extent that rights and obligations hereunder have been assigned and delegated to such Assignee pursuant to such Assignment Agreement, shall have the rights and obligations of a Bank hereunder and **(y)** the assigning Bank, to the extent that rights and obligations hereunder have been assigned and delegated by it pursuant to such Assignment Agreement, shall be released from its obligations hereunder. Within five Business Days after effectiveness of any assignment and delegation, the Company shall execute and deliver to the Agent (for delivery to the Assignee and the Assignor, as applicable) a new Note in the principal amount of the Assignee' s *Pro Rata* Share of the Commitment Amount and, if the assigning Bank has retained a Commitment hereunder, a replacement Note in the principal amount of the *Pro Rata* Share of the Commitment Amount retained by the assigning Bank retained by the assigning Bank (such Note to be in exchange for, but not in payment of, the predecessor Note held by such assigning Bank). Each such Note shall be dated the effective date of such assignment. The assigning Bank shall mark the predecessor Note "exchanged" and deliver it to the Company. Accrued interest on that part of the predecessor Note being assigned shall be paid as provided in the Assignment Agreement. Accrued interest and fees on that part of the predecessor Note not being assigned shall be paid to the assigning Bank. Accrued interest and accrued fees shall be paid at the same time or times provided in the predecessor Note and in this Agreement. Any attempted assignment and delegation not made in accordance with this Section 14.9.1 shall be null and void.

Notwithstanding the foregoing provisions of this Section 14.9.1 or any other provision of this Agreement, any Bank may at any time assign all or any portion of its Loans and its Note to a Federal Reserve Bank (but no such assignment shall release any Bank from any of its obligations hereunder).

14.9.2 Participations. Any Bank may at any time sell to one or more commercial banks or other Persons participating interests in any Loan owing to such Bank, the Note held by such Bank, the Commitment of such Bank, the direct or participation interest of such Bank in any Letter of Credit or any other interest of such Bank hereunder (any Person purchasing any such participating interest being herein called a "**Participant**"). In the event of a sale by a Bank of a participating interest to a Participant: (x) such Bank shall remain the holder of its Note for all purposes of this Agreement, (y) the Company and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank' s rights and obligations hereunder and (z) all amounts payable by the Company shall be determined as if such Bank had not sold such participation and shall be paid directly to such Bank. No Participant shall have any direct or indirect voting rights hereunder except with respect to any of the events described in the fourth sentence of Section 14.1. Each Bank agrees to incorporate the requirements of the preceding sentence into each participation agreement which such Bank enters into with any Participant. The Company agrees that if amounts outstanding under this Agreement and the Notes are due and payable (as a result of acceleration or otherwise), each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement, any Note and with respect to any Letter of Credit to the same extent as if the amount of its participating interest were owing directly to it as a Bank under this Agreement or such Note; provided, such right of setoff shall be subject to the obligation of each Participant to share with the Banks, and the Banks agree to share with each Participant, as provided in Section 7.5. The Company also agrees that each Participant shall be entitled to the benefits of Section 7.6 and Section 8 as if it were a Bank (provided that no Participant shall receive any greater compensation pursuant to Section 7.6 or Section 8 than would have been paid to the participating Bank if no participation had been sold).

14.10 Governing Law. This Agreement and each Note shall be a contract made under and governed by the internal laws of the State of Illinois applicable to contracts made and to be performed entirely within such State. Whenever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. All obligations of the Company and rights of the Agent and the Banks expressed herein or in any other Loan Document shall be in addition to and not in limitation of those provided by applicable law.

14.11 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement.

14.12 Successors and Assigns. This Agreement shall be binding upon the Company, the Banks and the Agent and their respective successors and assigns, and shall inure to the benefit of the Company, the Banks and the Agent and the successors and assigns of the Banks and the Agent.

14.13 Indemnification by the Company. In consideration of the execution and delivery of this Agreement by the Agent and the Banks and the agreement to extend the Commitments provided hereunder, the Company hereby agrees to indemnify, exonerate and hold the Agent, each Bank and each of the officers, directors, employees, Affiliates and agents of the Agent and each Bank (each a "Bank Party") free and harmless from and against any and all actions, causes of action, suits, losses, liabilities, damages and expenses, including Attorney Costs (collectively, the "Indemnified Liabilities"), incurred by the Bank Parties or any of them as a result of, or arising out of, or relating to: (i) any tender offer, merger, purchase of stock, purchase of assets or other similar transaction financed or proposed to be financed in whole or in part, directly or indirectly, with the proceeds of any of the Loans, (ii) the use, handling, release, emission, discharge, transportation, storage, treatment or disposal of any hazardous substance at any property owned or leased by the Company or any Subsidiary, (iii) any violation of any Environmental Laws with respect to conditions at any property owned or leased by the Company or any Subsidiary or the operations conducted thereon, (iv) the investigation, cleanup or remediation of offsite locations at which the Company or any Subsidiary or their respective predecessors are alleged to have directly or indirectly disposed of hazardous substances or (v) the execution, delivery, performance or enforcement of this Agreement or any other Loan Document by any of the Bank Parties, except for any such Indemnified Liabilities arising on account of the applicable Bank Party' s gross negligence or willful misconduct. If and to the extent that the foregoing undertaking may be unenforceable for any reason, the Company hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. All obligations provided for in this Section 14.13 shall survive repayment of the Loans, cancellation of the Notes and termination of this Agreement.

14.14 Nonliability of Banks. The relationship between the Company on the one hand and the Banks and the Agent on the other hand shall be solely that of borrower and lender. Neither the Agent nor any Bank shall have any fiduciary responsibility to the Company. Neither the Agent nor any Bank undertakes any responsibility to the Company to review or inform the Company or any matter in connection with any phase of the Company' s business or operations. The Company agrees that neither the Agent nor any Bank shall have liability to the Company (whether sounding in tort, contract or otherwise) for losses suffered by the Company in connection with, arising out of, or in any way related to the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. Neither the Agent nor any Bank shall have any liability with respect to, and the Company hereby waives, releases and agrees not to sue for, any special, indirect or consequential damages suffered by the Company in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

14.15 FORUM SELECTION AND CONSENT TO JURISDICTION. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF ILLINOIS OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS. THE COMPANY HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF ILLINOIS AND OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE. THE COMPANY FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF ILLINOIS. THE COMPANY HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

14.16 Waiver of Jury Trial. EACH OF THE COMPANY, THE AGENT AND EACH BANK HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY NOTE, ANY OTHER LOAN DOCUMENT AND ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH ANY OF THE FOREGOING, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

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Delivered at Chicago, Illinois, as of the day and year first above written.

AGENT AND BANK:

LASALLE BANK, NATIONAL ASSOCIATION, a national banking association, as Agent and as a Bank

By: /s/ Meghan Schultz
Name: Meghan Schultz
Title: Vice President

COMPANY:

ENERGY WEST, INCORPORATED, a Montana corporation

By: /s/ David A. Cerotzke
Name: David A. Cerotzke
Title: President and Chief Executive Officer

PRICING GRID

Level	Total Debt to Capital Ratio	Commitment Fee	Applicable Margin - LIBOR	Applicable Margin-Base Rate
I	Less than 0.45 to 1.00	0.200%	1.200%	0.000%
II	Equal to or greater than 0.45 to 1.00 but less than 0.55 to 1.00	0.250%	1.325%	0.000%
III	Equal to or greater than 0.55 to 1.00	0.375%	1.450%	0.000%

For the period commencing on the Closing Date through the last day of the month during which financial statements for the Fiscal Quarter Ending June 30, 2007 are delivered, the applicable Level shall be Level I. Thereafter, the Level shall equal the applicable Level as set forth below based upon the Total Debt to Capital Ratio then in effect.

The applicable Level shall be adjusted from time to time upon delivery to the Agent of the financial statements for each Fiscal Quarter required to be delivered pursuant to Section 10.1.2 hereof accompanied by a written calculation of the Total Debt to Capital Ratio certified on behalf of the Borrower by an authorized officer as of the end of such Fiscal Quarter for which such financial statements are delivered. If such calculation indicates that the Level shall increase or decrease, then on the first day of the month following the date of delivery of such financial statements and written calculation, the Level shall be adjusted in accordance therewith; provided, however, that if the Borrower shall fail to deliver any such financial statements for any such Fiscal Quarter when such financial statements are required to be delivered pursuant to Section 10.1.2, then, at the Agent' s election, effective as of the first day immediately following the date such financial statements were to have been delivered, and continuing through the first day of the quarter following the date (if ever) when such financial statements and such written calculation are finally delivered, the Level shall be conclusively presumed to equal the highest Level specified in the pricing table set forth above.

SCHEDULE 1.1(a) TO Credit Agreement

EXISTING CLAIMS

Credit Agreement

SCHEDULE 2.1 TO Credit Agreement

BANKS AND *PRO RATA* SHARES

Bank		***Pro Rata Share of Commitment Amount***	***Pro Rata Share***
LaSalle Bank National Association	$	20,000,000.00	100.00000000 %
TOTAL	**$**	**20,000,000.00**	**100.000000000%**

SCHEDULE 9.6 to Credit Agreement

LITIGATION AND CONTINGENT LIABILITIES

Credit Agreement

SCHEDULE 9.8 to Credit Agreement

SUBSIDIARIES

Credit Agreement

SCHEDULE 9.15 to Credit Agreement

ENVIRONMENTAL MATTERS

Credit Agreement

SCHEDULE 9.17 to Credit Agreement

INSURANCE

Credit Agreement

SCHEDULE 9.18 to Credit Agreement

REAL PROPERTY

Credit Agreement

SCHEDULE 9.22 to Credit Agreement

LABOR MATTERS

Credit Agreement

SCHEDULE 10.7 to Credit Agreement

PERMITTED EXISTING DEBT

Credit Agreement

SCHEDULE 10.8 to Credit Agreement

PERMITTED EXISTING LIENS

Credit Agreement

SCHEDULE 10.21 to Credit Agreement

INVESTMENTS

Credit Agreement

DEBT TO BE REPAID

ADDRESSES FOR NOTICES

COMPANY:

No. 1 First Avenue South
Great Falls, Montana 59401
P.O. Box 2229
Great Falls, Cascade County, Montana 59403-2229
Attention.: Vice President Administration
Telephone: 406.791.7503
Facsimile: 406.791.7560

AGENT:

135 South LaSalle Street
Chicago, Illinois 60603
Attention: Ms. Meghan Schultz
Telephone: 312.904.9457
Facsimile: 312.904.1994

LASALLE:

Notices of Borrowing, Conversion, Continuation

135 South LaSalle Street
Chicago, Illinois 60603
Attention: Ms. Meghan Schultz
Telephone: 312.904.9457
Facsimile: 312.904.1994

All Other Notices

135 South LaSalle Street
Chicago, Illinois 60603
Attention: Ms. Meghan Schultz
Telephone: 312.904.9457
Facsimile: 312.904.1994

EXHIBIT A to Credit Agreement

FORM OF NOTE

NOTE

$_____ _____ ___, 20___
Chicago, Illinois

[Original Note dated _____ __, 20__]

The undersigned, **ENERGY WEST, INCORPORATED**, a Montana corporation (the "**Company**"), for value received, promises to pay to the order of _____, a _____ _____ (the "**Bank**") at the principal office of LaSalle Bank National Association, in its capacity as agent (in such capacity, the "**Agent**") in Chicago, Illinois the aggregate unpaid amount of all Loans made to the undersigned by the Bank pursuant to the Credit Agreement referred to below (as shown on the Schedule attached hereto (and any continuation thereof) or in the records of the Bank), such principal amount to be payable on the dates set forth in the Credit Agreement.

The Company further promises to pay interest on the unpaid principal amount of each Loan from the date of such Loan until such Loan is paid in full, payable at the rates and at the times set forth in the Credit Agreement. Payments of both principal and interest are to be made in lawful money of the United States of America.

This Note evidences indebtedness incurred under, and is subject to the terms and provisions of, the Credit Agreement dated as of June 29, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"; terms not otherwise defined herein are used herein as defined in the Credit Agreement) by and among the Company, certain financial institutions (including the Bank) and the Agent. Reference is hereby made to such Credit Agreement for a statement of the terms and provisions under which this Note may or must be paid prior to its due date or its due date accelerated.

This Note is made under and governed by the laws of the State of Illinois applicable to contracts made and to be performed entirely within such State.

[This Note: (i) is given in substitution for, and not in repayment of, that certain Note issued _____ ___, 20__ in the original principal amount of $_____ made by the Company payable to the order of [the Bank/_____] (the "Original Note") and (ii) shall not constitute a novation of the indebtedness, liabilities or obligations evidenced by the Original Note or any of the Obligations.]

- Remainder of Page Intentionally Left Blank -
[Signature Page Follows]

IN WITNESS WHEREOF, the Company has executed this Note as of the day and year first written above.

ENERGY WEST, INCORPORATED, a Montana corporation

By: _____
Name: _____
Title: _____

Schedule attached to Note dated , 20 of Energy West, Incorporated, payable to the order of

Tranche	Date and Amount of Loan or of Conversion from another type of Loan	Date and Amount of Repayment or of Conversion into another type of Loan	Interest Period/ Maturity Date	Unpaid Principal Balance	Notation Made by
1. BASE RATE LOANS					
2. LIBOR LOANS					

FORM OF COMPLIANCE CERTIFICATE

To: LaSalle Bank National Association, as Agent

Please refer to the Credit Agreement dated as of June 29, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**") by and among Energy West, Incorporated, a Montana corporation (the "**Company**"), various financial institutions and LaSalle Bank National Association, as agent. Terms used but not otherwise defined herein are used herein as defined in the Credit Agreement.

I. Reports. Enclosed herewith is a copy of the ***[annual audited/quarterly]*** report of the Company as at _____ , 20 _____ (the "Computation Date"), which report fairly presents in all material respects the financial condition and results of operations ***[(subject to the absence of footnotes and to normal year-end adjustments)]*** of the Company as of the Computation Date and has been prepared in accordance with GAAP consistently applied.

II. Financial Tests. The Company hereby certifies and warrants to you that the following is a true and correct computation as at the Computation Date of the following ratios and/or financial restrictions contained in the Credit Agreement:

A. Section 10.6.2 − Minimum Interest Coverage Ratio

1.	EBIT	$_____
2.	Interest Expense	$_____
3.	Ratio of (1) to (2)	___ to 1.00
4.	Minimum required	2.00 to 1.00

B. Section 10.6.2 − Maximum Total Debt to Capital Ratio

1.	Total Debt	$_____
2.	Capital	$_____
3.	Ratio of (1) to (2)	___ to 1.00
4.	Maximum allowed	.65 to 1.00

C. Section 10.10 − Restricted Distributions *[complete for each such payment]*

1. The Aggregate amount of the dividend payments made or declared by the Company during this period, together with all other such payments made during the sixty (60) months immediately preceding the month in which such dividend is declared and paid.

2. Seventy five percent (75%) of the Consolidated Net Income of the Company and its Subsidiaries for the sixty (60) months immediately preceding the month in which such dividend is declared and paid

_____

3. Confirm Item 1 does not exceed Item 2 (and conform as applicable for other payments permitted by Section 10.10.

_____

III. Energy West Resources. The Company hereby certifies and warrants to you that. as of the date hereof, the aggregate amount of all the Debt of Resources to the Company, when taken together with all capital contributions and other distributions of the Company or any of its Subsidiaries other than Resources made to, as well as all Investments by such Persons in, Resources from and after the Closing Date, is $_____ (consisting of $_____ of Debt owed by Resources to the Company outstanding as of the date hereof and $_____ of Investments in and contributions to Resources made since the Closing Date) and such amount does not exceed (and has not at any time since ***[date of last compliance certificate]*** exceeded) $3,000,000 in the aggregate.

The Company further certifies to you that no Event of Default or Unmatured Event of Default has occurred and is continuing.

IN WITNESS WHEREOF, the Company has caused this Certificate to be executed and delivered by its duly authorized officer on _____, 20__.

ENERGY WEST, INCORPORATED, a Montana corporation

By: _____
Name: _____
Title: _____

FORM OF ASSIGNMENT AGREEMENT

_____ ____, 200_

Reference is made to the Credit Agreement described in **Item 2 of Annex I** annexed hereto (as amended through the date hereof, the "**Credit Agreement**"). LASALLE BANK NATIONAL ASSOCIATION, in its capacity as "Agent" for itself and all "Banks" (as such terms are defined in the Credit Agreement), LASALLE BANK NATIONAL ASSOCIATION, in its capacity as "**Issuing Bank**," [_____], a [_____] (the "**Assignor**"), and [_____], a [_____] (the "**Assignee**"), hereby agree as follows:

1. All capitalized terms used but not otherwise defined herein or in Annex I shall have the respective meanings ascribed to such terms in the Credit Agreement.

2. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, that interest in and to all of the Assignor' s rights and obligations under the Credit Agreement which represents the percentage interest specified in Item 4 of Annex I of all outstanding rights and obligations under the Credit Agreement relating to the facility or facilities set forth in Item 2 of Annex I, including, without limitation, such interest in: **(i)** the Assignor' s respective Commitments, **(ii)** the Assignor' s participation interest in the Letters of Credit and **(iii)** the Loans and other Obligations owing to the Assignor relating to such facilities. In consideration of such purchase and assumption by the Assignee, the Assignor hereby agrees to pay to the Assignee on the Effective Date (as such term is defined below) the amount set forth in Item 5 of Annex I. After giving effect to such sale and assignment, the respective Commitments of the Assignee, the amount of the Loans owing to the Assignee and the Assignee' s participation interest in the Letters of Credit will be as set forth in Item 4 of Annex I.

3. The Assignor: **(i)** represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; **(ii)** makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement of the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, the Notes or any other document, agreement or instrument furnished pursuant thereto; and **(iii)** makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company or any of its Subsidiaries or the performance or observance by the Company or any of its Subsidiaries of their respective obligations under the Credit Agreement, the Notes, Loan documents or any other agreement, document or instrument furnished pursuant thereto.

4. The Assignee: **(i)** represents that it is either: **(A)** a Person organized under the laws of the United States or a state thereof or **(B)** if it is a Person organized under the laws of any jurisdiction other than the United States or any state thereof (a "**Foreign Lender**"), the information set forth in the documents delivered pursuant to clause (vii) of this Section 4 is true and correct as of the date hereof; **(ii)** confirms that it is either a commercial lender, other financial institution or "accredited investor" (as defined in Regulation D promulgated under the Securities Act of 1933, as amended) which makes loans or purchases notes in the ordinary course of business and that it will make all Loans under the Credit Agreement solely for its own account in the ordinary course of business and not with a view to or for sale in connection with any distribution of the Notes; provided, however: **(y)** the Assignee shall not be deemed to have breached this representation by making assignments or granting participations as permitted in the Credit Agreement and **(z)** the disposition of the Notes, or other evidence of debt held by the Assignee shall at all times be within its exclusive control; **(iii)** confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to therein and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption Agreement; **(iv)** agrees that it will independently and without reliance upon the Agent, the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; **(v)** appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; **(vi)** agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank; and **(vii)** if it is a Foreign Lender, attaches two (2) accurate and complete original signed copies of forms prescribed by the Internal Revenue Service of the United States certifying as to the Assignee' s status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to the Assignee under the Credit Agreement or, if applicable, such other documents as are necessary to indicate that such payments are subject to such rates at a rate reduced by an applicable tax treaty.

5. Following the execution of this Assignment and Assumption Agreement by the Assignor and the Assignee, it will be delivered to the Agent for acceptance and recording by the Agent in the Register. The effective date of this Assignment and Assumption Agreement shall be the date of execution and delivery hereof to the Agent by the Assignor and the Assignee unless otherwise specified on Item 6 of Annex I hereto (the "**Effective Date**").

6. Upon such acceptance and recording by the Agent, as of the Effective Date: **(i)** the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Assumption Agreement, have the rights and obligations of a Bank thereunder and **(ii)** the Assignor shall, to the extent provided in this Assignment and Assumption Agreement, relinquish its rights and be released from its obligations under the Credit Agreement.

7. Upon such acceptance and recording by the Agent, from and after the Effective Date, the Agent shall make all payments under the Credit Agreement in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and fees (if applicable) with respect thereto) to the Assignee. Upon the Effective Date, the Assignee shall pay to the Assignor the principal amount of any outstanding Loans under the Credit Agreement which are being assigned hereunder, net of any closing costs. The Assignor and the Assignee shall make all appropriate adjustments in payments under the Credit Agreement for periods prior to the Effective Date directly between themselves on the Effective Date.

8. This Assignment and Assumption Agreement shall be governed by, and construed in accordance with, the internal laws (as opposed to conflict of laws provisions) of the State of Illinois.

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IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Assumption Agreement and **Annex I** hereto be executed by their respective officers thereunto duly authorized, as of the date first above written.

[_____], as Assignor

By: _____
Name: _____
Title: _____

[_____], as Assignee

By: _____
Name: _____
Title: _____

Accepted:

LASALLE BANK NATIONAL ASSOCIATION, as Agent

By: _____
Name: _____
Title: _____

Consented and Agreed ***[to the extent required under the terms of the Credit Agreement]***

ENERGY WEST, INCORPORATED, a Montana corporation

By: _____
Name: _____
Title: _____

ANNEX I

1.	The Company:	Energy West, Incorporated
2.	Name and Date of Credit Agreement:	Credit Agreement dated as of June 29, 2007 by and among the Company, each of the financial institutions from time to time parties thereto, and LaSalle Bank National Association, as Agent
3.	Date of Assignment Agreement:	_____ ___, 200_

Commitments and Assignments ***[will need to be adjusted to reflect assignment of particular tranches, if assignment does not take place on a* pro rata *basis across all tranches]*** :

Assignor' s Aggregate Commitments Prior to Assignment:	$_____
Amount Assigned	$_____
Assignor' s Revised Commitment	$_____
Assignor' s Percentage of Aggregate Commitments Prior to Assignment	_____%
Percentage Assigned	_____%
Percentage Remaining	_____%
Commitment Amount Prior to Assignment	$_____
	($_____Loan outstanding)
Amount Assigned	$_____
	($_____Loan outstanding)
Assignor' s Revised Commitment	$_____
	($_____Loan outstanding)
Percentage of Commitment Amount Prior to Assignment	_____%
	(as a percentage of Commitment Amount)
Percentage Assigned	_____%
Percentage Remaining	_____%
5. Assignee' s Purchase Amounts:	

a. Loans	$_____
b. Closing Fees	$_____
TOTAL:	$_____

Effective Date: _____ __, ____

7. Notice and Payment Instructions:

ASSIGNOR:

Payment	Notice
ABA#:	[Address]
[Bank]	
Acct#:	
Acct:	Attention:
Reference:	Telephone:
	Facsimile:
	Reference:

ASSIGNEE:

Payment	Notice
ABA#:	[Address]
[Bank]	
Acct#:	
Acct:	Attention:
Reference:	Telephone:
	Facsimile:
	Reference:

– Remainder of Page Intentionally Left Blank –
[Signature Page Follows]

Accepted and Agreed:

[_____], as Assignor

By: _____
Name: _____
Title: _____

[_____], as Assignee

By: _____
Name: _____
Title: _____