## UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 8-K/A

## **CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 13, 2020

# **Essential Utilities, Inc.**

(Exact name of registrant as specified in its charter)

Pennsylvania (State or other jurisdiction of incorporation) 001-06659 (Commission File Number) 23-1702594 (I.R.S. Employer Identification No.)

762 West Lancaster Avenue Bryn Mawr, Pennsylvania (Address of principal executive offices)

19010-3489 (Zip Code)

Registrant's telephone number, including area code: (610) 527-8000

**Not Applicable** 

(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)

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

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

Securities registered pursuant to Section 12(b) of the Act:

	Trading	Name of each exchange
Title of each class	Symbol(s)	on which registered
Common stock, \$.50 par value	WTRG	New York Stock Exchange
6.00% Tangible Equity Units	WTRU	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company  $\Box$ 

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

#### **Explanatory Note**

As previously reported in a Current Report on Form 8-K filed on March 16, 2020 and amended by the Current Report on Form 8-K/A filed on March 18, 2020 (together, the "Initial Form 8-K"), on March 16, 2020, Essential Utilities, Inc. (the "Company") completed the acquisition from LDC Parent LLC, a Delaware limited liability company ("Seller"), of all of the issued and outstanding limited liability company membership interests of LDC Funding LLC, a Delaware limited liability company ("LDC Funding"), from Seller (the "Peoples Gas Acquisition"). LDC Funding is the ultimate parent of Peoples Natural Gas Company LLC ("Peoples Natural"), Peoples Gas Company LLC ("Peoples Gas"), Delta Natural Gas Company Inc. ("Delta"), Peoples Gas WV LLC, Peoples Gas KY LLC, Peoples Homeworks LLC, PNG Gathering LLC, Delta Resources LLC, Delgasco LLC and Enpro LLC, and collectively these businesses are referred to as "Peoples". The Peoples Gas Acquisition was completed in accordance with the terms of the previously announced Purchase Agreement, entered into on October 22, 2018 and disclosed in the Company's Current Report on Form 8-K filed on October 23, 2018, between the Company and the Seller (the "Purchase Agreement").

Peoples Natural, Peoples Gas, Delta, Peoples Gas WV LLC and Peoples Gas KY LLC are also collectively referred to as "the regulated companies."

Peoples Homeworks LLC, PNG Gathering LLC, Delta Resources LLC, Delgasco LLC and Enpro LLC are also collectively referred to as the "non-regulated companies."

This Form 8-K/A amends the Initial Form 8-K to include the financial statements and pro forma financial information required by Items 9.01(a) and 9.01(b) of Form 8-K, as well as additional information regarding Peoples, and should be read in conjunction with the Initial Form 8-K.

#### Item 8.01 Other Events

The following are risk factors, business description and management's discussion of financial condition and results of operations of LDC Funding as of December 31, 2019 and 2018, and for the three years ended December 31, 2019, related to Peoples' business. This information provides further details regarding the business of Peoples and is being provided in connection with the Peoples Gas Acquisition.

For further information regarding the Peoples Gas Acquisition, please refer to our Annual Report on Form 10-K filed on February 28, 2020, and the Initial Form 8-K.

#### **Risk Factors**

For a discussion of specific risks related to the Company's business, operations, financial condition and financial results, including certain risks related to Peoples and the Peoples Gas Acquisition, please see the "Business," Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections in our Annual Report on Form 10-K for our fiscal year ended December 31, 2019, as updated by our annual, quarterly and other reports and documents we file with the SEC. These risks, uncertainties and other factors are not the only ones that the Company faces. Additional risks, uncertainties and other factors not presently known to us or that we currently deem immaterial may also impair the Company's business, operations, financial condition and financial results or could otherwise adversely impact our investment in Peoples. Any of these risks could impair our business, operations, financial condition and financial results or could otherwise adversely impact our investment in Peoples.

In addition, we provide the following risk factors.

#### Peoples' ability to meet customers' natural gas requirements may be impaired if contracted natural gas supplies and interstate pipelines services are not available, are not delivered in a timely manner or if federal regulations decrease its available capacity, which may result in a loss of customers and an adverse effect on Peoples' financial conditions and results of operations.

Peoples is responsible for acquiring sufficient natural gas supplies, interstate pipeline capacity and storage capacity to meet current and future customers' peak, annual and seasonal natural gas requirements. Peoples relies on third-party service providers, as it purchases a portion of its natural gas supply from interstate sources and relies on interstate pipelines to transport natural gas to its distribution system, in addition to local production that is delivered directly into its pipeline system. The Federal Energy Regulatory Commission ("FERC") regulates the transportation of the natural gas received from interstate sources, and any change in regulatory policies could increase Peoples' transportation costs or decrease its available pipeline capacity. A decrease in interstate pipeline capacity available, an increase in competition for interstate pipeline transportation could restrict or limit natural gas drilling, which could decrease the supply of available natural gas. If Peoples is unable to maintain access to a reliable and adequate natural gas supply or sufficient pipeline capacity to deliver that supply, it may be unable to meet its customers' requirements resulting in a loss of customers and an adverse effect on Peoples' financial conditions and results of operations.

Peoples has traditionally used local production as its primary source of supply to fulfill its supply requirements. In order to absorb local gas into its system, Peoples has in place a network of pipelines and related facilities that move the gas either to customers located where gas is produced or to the more populated areas of the service territory where the greatest level of consumption occurs, and, in summer months, to Peoples' on-system and off-system storage facilities. This network of facilities includes gathering lines, compressor stations and transmission lines. Peoples has entered into gas purchase agreements with various producers to supply this local production. A decrease in this supply could occur, for example, if the local gas producers no longer drill wells to offset natural well production decline or if such producers decide to cease production or produce into another pipeline. State and federal legislation or regulations could also limit drilling activities and in turn limit gas supply. If supply is limited, Peoples would be faced with purchasing gas supplies likely at a higher cost and may not be able to find alternative gas supply, and accordingly, may be unable to meet customer requirements, resulting in a loss of customers and an adverse effect on its financial condition and results of operations.

#### Peoples may incur significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs.

Certain of Peoples' pipeline operations are subject to pipeline safety laws and regulations. The Department of Transportation's (the "DOT") Pipeline and Hazardous Materials Safety Administration (the "PHMSA") has adopted regulations requiring pipeline operators to develop integrity management programs, including more frequent inspections and other measures, for transmission pipelines located in "high consequence areas," which are those

areas where a leak or rupture could do the most harm. The regulations require pipeline operators, including Peoples, to, among other things:

- perform ongoing assessments of pipeline integrity;
- develop a baseline plan to prioritize the assessment of a covered pipeline segment;
- identify and characterize applicable threats that could impact a high consequence area;
- improve data collection, integration, and analysis;
- develop processes for performance management, record keeping, management of change and communication;
- repair and remediate pipelines as necessary; and
- implement preventative and mitigating action.

Peoples is required to maintain pipeline integrity testing programs that are intended to assess pipeline integrity. Peoples is also required to establish and maintain a Distribution Integrity Management Program for all distribution assets. This program requires protocols for identifying risks and threats to the distribution systems. The program incorporates a relative risk model to measure risk reduction to these threats. Any repair, remediation, preventative or mitigating actions may require significant capital and operating expenditures. Should Peoples fail to comply with applicable statutes and related rules, regulations and orders, it could be subject to significant penalties and fines.

# Peoples' liquidity and, in certain circumstances, results of operations may be adversely affected by the cost of purchasing natural gas during periods in which natural gas prices are rising significantly.

Peoples' regulated companies purchase their natural gas supply primarily through a combination of requirements contracts, some of which contain minimum purchase obligations, monthly spot purchase contracts and forward purchase contracts. The price paid for natural gas acquired under forward purchase contracts is fixed prior to the delivery of the natural gas. Additionally, a portion of natural gas purchases is injected into natural gas storage facilities in the non-heating months and withdrawn from storage for delivery to customers during the heating months.

Peoples' short-term borrowing requirements and liquidity are also significantly affected by the seasonal nature of the natural gas business. Changes in the price of natural gas and the amount of natural gas needed to supply customers' needs due to, for example, colder than expected seasonal temperatures, could significantly affect the price and amount of natural gas Peoples is required to purchase and the timing of such purchases, and in turn affect Peoples' borrowing requirements and liquidity position. If Peoples fails to secure sufficient natural gas supplies at appropriate prices (due to, for example, more extreme winter conditions), Peoples may be required to purchase additional natural gas supplies or purchase natural gas at elevated prices, which could adversely affect Peoples' borrowing levels, liquidity and financial condition.

Peoples' tariff rate schedules contain Purchased Gas Adjustment ("PGA") clauses that permit filings for rate adjustments to recover the cost of purchased gas. Subject to regulatory approval, as described below, changes in the cost of purchased gas are flowed through to customers and may affect uncollectible amounts and cash flows and can therefore impact Peoples' financial condition and results of operations.

The state regulatory commissions approve the PGA changes on an interim basis, subject to refund and the outcome of a subsequent audit and prudence review. Due to such review process, there is a risk of a disallowance of full recovery of these costs. Peoples is also subject to regulations and standards with regards to the amount of lost and unaccounted for gas that may be recovered from customers. Any material disallowance of purchased gas costs would adversely affect Peoples' financial condition and results of operations.

Increases in the prices that Peoples charges for gas may also adversely affect Peoples' business because increased prices could lead customers to reduce usage and cause some customers to have trouble paying the resulting higher bills. These higher prices may increase bad debt expenses and ultimately reduce earnings. Rapid increases in the price of purchased gas may result in an increase in short-term debt.

Peoples' nonregulated companies purchase natural gas utilizing a combination of requirements contracts, some of which contain minimum purchase obligations, monthly spot purchase contracts and forward purchase contracts. Although price risk for the non-regulated companies is mitigated to a degree by efforts aimed at balancing supply and demand, there are practical limitations on the ability to accurately predict demand and any failure to do so could adversely affect Peoples' financial condition and results of operations.

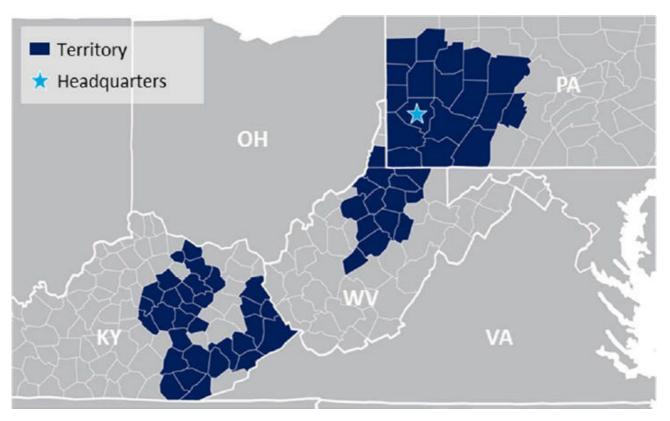
#### Workforce-related risks may affect Peoples' results of operations.

Peoples is subject to various workforce-related risks, including the risk that it will be unable to attract and retain qualified personnel; that it will be unable to effectively transfer the knowledge and expertise of an aging workforce to new personnel as those workers retire; and that it will be unable to reach collective bargaining arrangements with the unions that represent certain of its workers, which could result in work stoppages. Additionally, Peoples relies on outside resources to supplement its workforce, including construction crews which are key to Peoples' infrastructure replacement program. Peoples faces the same risks associated with these outside resources as it does with its own workforce. As a result, Peoples may be unable to hire or retain an adequate number of individuals who are knowledgeable about public utilities and the natural gas industry or face a lengthy time period associated with skill development and knowledge transfer. Failure to address these risks may result in increased operational and safety risks as well as increased costs. Even with reasonable plans in place to address succession planning and workforce training, Peoples cannot control the future availability of qualified labor. If Peoples is unable to successfully attract and retain an appropriately qualified workforce, it could adversely affect Peoples' financial condition and results of operations.

#### **Peoples' Business**

#### Overview

Peoples, which consists of Peoples Natural, Peoples Gas, Delta, and other utility and non-utility subsidiaries, primarily engages in regulated distribution and transportation of natural gas to approximately 747,000 residential, commercial and industrial customers in western Pennsylvania, West Virginia and Kentucky. Peoples' service territory is depicted below.



In 2019, approximately 40% of Peoples' total throughput was to residential customers and approximately 60% was to commercial and industrial customers. The table below reflects the number of Peoples' customers by state as of December 31, 2019:

	Residential	Commercial/Industrial	Total Customers
Pennsylvania	640,245	54,492	694,737
West Virginia	11,797	1,048	12,845
Kentucky	33,582	5,385	38,967
Total	685,624	60,925	746,549

#### Supply and Transportation

Peoples' gas supply strategy is to ensure dependable gas supply which is available for delivery when needed and that is economically priced. Peoples purchases its natural gas from intrastate, interstate and local sources. Peoples transports its natural gas supplies through various intrastate and interstate pipelines under contracts with remaining terms, including extensions, varying from one month to fourteen years. Peoples anticipates that these gas supply and transportation contracts will be renewed or replaced prior to their expiration.

In 2019, Peoples purchased the majority of its gas supply off the following Interstate Pipelines:

Interstate Pipeline Supplies	Percent of Supply Volumes
Equitrans Midstream	57%
Columbia Gulf	9%
Dominion Energy Transmission	7%
Tennessee	4%
Columbia Transmission	4%
Texas Eastern	3%
National Fuel	1%

Peoples also receives a portion of its natural gas supply from local production. Local gas purchases account for approximately 15% of Peoples' total gas supply procured on behalf of customers and are gathered from local production systems. Three suppliers provided more than 5% of Peoples' gas supply in 2019, with Equitrans Energy, Midwest Energy Services and Sequent Energy Management providing 51%, 12% and 9% of Peoples' gas supply, respectively.

The regulations of the states in which Peoples operates allow it to pass through changes in the cost of natural gas to its customers under purchased gas adjustment provisions in its tariffs. Depending upon the jurisdiction, the purchased gas adjustment factors are updated periodically, ranging from quarterly to annually. The changes in the cost of gas billed to customers are subject to review by the applicable regulatory bodies.

Peoples uses various third-party storage services or owned natural gas storage facilities to meet peak-day requirements and to manage the daily changes in demand due to changes in weather.

Peoples owns and operates an underground natural gas storage facility with a capacity of 8.3 billion cubic feet ("Bcf"). It has a working capacity of 4.5 Bcf available for use during the heating season and a maximum daily withdrawal rate of 66 million cubic feet ("MMcf"). Additionally, Peoples has contracted for off-system storage from interstate pipelines. The total amount of off-system storage under contract to Peoples is 30.2 Bcf with a maximum daily withdrawal rate of 504 MMcf.

On an ongoing basis, Peoples enters into contracts to provide sufficient supplies and pipeline capacity to meet its customers' natural gas requirements. However, it is possible for limited service disruptions to occur from time to time due to weather conditions, transportation constraints and other events. As a result of these factors, supplies of natural gas may become unavailable from time to time, or prices may increase rapidly in response to temporary supply constraints or other factors. In 2019, Peoples purchased its natural gas supply from 12 suppliers and over 100 local producers to meet its customers' natural gas requirements. Peoples and its subsidiaries entered into firm agreements with suppliers, including major producers and marketers, intended to provide flexibility to meet the temperature sensitive needs of its customers. In Pennsylvania, Peoples' distribution system is connected to 6 interstate pipelines, where Peoples maintains capacity it believes is sufficient to meet its customers' gas requirements. In Kentucky, Delta's distribution system is connected to 4 interstate pipelines, where Delta maintains capacity it believes is sufficient to meet its customers' gas requirements. In West Virginia, Peoples' distribution system is connected to one interstate pipeline, as well as local production, to meet its customers' gas requirements

#### Seasonality

Natural gas sales to residential, commercial and industrial customers are seasonal. In 2019, approximately 74% of Peoples' total throughput occurred in the first and fourth quarters. These patterns reflect the higher demand for natural gas for heating purposes during the colder months.

#### Assets

As of December 31, 2019, Peoples owned approximately 14,880 linear miles of natural gas distribution mains, varying in size from one-half inch to 36 inches in diameter, 2,400 miles of gathering pipeline and 314 miles of intrastate transmission/storage pipeline. Generally, in each of the cities, towns and rural areas served by Peoples, it owns the underground gas mains and service lines, metering and regulating equipment located on customers' premises and the district regulating equipment necessary for pressure maintenance. With a few exceptions, the

measuring stations at which Peoples receives gas are owned, operated and maintained by others, and its distribution facilities begin at the outlet of the measuring equipment. These facilities, including odorizing equipment, are usually located on land owned by suppliers.

#### Competition

Peoples faces the risk that customers may bypass gas distribution services by gaining distribution directly from interstate pipelines, other gas distributors or other energy sources.

#### Employees

As of December 31, 2019, Peoples had 1,497 full-time employees, of which 868 are subject to collective-bargaining agreements and represented by organized labor unions. Peoples believes labor relations with its employees are good.

#### Merger with Delta

On September 20, 2017, Peoples acquired 100% of the outstanding shares of Delta for \$217.6 million in cash ("Delta Acquisition"). Delta is a local gas distribution company, serving residential, commercial and industrial customers in Kentucky.

#### **Regulation of Peoples' Business**

#### Economic Regulation

Peoples' utility operations are subject to regulation by their respective state utility commissions, the WVPSC (West Virginia), the PAPUC (Pennsylvania) and the KYPSC (Kentucky), which have broad administrative power and authority to regulate billing rates, determine franchise areas and conditions of service, approve acquisitions and authorize the issuance of securities. The utility commissions also establish uniform systems of accounts and approve the terms of contracts with affiliates and customers, business combinations with other utility systems and loans and other financings. The policies of the utility commissions often differ from state to state and may change over time.

The profitability of Peoples utility operations is influenced to a great extent by the timeliness and adequacy of rate allowances granted by the respective utility commissions. Each commission has historically utilized cost-of-service ratemaking where base rates are established to recover normal operating expenses, exclusive of natural gas costs and other track expenses, and a reasonable rate of return on Peoples' rate base. Rate base consists primarily of the property, plant and equipment related to Peoples' regulated business, natural gas in storage, offset by accumulated depreciation and certain deferred income taxes. Peoples' regulated rates were most recently adjusted in the following cases:

Peoples Natural	Docket No. R-2018-3006818
Peoples Gas	Docket No. R-2013-2355886
Delta	Case No. 2010-00116

On January 28, 2019, Peoples Natural filed a rate request with the PAPUC to increase annual base operating revenues by \$94.9 million (the "Peoples Natural Rate Case"). On July 9, 2019, all active parties supported the filing of a Joint Petition for Approval of Settlement Stipulation with the PAPUC providing for a \$59.5 million annual base operating revenue increase. Peoples Natural's base rates in this settlement are designed to increase Peoples Natural's annual distribution revenues by \$63.4 million, which, as a result of the approval of elimination of connection fees, pooling fees, and other miscellaneous charges pursuant to this settlement, are designed to net to the \$59.5 million increase in Peoples Natural's annual operating revenues. The settlement rates became effective on October 29, 2019 and the increased revenues will be used to fund ongoing system improvements and operations necessary to maintain safe and reliable natural gas service.

Effective in July 2018, the PAPUC required Peoples Natural to begin refunding to customers the prospective benefit of the Tax Cuts and Jobs Act ("TCJA") which reduced the corporate federal income tax rate from 35% to 21%. The Joint Petition for Approval of Settlement Stipulation provides that the base rates in the rate case take into account the lower federal income tax rate and requires that Peoples provide a refund to customers due to the impact of tax reform on Peoples' results of operations from January 1, 2018 through June 30, 2018, along with interest on such amounts. In light of these requirements, a refund of \$14.1 million was provided to customers as a one-time bill credit on January 25, 2020. Refer to Note 8, *Regulatory Matters and Regulatory Assets and Liabilities*, of the consolidated financial statements of LDC Funding, filed as Exhibit 99.1 hereto, for further details.

On April 25, 2019 the PAPUC authorized Peoples Natural to revise its accounting methodology for gas in storage inventory from an annual last-in/first-out method to price gas injected into and withdrawn from storage to the weighted average cost of gas ("WACOG") method effective January 1, 2020. As a result, Peoples Natural established a WACOG bill credit of \$11.1 million to be refunded to customers over the three-month period from January 1, 2020 through March 31, 2020.

#### Rate Design Strategies

Sales of natural gas to residential and commercial customers are largely seasonal and are impacted by weather. Trends in the average consumption among natural gas residential and commercial customers have tended to decline as more efficient appliances and furnaces are installed. Revenues are derived from a combination of a monthly customer charge which is fixed and a volumetric charge based on the quantity of natural gas consumed.

#### Infrastructure Replacement

In the majority of natural gas service territories, the commissions have authorized bare steel and cast iron replacement programs. In Pennsylvania, Peoples Natural and Peoples Gas filed a Long-Term Infrastructure Replacement program with the PAPUC where Peoples has committed to the replacement of bare steel and cast iron pipe. On February 14, 2012, the Governor of Pennsylvania signed into law Act 11 of 2012, which provided a Distribution System Improvement Charge ("DSIC") mechanism for certain utilities to recover costs related to repair, replacement or improvement of eligible distribution property that has not previously been reflected in rates or rate base. Through a DSIC, subject to an earnings test, a utility may recover the fixed costs of eligible infrastructure incurred during the three months ended one month prior to the effective date of the charge, thereby reducing the historical regulatory lag associated with cost recovery through the traditional rate-making process. In Kentucky, Delta has a pipe replacement program tariff, which allows adjustment of regulated rates annually to earn a return on capital expenditures incurred subsequent to Delta's last rate case which are associated with the replacement of bare steel and vintage plastic pipe.

#### **Operating Expense Cost Recovery Mechanisms**

Gas costs incurred to serve Peoples' customers are the most significant operating expense. Peoples' regulated rates, in all jurisdictions, contain a PGA clause, which are reflected in its tariffs. The PGA clause allows Peoples to timely charge for changes in the cost of purchased gas, inclusive of unaccounted for gas expense based on actual experience. PGA procedures involve periodic filings and hearings before the state regulatory commissions to establish price adjustments for a designated future period. The procedures also provide for inclusion in later periods of any variances between actual recoveries representing the estimated costs and actual costs incurred. The PGA is subject to periodic review and audit by the state regulatory commissions who also have the authority to disallow previously incurred costs.

In Pennsylvania, the gas cost component of uncollectible accounts expense, gas procurement costs and certain costs to maintain a supplier choice program, where customers can elect their natural gas supplier, are recovered by mechanisms outside of typical base rate recovery. Additionally, in Pennsylvania, Peoples recovers the costs related to universal service programs, whereby customers who meet certain income guidelines receive assistance toward paying their monthly bill, weatherization services and other programs.

In Kentucky, the gas cost component of uncollectible accounts expense is recovered outside of base rate recovery.

In all jurisdictions, base rates have been reduced to reflect the change in the corporate income tax rate from 35% to 21%, under the TCJA.

#### Non-regulated operations

Peoples' non-regulated subsidiaries derive revenues from natural gas marketing, production and processing of natural gas liquids and home warranty programs. In 2019, non-regulated revenues represented approximately 4% of Peoples' total consolidated revenues for 2019.

#### Department of Transportation

In December 2006, Congress enacted the Pipeline, Inspection, Protection, Enforcement and Safety Act of 2006 ("2006 Act"), which reauthorized the programs adopted under the Pipeline Safety Improvement Act of 2002 ("2002 Act"). These programs included several requirements related to ensuring pipeline safety, and a requirement to assess the integrity of pipeline transmission facilities in areas of high population concentration.

Pursuant to the 2006 Act, PHMSA, an agency of the DOT, issued regulations, effective February 12, 2010, requiring operators of gas distribution pipelines to develop and implement integrity management programs similar to those required for gas transmission pipelines, but tailored to reflect the differences in distribution pipelines. Operators of natural gas distribution systems were required to write and implement integrity management programs by August 2, 2011. Peoples' natural gas distribution systems met this deadline.

Pursuant to the 2002 Act and the 2006 Act, PHMSA has adopted a number of rules concerning, among other things, distinguishing between gathering lines and transmission facilities, requiring certain design and construction features in new and replaced lines to reduce corrosion and requiring pipeline operators to amend existing written operations and maintenance procedures and operator qualification programs. PHMSA also updated its reporting requirements for natural gas pipelines effective January 1, 2011.

In December 2011, Congress passed the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 ("2011 Act"). This act increased the maximum civil penalties for pipeline safety administrative enforcement actions; required the DOT to study and report on the expansion of integrity management requirements and the sufficiency of existing gathering line regulations to ensure safety; required pipeline operators to verify their records on maximum allowable operating pressure; and imposed new emergency response and incident notification requirements. In 2016, the Protecting our Infrastructure of Pipelines and Enhancing Safety Act of 2016 ("2016 Act") reauthorized PHMSA's pipeline safety programs through 2019 and provided limited new authority, including the ability to issue emergency orders, to set inspection requirements for certain underwater pipelines and to promulgate minimum safety standards for natural gas storage facilities, as well as to provide increased transparency into the status of as-yet-incomplete PHMSA actions required by the 2011 Act.

Compliance with PHMSA's regulations, performance of the remediation activities by Peoples' natural gas distribution companies and intrastate pipelines and verification of records on maximum allowable operating pressure will continue to require increases in both capital expenditures and operating costs. The level of expenditures will depend upon several factors, including age, location and operating pressures of the facilities. In particular, the cost of compliance with the DOT's integrity management rules will depend on integrity testing and the repairs found to be necessary by such testing. Changes to the amount of pipe subject to integrity management, whether by expansion of the definition of the type of areas subject to integrity management procedures outside of those defined areas, may also affect incurred costs. Implementation of the 2011 and 2016 Acts by PHMSA may result in other regulations or the reinterpretation of existing regulations that could impact compliance costs. In addition, Peoples may be subject to the DOT's enforcement actions and penalties if it fails to comply with pipeline regulations.

#### Natural Gas Gathering

Peoples' service territory is uniquely situated in the Marcellus Shale production region. Approximately 30% of the natural gas supply on the system is from locally produced gas, which Peoples gathers and transports into

its distribution system. Peoples' gathering system is regulated by the PAPUC which includes various safety, environmental and, in some circumstances, anti-discrimination requirements, and in some instances complaint-based rate regulation. Peoples' gathering operations may be subject to ratable take and common purchaser statutes in the states in which it operates.

Peoples' gathering operations could be adversely affected should they be subject in the future to the application of state or federal regulation of rates and services. Peoples' gathering operations could also be subject to additional safety and operational regulations relating to the design, construction, testing, operation, replacement and maintenance of gathering facilities. Peoples cannot predict what effect, if any, such changes might have on its operations, but the industry could be required to incur additional capital expenditures and increased costs depending on future legislative and regulatory changes.

#### Environmental Regulation

Peoples' operations are subject to stringent and complex laws and regulations pertaining to the environment. As an owner or operator of natural gas pipelines, distribution systems and storage, and the facilities that support these systems, Peoples must comply with these laws and regulations at the federal, state and local levels.

Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial actions and the issuance of orders enjoining future operations. Certain environmental statutes impose strict, joint and several liability for costs required to assess, clean up and restore sites where hazardous substances have been stored, disposed or released.

#### Management's Discussion and Analysis of Financial Condition and Results of Operations of Peoples

The following discussion and analysis should be read in combination with LDC Funding's financial statements filed as Exhibit 99.1 hereto and incorporated herein by reference. Certain tables and charts contained in this section may not add due to rounding.

#### Overview

Peoples receives gas revenues by selling gas directly to customers at approved rates or by transporting gas through its pipelines at approved rates to customers that have purchased gas directly from other producers, brokers, or marketers. For the year ended December 31, 2019, operating revenues were \$908.7 million.

#### Certain factors affecting results of operations

Peoples' business is affected by various factors, including the key factors and trends discussed below. Peoples' past earnings and results of operations are not necessarily indicative of its future earnings and results of operations. Peoples' earnings and results of its operations are affected by numerous factors, including:

- effects of acquisitions, including the Delta Acquisition, the acquisition of Peoples by the Company and any revised organizational structure;
- Peoples' ability to recover the costs of purchasing and distributing natural gas to its customers;
- the impact of weather and other factors, such as customer conservation, on revenues and expenses;
- changes in the regulatory environment at the federal, state and local levels, as well as decisions by regulators, that impact Peoples' ability to earn its authorized rate of return in its service territories, including pipe replacements;
- impacts of federal, state and local regulations and tax laws;
- the effect of natural gas price volatility on the business; and
- the ability to manage costs, integrate and standardize operations, and upgrade infrastructure.

Peoples' operations are affected by the cost of natural gas, which is passed through to customers using a PGA clause and include commodity price, transportation and storage costs. These costs are reflected in the income statement as purchased gas expenses. Therefore, increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, gross margin, a non-GAAP financial measure, defined as operating revenues less purchased gas expense, is a useful and relevant measure to analyze Peoples' financial performance. Gross margin can be derived directly from Peoples' consolidated statements of income, filed as part of Exhibit 99.1 hereto.

	Ye	Years ended December 31,		
	2019		2018	2017
		(in	millions)	
Operating revenue	\$908.7	\$	914.0	\$805.1
Purchased gas	367.4		392.7	316.5
Gross margin	\$541.3	\$	521.3	\$488.6

However, the term gross margin is not intended to represent income from operations, the most comparable GAAP financial measure, as an indicator of operating performance and should only be used in conjunction with income from operations. In addition, our measurement of gross margin may not be comparable to similarly titled measures reported by other companies.

#### **Results of Operations**

The following table presents the consolidated statements of income for LDC Funding for the years ended December 31, 2019, 2018 and 2017. For additional information, please refer to the notes to the consolidated financial statements of LDC Funding, filed as Exhibit 99.1 hereto.

	Ye	Years ended December 31,	
	2019	2018 (in millions)	2017
Operating revenue	\$908.7	\$ 914.0	\$805.1
Operating expenses:			
Purchased gas	367.4	392.7	316.5
Other operations and maintenance	214.5	220.3	200.8
Depreciation and amortization	95.4	88.4	77.7
Other taxes	16.9	16.3	12.8
Total operating expenses	694.2	717.8	607.8
Income from operations	214.5	196.2	197.3
Other expense-net	7.6	9.9	5.9
Interest Charges	67.1	60.0	49.0
Affiliated interest charges	—	— 35.6 29	
Total interest charges	67.1	95.6	78.2
Income before income taxes	139.8	90.6	113.1
Provision for income taxes	29.1	23.0	54.2
Net income	\$110.7	\$ 67.7	\$ 58.9

The following table shows Peoples' natural gas sales volumes, in MMcf, for the years ended December 31, 2019, 2018 and 2017.

	Years	Years ended December 31,	
	2019	2018	2017
		(in MMcf)	
Natural gas volumes	150,928	153,224	135,602

## 2019 Compared to 2018

*Operating revenue*. Operating revenue amounted to \$908.7 million for 2019 compared to \$914.0 million for 2018. The decrease of \$5.3 million, or 1%, was primarily driven by lower gas costs passed onto customers, as well as lower sales volumes due to warmer weather, partially offset by increased base rates resulting from the 2019 Peoples Natural Rate Case.

Gross margin amounted to \$541.3 million for 2019 compared to \$521.3 million for 2018. The increase of \$20.0 million, or 4%, was primarily due to increased base rates resulting from the 2019 Peoples Natural Rate Case, partially offset by lower volume-related revenues associated with 5% warmer weather than in 2018.

*Operating expenses.* Operating expenses amounted to \$694.2 million for 2019 compared to \$717.8 million for 2018. The decrease of \$23.6 million, or 3%, was primarily due to:

- purchased gas expense decreased \$25.3 million, or 6%, from \$392.7 million for 2018 to \$367.4 million for 2019, primarily due to lower sales volumes resulting from warmer weather, as well as lower commodity prices.
- other operations and maintenance expense decreased \$5.8 million, or 3%, from \$220.3 million for 2018 to \$214.5 million for 2019, primarily due to lower expenses incurred on Peoples' universal service program.
- depreciation and amortization expense increased \$7.0 million, or 8%, from \$88.4 million for 2018 to \$95.4 million for 2019, primarily due to increased capital expenditures.

*Other expense - net*. Other expense—net amounted to \$7.6 million for 2019 compared to \$9.9 million for 2018. The decrease of \$2.3 million, or 23%, was primarily due to non-recurring expenses in 2018 to fund research and development initiatives related to the use of natural gas in non-traditional applications.

*Interest charges.* Interest charges amounted to \$67.1 million for 2019 compared to \$95.6 million for 2018. The decrease of \$28.5 million, or 30%, was primarily due to the settlement in December 2018 of senior notes of LDC Funding that were previously issued to its affiliates ("Affiliated Senior Notes").

*Provision for income taxes.* Provision for income taxes amounted to \$29.1 million for 2019 compared to \$23.0 million for 2018. The increase of \$6.1 million, or 27%, was primarily due to higher income before taxes.

Net income. For the reasons stated above, net income increased \$43.0 million, or 64% from \$67.7 million for 2018 to \$110.7 million for 2019.

#### 2018 Compared to 2017

*Operating revenue*. Operating revenue amounted to \$914.0 million for 2018 compared to \$805.1 million for 2017. The increase of \$108.9 million, or 14%, was primarily driven by higher gas costs passed onto customers, higher sales volumes due to colder weather and the full-year impact of Delta revenues, partially offset by a reduction in customer rates approved by the state regulatory commissions for the prospective impact of the TCJA.

Gross margin amounted to \$521.3 million for 2018 compared to \$488.6 million for 2017. The increase of \$32.7 million, or 7%, was primarily due to colder weather and the full-year impact of Delta revenues, partially offset by a reduction in customer rates approved by the state regulatory commissions for the prospective impact of the TCJA.

*Operating expenses.* Operating expenses amounted to \$717.8 million for 2018 compared to \$607.8 million for 2017. The increase of \$110.0 million, or 18%, was primarily due to:

- purchased gas expense increased \$76.2 million, or 24%, from \$316.5 million for 2017 to \$392.7 million for 2018, primarily due to higher sales volumes and commodity prices and the full-year impact of the Delta Acquisition;
- other operations and maintenance expense increased \$19.5 million, or 10%, from \$200.8 million for 2017 to \$220.3 million for 2018, primarily due to higher employee related costs and a full year of expenses related to the Delta Acquisition;
- depreciation and amortization expense increased \$10.7 million, or 14%, from \$77.7 million for 2017 to \$88.4 million for 2018, primarily due to increased capital expenditures and the full-year impact of Delta; and
- other taxes expense increased \$3.5 million, or 27% from \$12.8 million for 2017 to \$16.3 million for 2018 primarily due to the full-year impact of the Delta Acquisition.

*Other expense - net*. Other expense—net amounted to \$9.9 million for 2018 compared to \$5.9 million for 2017. The increase of \$4.0 million, or 68%, was primarily due to higher corporate donations, the full-year impact of Delta and other non-recurring expenses.

*Interest charges.* Interest charges amounted to \$95.6 million for 2018 compared to \$78.2 million for 2017. The increase of \$17.4 million, or 22%, was primarily due to the full-year impact of increased debt costs associated with the Delta Acquisition and an increase in Affiliated Senior Notes of \$90 million.

*Provision for income taxes.* Provision for income taxes amounted to \$23.0 million for 2018 compared to \$54.2 million for 2017. The decrease of \$31.2 million, or 58%, was primarily due to lower income before taxes and lower corporate tax rates.

Net income. For the reasons stated above, net income increased \$8.8 million, or 15% from \$58.9 million for 2017 to \$67.7 million for 2018.

#### Liquidity and capital resources

<u>Cash flows</u>

The net cash provided by (used in) operating, investing and financing activities for 2019, 2018 and 2017 is as follows:

	Years 2019	Ended Decembe 2018 (in millions)	er 31, 2017
Net cash provided by (used in):			
Operating activities	\$ 230.1	\$ 197.1	\$ 107.6
Investing activities	(276.6)	(248.7)	(416.0)
Financing activities	37.6	37.8	327.5

*Cash provided by operating activities.* Net cash provided by operating activities increased \$33.0 million, or 17%, from \$197.1 million in 2018 to \$230.1 million in 2019 primarily due to increased net income and changes in working capital. The changes in working capital items were primarily driven by weather conditions year over year.

Net cash provided by operating activities increased \$89.5 million, or 83%, from \$107.6 million in 2017 to \$197.1 million in 2018 primarily due to increased net income and changes in working capital. The changes in working capital items were primarily driven by weather conditions year over year.

*Cash used in investing activities.* Net cash used in investing activities increased \$27.9 million, or 11%, from \$248.7 million in 2018 to \$276.6 million in 2019, primarily due to increased capital expenditures in 2019.

Net cash used in investing activities decreased \$167.3 million, or 40%, from \$416.0 million in 2017 to \$248.7 million in 2018, primarily due to the Delta Acquisition in 2017 partially offset by increased capital expenditures in 2018.

Cash used in financing activities. Net cash from financing activities did not significantly change from 2018 to 2019.

Net cash from financing activities decreased \$289.7 million, or 88%, from \$327.5 million in 2017 to \$37.8 million in 2018, primarily due to borrowings in connection with the Delta Acquisition and the issuance of \$90.0 million in Affiliated Senior Notes in 2017.

For additional information, please refer to the notes to the consolidated financial statements of LDC Funding, filed as Exhibit 99.1 hereto.

#### Financial condition and available liquidity

Within the Peoples consolidated group, financing was historically maintained at LDC Holdings LLC ("LDC Holdings") (a direct subsidiary of LDC Funding) and PNG Companies LLC ("PNG Companies") (an indirect subsidiary of LDC Funding). LDC Holdings has historically maintained a term loan facility that matures in 2022 and had outstanding borrowings of \$224.3 million at December 31, 2019. PNG Companies has historically funded its short-term and long-term financing needs of the various operating subsidiaries through both senior notes issuances and borrowings under its revolving credit facility. PNG Companies has historically maintained a \$500.0 million revolving credit facility that matures on June 8, 2022. PNG Companies' credit facility contains a letter of credit sublimit of \$50 million. The credit agreement governing the PNG Companies' credit facility is secured by a pledge of the stock of PNG Companies' debt is secured by a pledge of the stock of each of its direct and indirect subsidiaries. As of December 31, 2019, PNG Companies' senior notes outstanding were approximately \$1.1 billion and borrowings outstanding under its revolving credit facility were approximately \$348.0 million. In connection with the completed Peoples Gas Acquisition, Peoples' term loan and revolving credit facility and PNG Companies' revolving credit facility, were repaid and replaced, but the senior notes described above and the 364 day facility described below remain outstanding.

The Affiliated Senior Notes were maintained by LDC Funding until December 2018. During December 2018, capital was contributed from LDC Funding's parent company which resulted in settlement of the Affiliated Senior Notes. As of December 31, 2019, LDC Funding did not have any outstanding senior notes owed to affiliates.

On February 24, 2020 PNG Companies borrowed \$181.0 million under a new, 364 day agreement, which is due February 22, 2021. The proceeds were used to repay a February 2020 maturity under a Note Agreement dated February 26, 2010.

Dividends historically paid by Peoples have been primarily funded by cash flow from operations and borrowings under the revolving credit facility. Peoples' utility operating subsidiaries are required to maintain certain capitalization ratios, which could affect their ability to pay dividends or make distributions.

Both long-term and short-term borrowing arrangements of Peoples contain customary default provisions; restrictions on liens, sale-leaseback transactions, mergers or consolidations, and sales of assets; and restrictions on leverage, among other restrictions. PNG Companies' senior notes contain a covenant that the ratio of consolidated total debt to consolidated total capitalization will not exceed 60%. As of December 31, 2019, Peoples was in compliance with all debt covenants.

Peoples' financial position has allowed it to access the capital markets from time to time. Historically, the majority of the long-term debt needs of Peoples' utility operating subsidiaries were met through debt issuances by PNG Companies, some or all of which were then re-loaned to the individual operating subsidiaries. The Company expects to fund Peoples' future capital expenditures and dividends principally through internally generated funds, as supplemented with incremental debt financing. Access to both the short-term and long-term capital markets is expected to be a relevant source of funding for capital requirements as the resources required for capital investment remain uncertain for a variety of factors including, but not limited to, uncertainty in environmental and safety policies and regulations, developments in the regulated business and developments in Peoples' non-regulated business. To the extent that events create uncertainty in capital markets, cost of capital and ability to access capital markets may be affected.

## <u>Uses of liquidity</u>

Peoples' liquidity and capital requirements are affected primarily by its results of operations, capital expenditures, debt service requirements, tax payments, working capital needs and various regulatory actions.

The Company expects Peoples' anticipated cash needs to be met with cash flow from operations and borrowings.

#### Item 9.01 Financial Statements and Exhibits.

### (a) Financial Statements of Businesses Acquired.

Filed as Exhibit 99.1 and incorporated in this Item 9.01 by reference are the historical audited consolidated balance sheets of LDC Funding as of December 31, 2019 and 2018, and the related audited consolidated statements of income and comprehensive income, member's equity and cash flows for each of the three years ended December 31, 2019, together with the notes thereto and Independent Auditors' Report thereon.

### (b) Pro Forma Financial Information.

Filed as Exhibit 99.2 is the unaudited pro forma consolidated combined financial statements of the Company reflecting the Peoples Gas Acquisition as required by this Item 9.01(b). Such financial statements are incorporated by reference into this Item 9.01(b).

#### (d) Exhibits.

Exhibit No.	Exhibit Description
10.1	PNG Companies LLC, Note Purchase Agreement, dated as of February 26, 2010
10.1.1	PNG Companies LLC, First Amendment, dated as of August 10, 2011, to Note Purchase Agreement dated as of February 26, 2010
10.1.2	PNG Companies LLC, Second Amendment, dated as of August 22, 2013, to Note Purchase Agreement dated as of February 26, 2010, as amended
10.1.3	PNG Companies LLC, Third Amendment, dated as of November 9, 2017, to Note Purchase Agreement dated as of February 26, 2010, as amended and supplemented
10.1.4	PNG Companies LLC, First Supplement, dated as of December 12, 2013, to Note Purchase Agreement dated as of February 26, 2010, as amended
10.1.5	PNG Companies LLC, Second Supplement, dated as of July 14, 2017, to Note Purchase Agreement dated as of February 26, 2010, as amended and supplemented
10.1.6	PNG Companies LLC, Third Supplement, dated as of September 20, 2017, to Note Purchase Agreement dated as of February 26, 2010, as amended and supplemented
10.1.7	PNG Companies LLC, Fourth Supplement, dated as of November 9, 2017, to Note Purchase Agreement dated as of February 26, 2010, as amended and supplemented
10.1.8	PNG Companies LLC, Fifth Supplement, dated as of December 20, 2017, to Note Purchase Agreement dated as of February 26, 2010, as amended and supplemented
23.1	Consent of Deloitte & Touche LLP
99.1	Audited consolidated balance sheets of LDC as of December 31, 2019 and 2018, and the related audited consolidated statements of income and comprehensive income, member's equity and cash flows for each of the three years ended December 31, 2019, together with the notes thereto and Independent Auditors' Report thereon
99.2	Unaudited pro forma consolidated combined financial statements reflecting the Acquisition

104 Cover Page Interactive Data File (formatted in inline XBRL)

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.

Date: April 13, 2020

## Essential Utilities, Inc.

By: /s/ Christopher P Luning Christopher P. Luning Executive Vice President, General Counsel and Secretary

#### PNG COMPANIES LLC

\$125,000,000 4.17% Series 2010-A Senior Secured Notes, Tranche 1, due February 26, 2015

\$105,000,000 4.93% Series 2010-A Senior Secured Notes, Tranche 2, due February 26, 2017

\$181,000,000 5.53% Series 2010-A Senior Secured Notes, Tranche 3, due February 26, 2020

NOTE PURCHASE AGREEMENT

Dated as of February 26, 2010

## TABLE OF CONTENTS

## (Not a part of the Agreement)

SECTION SECTION 1.	Heading Authorization of Notes	Page 2
SECTION 2.	SALE AND PURCHASE OF SERIES 2010-A NOTES; ADDITIONAL SERIES OF NOTES; SECURITY	2
Section 2.1	Series 2010-A Notes	2
Section 2.2	Additional Series of Notes	- 3
Section 2.3	Security for the Notes	4
SECTION 3.	Closing	5
SECTION 4.	CONDITIONS TO CLOSING	5
Section 4.1	Representations and Warranties	5
Section 4.2	Performance; No Default	5
Section 4.3	Compliance Certificates	5
Section 4.4	Security Documents	6
Section 4.5	Intercreditor Agreement	6
Section 4.6	Opinions of Counsel	6
Section 4.7	Purchase Permitted by Applicable Law	6
Section 4.8	Sale of Other Series 2010-A Notes	7
Section 4.9	Payment of Special Counsel Fees	7
Section 4.10	Private Placement Number	7
Section 4.11	Approvals and Consents	7
Section 4.12	Changes in Structure	7
Section 4.13	Funding Instructions	7
Section 4.14	Ratings Letter	8
Section 4.15	Acquisition	8
Section 4.16	Proceedings and Documents	8
SECTION 5.	REPRESENTATIONS AND WARRANTIES OF THE COMPANY	8
Section 5.1	Organization; Power and Authority	8
Section 5.2	Authorization	8
Section 5.3	Disclosure	9
Section 5.4	Organization and Ownership of Shares of Subsidiaries; Agreements; Restrictions	9

-i-

## TABLE OF CONTENTS (continued)

		Page
Section 5.5	Financial Statements; Material Liabilities	10
Section 5.6	Compliance with Laws, Other Instruments	10
Section 5.7	Governmental Authorizations	10
Section 5.8	Litigation; Observance of Agreements, Statutes and Orders	11
Section 5.9	Taxes	11
Section 5.10	Title to Property; Leases	11
Section 5.11	Licenses, Permits	11
Section 5.12	Compliance with ERISA	12
Section 5.13	Private Offering by the Company	13
Section 5.14	Use of Proceeds; Margin Regulations	14
Section 5.15	Existing Indebtedness; Future Liens	14
Section 5.16	Foreign Assets Control Regulations	14
Section 5.17	Status under Certain Statutes	15
Section 5.18	Environmental Matters	15
Section 5.19	Security Documents	16
Section 5.20	Notes Rank Pari Passu	16
Section 5.21	Solvency	16
SECTION 6.	REPRESENTATIONS OF THE PURCHASERS	17
Section 6.1	Purchase for Investment	17
Section 6.2	Source of Funds	17
SECTION 7.	INFORMATION AS TO COMPANY	18
Section 7.1	Financial and Business Information	18
Section 7.2	Officer's Certificate	21
Section 7.3	Visitation	22
SECTION 8.	PAYMENT AND PREPAYMENT OF THE NOTES	22
Section 8.1	Required Payments	22
Section 8.2	Optional Prepayments with Make-Whole Amount	22
Section 8.3	Allocation of Partial Prepayments	23
Section 8.4	Maturity; Surrender	23
Section 8.5	Purchase of Notes	23

## -ii-

# TABLE OF CONTENTS

	(continued)	
		Page
Section 8.6	Offer to Prepay Upon Sale of Assets	23
Section 8.7	Offer to Prepay Notes in the Event of a Change of Control	24
Section 8.8	Prepayment for Tax Reasons	26
Section 8.9	Make-Whole Amount and Modified Make-Whole Amount for the Series 2010-A Notes	28
SECTION 9.	Affirmative Covenants	29
Section 9.1	Compliance with Law	29
Section 9.2	Insurance	30
Section 9.3	Maintenance of Properties	30
Section 9.4	Payment of Taxes and Claims	30
Section 9.5	Existence	30
Section 9.6	Books and Records	30
Section 9.7	Notes to Rank Pari Passu	31
Section 9.8	Further Assurances	31
Section 9.9	Intercompany Loans	31
Section 9.10	Post-Closing Matter	31
SECTION 10.	NEGATIVE COVENANTS	31
Section 10.1	Interest Coverage Ratio	31
Section 10.2	Leverage Ratio	32
Section 10.3	Limitations on Subsidiary Debt	32
Section 10.4	Limitation on Liens	32
Section 10.5	Limitation on Dividends	34
Section 10.6	Investments	35
Section 10.7	Sale of Assets	36
Section 10.8	Merger, Consolidation	36
Section 10.9	Limitation on Restrictive Agreements	37
Section 10.10	Swap Agreements	37
Section 10.11	Changes in Fiscal Periods	38
Section 10.12	New Subsidiaries	38
Section 10.13	Transactions with Affiliates	38

-iii-

## TABLE OF CONTENTS (continued)

		Page
Section 10.14	Line of Business	38
Section 10.15	Terrorism Sanctions Regulations	38
SECTION 11.	EVENTS OF DEFAULT	38
SECTION 12.	Remedies ON Default	41
Section 12.1	Acceleration	41
Section 12.2	Other Remedies	42
Section 12.3	Rescission	42
Section 12.4	No Waivers or Election of Remedies, Expenses	42
SECTION 13.	REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES	43
Section 13.1	Registration of Notes	43
Section 13.2	Transfer and Exchange of Notes	43
Section 13.3	Replacement of Notes	43
SECTION 14.	PAYMENTS ON NOTES	44
Section 14.1	Place of Payment	44
Section 14.2	Home Office Payment	44
SECTION 15.	Expenses	45
Section 15.1	Transaction Expenses	45
Section 15.2	Survival	45
SECTION 16.	SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT	45
SECTION 17.	Amendment and Waiver	46
Section 17.1	Requirements	46
Section 17.2	Solicitation of Holders of Notes	47
Section 17.3	Binding Effect	47
Section 17.4	Notes Held by Company	47
SECTION 18.	NOTICES	47
SECTION 19.	REPRODUCTION OF DOCUMENTS	49
SECTION 20.	CONFIDENTIAL INFORMATION	49
SECTION 21.	SUBSTITUTION OF PURCHASER	50
SECTION 22.	TAX INDEMNIFICATION	50

-iv-

## TABLE OF CONTENTS (continued)

SECTION 23.	MISCELLANEOUS	Page 54	
Section 23.1	Successors and Assigns	54	
Section 23.2	Payments Due on Non-Business Days	54	
Section 23.3	Accounting Terms	54	
Section 23.4	Severability	54	
Section 23.5	Construction	54	
Section 23.6	Counterparts	54	
Section 23.7	Governing Law	55	
Section 23.8	Jurisdiction and Process; Waiver of Jury Trial	55	
-V-			

ATTACHMENTS TO NOTE PURCHASE AGREEMENT:		
SCHEDULE A	— Information Relating to Purchasers	
SCHEDULE B	— Defined Terms	
Schedule 5.3	— Disclosure Materials	
Schedule 5.4	— Subsidiaries of the Company and Ownership of Subsidiary Stock; Agreements; Restrictions	
Schedule 5.5	— Financial Statements	
Schedule 5.7	— Authorizations	
Schedule 5.15	— Existing Indebtedness	
Schedule 5.19	— UCC Filings	
SCHEDULE 10.4	— Existing Liens	
EXHIBIT 1(A)	— Form of 4.17% Series 2010-A Senior Secured Note, Tranche 1, due February 26, 2015	
Exhibit 1(b)	— Form of 4.93% Series 2010-A Senior Secured Note, Tranche 2, due February 26, 2017	
EXHIBIT 1(C)	— Form of 5.53% Series 2010-A Senior Secured Note, Tranche 3, due February 26, 2020	
Exhibit 2	— Form of Security Agreement	
Exhibit 3	— Form of Intercreditor Agreement	
EXHIBIT 4.6(A)	— Form of Opinion of Special Counsel for the Company	
EXHIBIT 4.6(B)	— Form of Opinion of Special Pennsylvania Counsel for the Company	
Exhibit 4.6(C)	— Form of Opinion of Special Counsel for the Purchasers	
EXHIBIT S	— Form of Supplement	

PNG COMPANIES LLC 1 PPG Place, Suite 1650 Pittsburgh, PA 15222

4.17% Series 2010-A Senior Secured Notes, Tranche 1, due February 26, 2015 4.93% Series 2010-A Senior Secured Notes, Tranche 2, due February 26, 2017 5.53% Series 2010-A Senior Secured Notes, Tranche 3, due February 26, 2020

Dated as of February 26, 2010

#### TO THE PURCHASERS LISTED IN THE ATTACHED SCHEDULE A:

#### Ladies and Gentlemen:

PNG COMPANIES LLC, a Delaware limited liability company (the "*Company*"), agrees with the purchasers listed in the attached <u>Schedule A</u> (each, a "*Purchaser*" and, collectively, the "*Purchasers*") as follows:

#### SECTION 1. AUTHORIZATION OF NOTES.

The Company will authorize the issue and sale of \$411,000,000 aggregate principal amount of its Series 2010-A Senior Secured Notes consisting of (a) \$125,000,000 aggregate principal amount of its 4.17% Series 2010-A Senior Secured Notes, Tranche 1, due February 26, 2015 (the *"Tranche 1 Notes"*), (b) \$105,000,000 aggregate principal amount of its 4.93% Series 2010-A Senior Secured Notes, Tranche 2, due February 26, 2017 (the *"Tranche 2 Notes"*) and (c) \$181,000,000 aggregate principal amount of its 5.53% Series 2010-A Senior Secured Notes, Tranche 3, due February 26, 2020 (the *"Tranche 3 Notes"*). The Tranche 1 Notes, the Tranche 2 Notes and the Tranche 3 Notes are collectively referred to as the *"Series 2010-A Notes."* The Series 2010-A Notes together with each Series of Additional Notes which may from time to time be issued pursuant to the provisions of Section 2.2 are collectively referred to herein as the *"Notes"* (such term shall also include any such notes issued in substitution therefor pursuant to Section 13 of this Agreement). The Tranche 1 Notes, the Tranche 2 Notes and the Tranche 3 Notes shall be substantially in the forms set out in Exhibit 1(a), Exhibit 1(b) and Exhibit 1(c), respectively, with such changes therefrom, if any, as may be approved by the Purchasers and the Company. 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.

#### SECTION 2. SALE AND PURCHASE OF SERIES 2010-A NOTES; ADDITIONAL SERIES OF NOTES; SECURITY.

*Section 2.1 Series 2010-A Notes.* Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closing provided for in Section 3, Series 2010-A Notes of the tranche and in the principal amount specified opposite such Purchaser's name in Schedule A at the purchase price of 100% of the principal amount thereof. Each Purchaser's obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

#### Section 2.2 Additional Series of Notes.

(a) The Company may, from time to time, in its sole discretion but subject to the terms hereof, issue and sell one or more additional Series of its senior secured promissory notes under the provisions of this Agreement pursuant to a supplement (a *"Supplement"*) substantially in the form of Exhibit S, *provided* that the aggregate principal amount of Notes of all Series issued pursuant to this Agreement and all Supplements in accordance with the terms of this Section 2.2 shall not exceed \$600,000,000.

(b) Each additional Series of Notes (the "Additional Notes") issued pursuant to a Supplement shall be subject to the following terms and conditions:

(1) each Series of Additional Notes, when so issued, shall be differentiated from all previous Series by sequential alphabetical designation inscribed thereon;

(2) Additional Notes of the same Series may consist of more than one different and separate tranches and may differ with respect to outstanding principal amounts, maturity dates, interest rates and premiums, if any, and price and terms of redemption or payment prior to maturity, but all such different and separate tranches of the same Series shall, if and to the extent this Agreement requires or permits voting by Series, vote as a single class and constitute one Series;

(3) each Series of Additional Notes shall be dated the date of issue, bear interest at such rate or rates, mature on such date or dates, be subject to such put rights and mandatory and optional prepayment on the dates and at the premiums, if any, have such additional or different conditions precedent to closing, such representations and warranties and such additional covenants and defaults as shall be specified in the Supplement under which such Additional Notes are issued and upon execution of any such Supplement, this Agreement shall be deemed amended (i) to reflect such additional put rights, covenants and defaults without further action on the part of the holders of the Notes outstanding under this Agreement, *provided*, that any such additional put rights, covenants and defaults shall inure to the benefit of all holders of Notes so long as any Additional Notes issued pursuant to such Supplement remain outstanding and (ii) to reflect such representations and warranties as are contained in such Supplement for the benefit of the holders of such Additional Notes in accordance with the provisions of Section 16;

(4) each Series of Additional Notes issued under this Agreement shall be substantially in the form of Exhibit 1 to Exhibit S with such variations, omissions and insertions as are necessary or permitted hereunder;

(5) the minimum principal amount of any Note issued under a Supplement shall be \$100,000, except as may be necessary to evidence the outstanding amount of any Note originally issued in a denomination of \$100,000 or more;

(6) all Additional Notes shall rank pari passu with all other outstanding Notes; and

(7) no Additional Notes shall be issued hereunder if at the time of issuance thereof and after giving effect to the application of the proceeds thereof, (i) any Default or Event of Default shall have occurred and be continuing or (ii) a waiver of Default or Event of Default shall be in effect.

(c) The right of the Company to issue, and the obligation of the Additional Purchasers to purchase, any Additional Notes shall be subject to the following conditions precedent, in addition to the conditions specified in the Supplement pursuant to which such Additional Notes may be issued:

(1) a duly authorized Senior Financial Officer shall execute and deliver to each Additional Purchaser and each holder of Notes an Officer's Certificate dated the date of issue of such Series of Additional Notes stating that such officer has reviewed the provisions of this Agreement (including all Supplements) and setting forth the information and computations (in sufficient detail) required to establish whether after giving effect to the issuance of the Additional Notes and after giving effect to the application of the proceeds thereof, the Company is in compliance with the requirements of Sections 10.1, 10.2 and 10.3 on such date;

(2) the Company and each such Additional Purchaser shall execute and deliver a Supplement substantially in the form of Exhibit S;

(3) each Additional Purchaser shall have confirmed in the Supplement that the representations set forth in Section 6 are true with respect to such Additional Purchaser on and as of the date of issue of such Additional Notes;

(4) each Additional Purchaser shall have become a party to the Intercreditor Agreement pursuant to a Joinder to Intercreditor Agreement in the form attached thereto; and

(5) each Purchaser shall have received a copy of letters from at least two Rating Agencies reaffirming that, immediately after giving effect to the issuance of such Additional Notes, the Notes (including such Additional Notes) shall be rated at least the same rating as the Notes were rated immediately prior to such issuance.

Section 2.3 Security for the Notes. The obligations of the Company hereunder and under the Notes are secured by all of the tangible and intangible assets of the Company (including, without limitation, all Capital Stock of Subsidiaries) pursuant to the Security Documents.

#### SECTION 3. CLOSING.

The sale and purchase of the Series 2010-A Notes to be purchased by each Purchaser shall occur at the offices of Schiff Hardin LLP, 900 Third Avenue, 23rd Floor, New York, New York 10022, at 11:00 a.m., New York, New York time, at a closing (the "*Closing*") on February 26, 2010 or on such other Business Day thereafter as may be agreed upon by the Company and the Purchasers (the "*Closing Date*"). On the Closing Date, the Company will deliver to each Purchaser the Series 2010-A Notes of each tranche to be purchased by such Purchaser in the form of a single Series 2010-A Note of such tranche (or such greater number of Series 2010-A Notes of such tranche in denominations of at least \$100,000 as such Purchaser may request) dated the Closing Date and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company. If, on the Closing Date, the Company shall fail to tender such Series 2010-A Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to such Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfilment.

#### SECTION 4. CONDITIONS TO CLOSING.

Each Purchaser's obligation to purchase and pay for the Series 2010-A Notes to be sold to such Purchaser on the Closing Date is subject to the fulfilment to such Purchaser's satisfaction, prior to or on the Closing Date, of the following conditions:

*Section 4.1 Representations and Warranties.* The representations and warranties of the Company in this Agreement and in each Security Document shall be correct when made and on the Closing Date.

*Section 4.2 Performance; No Default.* The Company shall have performed and complied with all agreements and conditions contained in this Agreement and the Security Documents required to be performed or complied with by it prior to or on the Closing Date, and after giving effect to the issue and sale of the Series 2010-A 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. Neither the Company nor any Subsidiary shall have entered into any transaction since the date of the Memorandum that would have been prohibited by Section 10 had such Section applied since such date.

#### Section 4.3 Compliance Certificates.

(a) *Officer's Certificate*. The Company shall have delivered to such Purchaser an Officer's Certificate, dated the Closing Date, certifying that the conditions specified in Sections 4.1, 4.2 and 4.12 have been fulfilled.

(b) *Secretary's Certificate*. The Company shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated the Closing Date, certifying as to the resolutions attached thereto and other limited liability company proceedings relating to the authorization, execution and delivery of the Series 2010-A Notes, this Agreement and the Security Documents.

*Section 4.4 Security Documents.* Each Security Document shall have been duly authorized, executed and delivered by the parties thereto and shall be in full force and effect and such Purchaser shall have received a duly executed copy thereof. The Company shall have delivered the certificates representing the issued and outstanding Capital Stock pledged under the Security Documents and instruments of assignment executed in blank to the Collateral Agent. Each document (including any Uniform Commercial Code financing statement) required by the Security Documents or under law or reasonably requested by any Purchaser to be filed, registered or recorded in order to create in favor of the Collateral Agent, for the equal and ratable benefit of the Purchasers and the Lenders, a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted to be prior pursuant to Section 10.4), shall be in proper form for filing, registration or recordation. Such Purchaser shall have received the results of a recent Lien search with respect to the Company, and such search shall reveal no Liens on any of the assets of the Company except for Liens permitted by Section 10.4 or discharged on or prior to the Closing Date pursuant to documentation satisfactory to such Purchaser.

Section 4.5 Intercreditor Agreement. Each Lender, each Purchaser and the Collateral Agent shall have executed and delivered, and the Company shall have acknowledged, that certain Intercreditor and Collateral Agency Agreement dated as of February 26, 2010 (as the same may be amended, supplemented, replaced, restated or otherwise modified from time to time, the *"Intercreditor Agreement"*) substantially in the form of Exhibit 3.

Section 4.6 Opinions of Counsel. Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the Closing Date (a) from Dewey & LeBoeuf LLP, counsel for the Company, covering the matters set forth in Exhibit 4.6(a) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or special counsel to the Purchasers may reasonably request (and the Company, covering the matters set forth in Exhibit 4.6(b) and covering such other matters incident to the transactions contemplated hereby as such Purchaser), (b) from Post & Schell P.C., special Pennsylvania counsel for the Company, covering the matters set forth in Exhibit 4.6(b) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or special counsel to the Purchasers may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to such Purchaser) and (c) from Schiff Hardin LLP, special counsel to the Purchasers in connection with such transactions, substantially in the form set forth in Exhibit 4.6(c) and covering such other matters incident to such transactions as such Purchaser may reasonably request.

Section 4.7 Purchase Permitted by Applicable Law. On the Closing Date, such Purchaser's purchase of Series 2010-A Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is 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, (b) not violate any

applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation. If requested by any Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.8 Sale of Other Series 2010-A Notes. Contemporaneously with the Closing, the Company shall sell to each other Purchaser and each other Purchaser shall purchase the Series 2010-A Notes to be purchased by it at the Closing as specified in Schedule A.

Section 4.9 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 special counsel to the Purchasers referred to in Section 4.6(c) to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing Date.

Section 4.10 Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for each tranche of the Series 2010-A Notes.

Section 4.11 Approvals and Consents. All consents, authorizations and approvals (including, without limitation, shareholders' consents) from, and all declarations, filings and registrations with, all Governmental Entities (as defined in the Acquisition Agreement) or third parties that are necessary in connection with the Transactions and the other transactions contemplated hereby shall have been obtained, or made, and remain in full force and effect, free of any term, condition, restriction, imposed liability that is or any other provisions that are materially adverse to operations and business of Peoples. Such Purchaser shall have received copies of any such consents, authorizations, declarations, filings and registrations issued by federal or Commonwealth of Pennsylvania Governmental Entities.

*Section 4.12 Changes in Structure*. The Company shall not have changed its jurisdiction of formation or organization, as applicable, or, except for the Acquisition, been a party to any merger or consolidation or 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 referred to in Schedule 5.5.

*Section 4.13 Funding Instructions.* At least three Business Days prior to the Closing Date, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company directing the manner of the payment of funds and setting forth (a) the name and address of the transferee bank, (b) such transferee bank's ABA number, (c) the account name and number into which the purchase price for the Series 2010-A Notes is to be deposited and (d) the name and telephone number of the account representative responsible for verifying receipt of such funds.

*Section 4.14 Ratings Letter.* Such Purchaser shall have received a copy of a ratings letter from at least one Rating Agency assigning the Series 2010-A Notes an Investment Grade Rating.

*Section 4.15 Acquisition.* All conditions precedent to consummation of the transactions contemplated by the Acquisition Documentation shall have been satisfied or waived, and such Purchaser shall have received evidence satisfactory to such Purchaser that such transactions shall have been consummated (prior to or simultaneously with the purchase and sale of the Notes hereunder) in accordance with applicable law and the terms of the Acquisition Documentation. All Acquisition Documentation (including, without limitation, all schedules thereto) shall be reasonably satisfactory to such Purchaser in all material respects. Such Purchaser shall have received a copy of the Acquisition Documentation, including all amendments or supplements thereto, certified by an officer of the Company to be true and correct and in full force and effect as of the Closing Date.

Section 4.16 Proceedings and Documents. All limited liability company 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 such Purchaser and special counsel to the Purchasers, and such Purchaser and special counsel to the Purchasers shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or special counsel to the Purchasers may reasonably request.

#### SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser that:

Section 5.1 Organization; Power and Authority. The Company is a limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign limited liability company 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 limited liability company 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, the Series 2010-A Notes and each Security Document to which it is a party and to perform the provisions hereof and thereof

*Section 5.2 Authorization.* This Agreement, the Series 2010-A Notes and each Security Document to which the Company is a party have been duly authorized by all necessary limited liability company action on the part of the Company, and this Agreement and each Security Document to which the Company is a party constitutes, and upon execution and delivery thereof each Series 2010-A 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 (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3 Disclosure. The Company, through its lead agents, BNP Paribas Securities Corp. and Scotia Capital (USA) Inc., has delivered to each Purchaser a copy of a Private Placement Memorandum, dated February 2010 (the "Memorandum"), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries (including, without limitation, the business and principal properties of the Company and its Subsidiaries immediately prior to the closing of the Acquisition); provided, that the Memorandum has not been updated to reflect events since and including the closing of the Acquisition. This Agreement, the Memorandum and the documents, certificates or other writings delivered to the Purchasers and the financial statements listed in Schedule 5.5, delivered to the Purchasers by or on behalf of the Company (this Agreement, the Memorandum and such documents, certificates or other writings and such financial statements delivered to each Purchaser prior to February 12, 2010 being referred to, collectively, as 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. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Company to be reasonable at the time made, it being recognized by the holders of Notes that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. Except as disclosed in the Disclosure Documents, since December 31, 2008, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents.

#### Section 5.4 Organization and Ownership of Shares of Subsidiaries; Agreements; Restrictions.

(a) Schedule 5.4 contains (except as noted therein) complete and correct lists (1) of 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 outstanding owned by the Company and each other Subsidiary and (2) of the Company's directors and senior officers.

(b) All of the outstanding Capital Stock of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly created and are owned by the Company or another Subsidiary free and clear of any Lien (other than Liens created pursuant to the Security Documents and as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a limited liability company or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of formation, and is duly qualified as a foreign limited liability company 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 limited liability company 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 (1) corporate law or similar statutes and (2) the Pennsylvania Public Utility Commission, other Governmental Authorities regulating public utilities and federal and state laws regulating public utilities) 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 of such Subsidiary.

Section 5.5 Financial Statements; Material Liabilities. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of said financial statements (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 in such Schedule 5.5 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.

Section 5.6 Compliance with Laws, Other Instruments. The execution, delivery and performance by the Company of this Agreement, the Series 2010-A Notes and the Security Documents will not (a) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien (other than Liens created pursuant to the Security Documents) in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, certificate of formation or limited liability company agreement, or any other material 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, (b) 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 (c) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

*Section 5.7 Governmental Authorizations.* 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 the Company of this Agreement, the Series 2010-A Notes or the Security Documents, except consents, approvals, authorizations, registrations, filings and declarations (a) described in Schedule 5.7, which have been obtained or

made, are in full force and effect and are not subject to appeal or any condition which has not been satisfied, (b) as may be necessary in connection with the exercise of foreclosure remedies including the sale of Collateral and (c) the failure to obtain could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

#### Section 5.8 Litigation; Observance of Agreements, Statutes and Orders.

(a) There are no actions, suits, investigations or proceedings 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 arbitrator of any kind 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, without limitation, Environmental Laws, ERISA or 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.

*Section 5.9 Taxes.* The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any Taxing Jurisdiction, and have paid all Taxes shown to be due and payable on such returns and all other Taxes levied upon them or their properties, assets, income or franchises, to the extent such Taxes have become due and payable and before they have become delinquent, except for any Taxes (a) the amount of which is not, individually or in the aggregate, Material or (b) 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 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.

*Section 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 reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement and the Security Documents. 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.

#### Section 5.11 Licenses, Permits.

(a) The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks, trade names and domain names or other intellectual property 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, domain name or other intellectual property 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, domain name or other intellectual property right owned or used by the Company or any of its Subsidiaries.

#### Section 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) Except with respect to the Company Peoples Pension Plan as of the Closing Date, the present value of the aggregate benefit liabilities under each of the Plans (other than Multi-employer 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. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms "current value" and "present value" have the meanings specified in Section 3 of ERISA.

(1) The Company has established the Company Peoples Pension Plan, and the Seller has caused the Initial Transfer Amount of the assets related to the Pension Plan Employees to be transferred from the trust under the Dominion Peoples Pension Plan (or as otherwise determined by the Seller) to the Company Peoples Pension Plan, and as soon as practicable after the closing date of the Acquisition, but in no event later than 210 days following the closing date of the Acquisition, the Total Transfer Amount shall be determined and the Seller will

cause the True Up Amount to be transferred from the trust under the Dominion Peoples Pension Plan (or as otherwise determined by Seller) to the trust under the Company Peoples Pension Plan, as required by Section 5.7(d) of the Acquisition Agreement (as in effect on the Closing Date). After giving effect to the transfer of the True Up Amount to the Company Peoples Pension Plan, the present value of the aggregate benefit liabilities under the Company Peoples Pension Plan, determined as of February 1, 2010 on the basis of the actuarial assumptions specified for funding purposes in such Plan's (or the Dominion Peoples Pension 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. As used in this clause, the terms "Initial Transfer Amount," "Pension Plan Employees," "Total Transfer Amount" and "True Up Amount" shall have the meanings specified in the Acquisition Agreement (as in effect on the Closing Date).

(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 Multi-employer Plans that, individually or in the aggregate, are Material.

(d) The expected postretirement benefit obligation post-Acquisition (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 net of amounts expected to be recovered in the rate making process is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Series 2010-A 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)(l)(A)-(D) of the Code. The representation by the Company to each Purchaser in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of such Purchaser's representation in Section 6.2 as to the sources of the funds used to pay the purchase price of the Series 2010-A Notes to be purchased by such Purchaser.

Section 5.13 Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Series 2010-A 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 the Purchasers and not more than 70 other Institutional Investors of the type described in clause (c) of the definition thereof, each of which has been offered the Series 2010-A 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 Series 2010-A 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.

Section 5.14 Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Series 2010-A Notes as set forth in the "Offering and Use of Proceeds" section of the Memorandum. No part of the proceeds from the sale of the Series 2010-A Notes hereunder 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 25% 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 25% 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.

## Section 5.15 Existing Indebtedness; Future Liens.

(a) Except as described therein, Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of February 26, 2010 (including a description of the obligors and obligees, principal amount outstanding and collateral therefor, if any, and Guarantee Obligations relating thereto, if any), since which date 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. 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 such 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 10.4.

(c) 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, but not limited to, its charter or other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company, except as specifically indicated in Schedule 5.15.

### Section 5.16 Foreign Assets Control Regulations.

(a) Neither the sale of the Series 2010-A Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or 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.

(b) Neither the Company nor any Subsidiary (1) is 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 (2) engages in any dealings or transactions with any such Person. The Company and its Subsidiaries are in compliance, in all material respects, with the USA Patriot Act.

(c) No part of the proceeds from the sale of the Series 2010-A Notes hereunder 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, assuming in all cases that such Act applies to the Company.

Section 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, or the ICC Termination Act of 1995, as amended. Neither the Company nor any Subsidiary is subject to regulation under federal or state law as a public utility except that Peoples is subject to regulation as a public utility under Pennsylvania law. Peoples has complied and is in compliance with (a) all applicable state utility laws, regulations and orders and (b) any other federal or state laws, regulations and orders applicable to it as a public utility or gas utility, except in each case for instances of noncompliance that, individually and in the aggregate, have not had, and could not reasonably be expected to have, a Material Adverse Effect.

Section 5.18 Environmental Matters. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect:

(a) the facilities and properties owned, leased or operated by any of the Company or any Subsidiary (the "*Properties*") do not contain, and have not previously contained, any Materials of Environmental Concern in amounts or concentrations or under circumstances that constitute or constituted a violation of any Environmental Law;

(b) neither the Company nor any Subsidiary has received any written notice of violation, alleged violation, non-compliance, liability or potential liability with respect to Environmental Laws with regard to any of the Properties or the business operated by the Company or any Subsidiary (the "*Business*"), and to the knowledge of the Company no such notice is threatened;

(c) Materials of Environmental Concern have not been transported or disposed of from the Properties in violation of any Environmental Law, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of the Properties in violation of any applicable Environmental Law;

(d) no judicial proceeding or governmental or administrative action is pending or, to the knowledge of the Company, threatened, under any Environmental Law to which the Company or any Subsidiary is or, to the knowledge of the Company, will be named as a party with respect to the Properties or the Business, nor are there any consent decrees or other decrees, consent orders or other judgments or agreements in any administrative or judicial forum outstanding under any Environmental Law with respect to the Properties or the Business;

(e) there has been no release or threat of release or arranging of disposal of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations of the Company or any Subsidiary in connection with the Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws;

(f) the Business, Properties and all operations at the Properties are in compliance, and have in the last five years been in compliance, with all applicable Environmental Laws; and

(g) neither the Company nor any Subsidiary has assumed any liability of any other Person under Environmental Laws.

*Section 5.19 Security Documents.* The Security Documents are effective to create in favor of the Collateral Agent, for the benefit of the holders of the Notes and the Lenders, a legal, valid and enforceable security interest in the Collateral and the proceeds thereof. In the case of certificated Pledged Stock described in the Security Agreement, in addition to filing the financing statements specified on Schedule 5.19 in the appropriate form in the offices specified on Schedule 5.19, when the certificates representing such certificated Pledged Stock have been delivered to the Collateral Agent, in each case duly endorsed or accompanied by duly executed instruments of assignment or transfer in blank, the Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Company in such Collateral and the proceeds thereof, as security for the Obligations (as defined in the Security Agreement), in each case prior and superior in right to any other Person. In the case of the Collateral (other than certificated Pledged Stock) described in the Security Agreement, when financing statements and other filings specified on Schedule 5.19 in appropriate form are filed in the offices specified on Schedule 5.19, the Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and the proceeds thereof, as security interest in, all right, title and interest of the Company in such Collateral and the proceeds thereof. In the case of the Collateral (other than certificated Pledged Stock) described in the Security Agreement, when financing statements and other filings specified on Schedule 5.19 in appropriate form are filed in the offices specified on Schedule 5.19, the Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Company in such Collateral and the proceeds thereof, as security for the Obligations (as defined in the Security Agreement), in each case

Section 5.20 Notes Rank Pari Passu. The obligations of the Company under this Agreement and the Series 2010-A Notes rank at least pari passu in right of payment with all obligations of the Company under the Credit Agreement (actual or contingent).

*Section 5.21 Solvency.* The Company is, and after giving effect to the Acquisition and the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith will be and will continue to be, Solvent.

## SECTION 6. REPRESENTATIONS OF THE PURCHASERS.

Section 6.1 Purchase for Investment. Each Purchaser severally represents that it is purchasing the Series 2010-A Notes for its own account or for one or more separate accounts maintained by such Purchaser 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 such Purchaser's or such pension or trust fund's property shall at all times be within such Purchaser's or such pension or trust fund's control. Each Purchaser understands that the Series 2010-A Notes have not been registered under the Securities Act and may be resold 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 Series 2010-A Notes.

Section 6.2 Source of Funds. Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by such Purchaser to pay the purchase price of the Series 2010-A Notes to be purchased by such Purchaser 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 such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's 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 (1) an insurance company pooled separate account, within the meaning of PTE 90-1 or (2) a bank collective investment fund, within the meaning of PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (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 (1) the identity of such QPAM and (2) 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 paragraph (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(d) of the INHAM Exemption) owns a 5% or more interest in the Company and (1) the identity of such INHAM and (2) 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 paragraph (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.

### SECTION 7. INFORMATION AS TO COMPANY.

Section 7.1 Financial and Business Information. The Company shall 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:

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

(2) consolidated statements of income and statements of cash flows 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,

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, 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 normal year-end audit 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), *provided*, *further*, that the Company shall be deemed to have made such delivery of such Form 10-Q if it shall have timely made such Form 10 Q available on "EDGAR" and shall have given each Purchaser prior notice of such availability on EDGAR in connection with each delivery (such availability and notice thereof being referred to as "*Electronic Delivery*");

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

- (1) a consolidated balance sheet of the Company and its Subsidiaries, as at the end of such year, and
- (2) consolidated statements of income and statements of 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 certified public accountants of recognized national standing, which opinion shall not contain a "going concern" or scope or like limitation and 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 members, 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), *provided, further*, that the Company shall be deemed to have made such delivery of such Form 10-K if it shall have timely made Electronic Delivery thereof;

(c) *SEC and Other Reports* — promptly upon their becoming available, one copy of (1) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary to its principal lending banks as a whole (excluding information sent to such banks in the ordinary course of administration of a bank facility, such as information relating to pricing and borrowing availability) or to its public securities holders generally, if any, and (2) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto, if any, filed by the Company or any Subsidiary with the SEC and all press releases and other statements made available generally by the Company or any Subsidiary to the public concerning developments that are Material;

(d) *Notice of Default or Event of Default* — promptly, and in any event within five 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(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) *ERISA Matters* — promptly, and in any event within five 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:

(1) 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 thereof; or

(2) 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 Multi-employer Plan that such action has been taken by the PBGC with respect to such Multi-employer Plan; or

(3) 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;

(f) *Notices from Rating Agency* — promptly after receipt thereof, any writing from a Rating Agency that such Rating Agency (1) will take public action with respect to the rating of the Notes or other *pari passu* Indebtedness of the Company or (2) will no longer, or intends to no longer, rate the Notes or such other *pari passu* Indebtedness of the Company;

(g) *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; *provided*, that in the case of a regulatory proceeding, such notice will be limited to the issuance of a final order with respect thereto (including, without limitation, a final order concerning a People's base rate case);

(h) *Supplements* — promptly and in any event within 10 Business Days after the execution and delivery of any Supplement, a copy thereof; and

(i) *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, but without limitation, 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, under the Notes and under the Security Documents as from time to time may be reasonably requested by any such holder of Notes.

Section 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) shall be accompanied by a certificate of a Senior Financial Officer setting forth (which, in the case of Electronic Delivery of any such financial statements, shall be by separate concurrent delivery of such certificate to each holder of Notes):

(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 10.3, inclusive, and Section 10.7, if and to the extent applicable, 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, without limitation, 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.

Section 7.3 Visitation. The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) *No Event of Default or Payment Default* — if no Event of Default or Payment Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit not more than once a year the principal executive office of the Company, 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) its independent public accountants, 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 time as may be reasonably requested in writing; and

(b) *Event of Default or Payment Default* — if an Event of Default or Payment 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, 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 times and as often as may be reasonably requested.

SECTION 8. PAYMENT AND PREPAYMENT OF THE NOTES.

Section 8.1 Required Payments.

(a) *Series 2010-A Notes*. As provided therein, the entire unpaid principal balance of each Series 2010-A Note shall be due and payable on the stated maturity date thereof.

(b) *Required Payments of Additional Notes.* Each Series and tranche, if applicable, of Additional Notes shall be subject to required prepayments as specified in the Supplement pursuant to which such Series and tranche, if applicable, of Additional Notes were issued.

Section 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, any Series of Notes, in an amount not less than \$15,000,000 in aggregate principal amount of the Notes of such Series then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, *plus* accrued and unpaid interest, *plus* the applicable Make-Whole Amount, if any, determined for the prepayment date with respect to such principal amount, *plus*, with respect to any Canadian Holder, the Breakage Amount, if any. Notwithstanding the foregoing, the Company may not prepay any Series of Notes pursuant to this Section 8.2 if an Event of Default shall exist or would result from such optional prepayment unless all Notes at the time outstanding are prepaid on a pro rata basis. The Company will give each holder of

Notes of the Series to be prepaid (with a copy to each other holder of Notes) written notice of each optional prepayment under this Section 8.2 not less than 20 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount of the Notes, designated by Series and tranche, if applicable, to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.3), 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 of the Series to be prepaid a certificate of a Senior Financial Officer set to be prepaid a certificate of a Senior Financial Officer set to be prepaid a certificate of a Senior Financial Officer set to be prepaid a certificate of a Senior Financial Officer set to be prepaid a certificate of a Senior Financial Officer set to be prepaid a certificate of a Senior Financial Officer set to be prepaid a certificate of a Senior Financial Officer set to be prepaid a certificate of a Senior Financial Officer set to be prepaid a certificate of a Senior Financial Officer set to be prepaid a certificate of a Senior Financial Officer set to be prepaid a certificate of a Senior Financial Officer set to be prepaid a certificate of a Senior Financial Officer set to be prepaid a certificate of a Senior Financial Officer set to be prepaid a certificate of a Senior Financial Officer set to be prepaid a certificate of a Senior Financial Officer set to be prepaid a certificate of a Senior Financial Officer set to be prepaid a certificate of a Senior Financial Office

*Section 8.3 Allocation of Partial Prepayments.* In the case of each partial prepayment of the Notes pursuant to Section 8.2, the principal amount of the Notes of each Series to be prepaid shall be allocated among all of the Notes of such Series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

Section 8.4 Maturity; Surrender. 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, and, with respect to any Canadian Holder, the Breakage 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, and the Breakage 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 cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.5 Purchase of Notes. The Company will not, and will not permit any Affiliate directly or indirectly controlled by the Company or any direct or indirect parent of the Company to, purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes of any Series except upon the payment or prepayment of the Notes of such Series in accordance with the terms of this Agreement (including any Supplement) and the Notes of such Series. The Company will promptly cancel all Notes acquired by it or any Affiliate directly or indirectly controlled by the Company or any direct or indirect parent of the Company 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.

# Section 8.6 Offer to Prepay Upon Sale of Assets.

(a) *Notice and Offer.* In the event of a Disposition of any assets of the Company or any Subsidiary where the Company is required to or has elected to apply the net proceeds of such Disposition pursuant to clause (ii)(B) of the second paragraph of Section 10.7, the Company shall, no later than the 335th day following the date of any

such Disposition, give written notice of such event (a "*Sale of Assets Prepayment Event*") to each holder of Notes. Such notice shall contain, and shall constitute, an irrevocable offer to prepay a Ratable Portion of the Notes held by such holder on the date specified in such notice (the "*Sale of Assets Prepayment Date*") such date shall be a Business Day not less than 30 days and not more than 60 days after the date of such offer.

(b) Acceptance and Payment. A holder of Notes may accept or reject the offer to prepay pursuant to this Section 8.6 by causing a notice of such acceptance or rejection to be delivered to the Company at least 10 days prior to the Sale of Assets Prepayment Date. A failure by a holder of the Notes to respond to an offer to prepay made pursuant to this Section 8.6 shall be deemed to constitute a rejection of such offer by such holder. If so accepted, such offered prepayment Date. Such offered prepayment shall be made at 100% of the aggregate Ratable Portion of the Notes of each holder that has accepted such offer, together with interest on that portion of the Notes then being prepaid accrued to the Sale of Assets Prepayment Date and, with respect to any Canadian Holder, the Breakage Amount, if any, but, in any case, without any Make-Whole Amount.

(c) *Officer's Certificate.* Each offer to prepay the Notes pursuant to this Section 8.6 shall be accompanied by a certificate, executed by a Senior Financial Officer and dated the date of such offer, specifying: (1) the Sale of Assets Prepayment Date; (2) that such offer is being made pursuant to this Section 8.6 and that the failure by a holder to respond to such offer by the deadline established in Section 8.6(b) shall result in such offer to such holder being deemed rejected; (3) the Ratable Portion of each such Note offered to be prepaid; (4) the interest that would be due on the Ratable Portion of each such Note offered to be prepaid, accrued to the Sale of Assets Prepayment Date; (5) that the conditions of this Section 8.6 have been satisfied and (6) in reasonable detail, a description of the nature and date of the Sale of Assets Prepayment.

## Section 8.7 Offer to Prepay Notes in the Event of a 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 any Control Event, give written 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 Section 8.7(b). If a Change of Control has occurred, such notice shall contain and constitute an offer to prepay Notes as described in Section 8.7(c) and shall be accompanied by the certificate described in Section 8.7(g).

(b) *Condition to Company Action*. The Company will not take any action that consummates or finalizes a Change of Control unless (1) at least 30 days prior to such action it shall have given to each holder of Notes written notice containing and constituting an offer to prepay Notes as described in Section 8.7(c), accompanied by the certificate described in Section 8.7(g), and (2) contemporaneously with such action, the Company prepays all Notes required to be prepaid in accordance with this Section 8.7.

(c) *Offer to Prepay Notes*. The offer to prepay Notes contemplated by Sections 8.7(a) and (b) shall be an offer to prepay, in accordance with and subject to this Section 8.7, all, but not less than all, 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 "*Change of Control Proposed Prepayment Date*"). If such Change of Control Proposed Prepayment Date is in connection with an offer contemplated by Section 8.7(a), such date shall be a Business Day not less than 30 days and not more than 60 days after the date of such offer (or if the Proposed Prepayment Date shall not be specified in such offer, the Proposed Prepayment Date shall be the Business Day nearest to the 30th day after the date of such offer).

(d) *Acceptance; Rejection.* A holder of Notes may accept or reject the offer to prepay made pursuant to this Section 8.7 by causing a notice of such acceptance or rejection to be delivered to the Company at least five Business Days prior to the Change of Control Proposed Prepayment Date. A failure by a holder of Notes to so respond to an offer to prepay made pursuant to this Section 8.7 shall be deemed to constitute a rejection of such offer by such holder.

(e) *Prepayment*. Prepayment of the Notes to be prepaid pursuant to this Section 8.7 shall be at 100% of the principal amount of such Notes, together with accrued and unpaid interest on such Notes accrued to the date of prepayment and the Change of Control Premium on such Notes and, with respect to any Canadian Holder, the Breakage Amount, if any. The prepayment shall be made on the Change of Control Proposed Prepayment Date, except as provided by Section 8.7(f).

(f) *Deferral Pending Change of Control*. The obligation of the Company to prepay Notes pursuant to the offers required by Section 8.7(c) and accepted in accordance with Section 8.7(d) 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 before or on the Change of Control 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 (1) any such deferral of the date of prepayment, (2) the date on which such Change of Control and the prepayment are expected to occur and (3) 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 8.7 in respect of such Change of Control automatically shall be deemed rescinded without penalty or other liability).

(g) *Officer's Certificate.* Each offer to prepay the Notes pursuant to this Section 8.7 shall be accompanied by a certificate, executed by a Senior Financial Officer and dated the date of such offer, specifying (1) the Change of Control Proposed Prepayment Date, (2) that such offer is made pursuant to this Section 8.7 and that failure

by a holder to respond to such offer by the deadline established in Section 8.7(d) shall result in such offer to such holder being deemed rejected, (3) the principal amount of each Note offered to be prepaid, (4) the interest that would be due on each Note offered to be prepaid, accrued to the Change of Control Proposed Prepayment Date, (5) that the conditions of this Section 8.7 have been fulfilled and (6) in reasonable detail, the nature and date of the Change of Control.

(h) "*Change of Control*" shall mean (1) the Sponsor and its Affiliates shall cease to directly or indirectly own and control 51% of the economic and voting interests in the Company or (2) the Company shall cease to directly own and control 100% of the economic and voting interests in Peoples; *provided*, that the event specified in clause (1) above shall not constitute a "Change of Control" if immediately after giving effect thereto the Notes have an Investment Grade Rating and the Company shall have delivered an updated indicative ratings letter prior to the occurrence of such event from at least two Rating Agencies affirming such rating.

(i) "*Control Event*" shall mean (1) the execution by the Company or any of its Affiliates of any agreement or letter of intent with respect to any proposed transaction or event or series of transactions or events which, individually or in the aggregate, may reasonably be expected to result in a Change of Control or (2) the execution of any written agreement which, when fully performed by the parties thereto, would result in a Change of Control.

Section 8.8 Prepayment for Tax Reasons. If at any time as a result of a Change in Tax Law (as defined below) the Company is or becomes obligated to make any Additional Payments (as defined below) in respect of any payment of interest on account of any of the Notes in an aggregate amount for all affected Notes equal to 10% or more of the aggregate amount of such interest payment on account of all of the Notes, the Company may give the holders of all affected Notes irrevocable written notice (each, a "Tax Prepayment Notice") of the prepayment of such affected Notes on a specified prepayment date (which shall be a Business Day not less than 30 days nor more than 60 days after the date of such notice) and the circumstances giving rise to the obligation of the Company to make any Additional Payments and the amount thereof and stating that all of the affected Notes shall be prepaid on the date of such prepayment at 100% of the principal amount so prepaid together with interest accrued thereon to the date of such prepayment, plus an amount equal to the Modified Make-Whole Amount for each such Note, plus, with respect to any Canadian Holder, the Breakage Amount, if any, except in the case of an affected Note if the holder of such Note shall, by written notice given to the Company no more than 20 days after receipt of the Tax Prepayment Notice, reject such prepayment of such Note (each, a "Rejection Notice"). Such Tax Prepayment Notice shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Modified 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. The form of Rejection Notice shall also accompany the Tax Prepayment Notice and shall state with respect to each Note covered thereby that execution and delivery thereof by the holder of such Note shall operate as a permanent waiver of such holder's right to receive the Additional Payments arising as a result of the circumstances described in the Tax Prepayment Notice in respect of all future payments of interest on such Note (but not of such holder's right to receive any Additional Payments that

arise out of circumstances not described in the Tax Prepayment Notice or which exceed the amount of the Additional Payment described in the Tax Prepayment Notice), which waiver shall be binding upon all subsequent transferees of such Note. The Tax Prepayment Notice having been given as aforesaid to each holder of the affected Notes, the principal amount of such Notes together with interest accrued thereon to the date of such prepayment *plus* the Modified Make-Whole Amount and, with respect to any Canadian Holder, the Breakage Amount, if any, shall become due and payable on such prepayment date, except in the case of Notes the holders of which shall timely give a Rejection Notice as aforesaid. Two Business Days prior to such prepayment, the Company shall deliver to each holder of a Note being so prepaid a certificate of a Senior Financial Officer specifying the calculation of such Modified Make-Whole Amount as of such prepayment date.

No prepayment of the Notes pursuant to this Section 8.8 shall affect the obligation of the Company to pay Additional Payments in respect of any payment made on or prior to the date of such prepayment. For purposes of this Section 8.8, any holder of more than one affected Note may act separately with respect to each affected Note so held (with the effect that a holder of more than one affected Note may accept such offer with respect to one or more affected Notes so held and reject such offer with respect to one or more other affected Notes so held).

The Company may not offer to prepay or prepay Notes pursuant to this Section 8.8 (a) if an Event of Default then exists, (b) until the Company shall have taken commercially reasonable steps to mitigate the requirement to make the related Additional Payments or (c) if the obligation to make such Additional Payments directly results or resulted from actions taken by the Company or any Subsidiary (other than actions required to be taken under applicable law), and any Tax Prepayment Notice given pursuant to this Section 8.8 shall certify to the foregoing and describe such mitigation steps, if any.

For purposes of this Section 8.8: "Additional Payments" shall mean additional amounts required to be paid to a holder of any Note pursuant to Section 22 by reason of a Change in Tax Law; and a "Change in Tax Law" shall mean (individually or collectively with one or more prior changes) (i) an amendment to, or change in, any law, treaty, rule or regulation of the United States of America after the Closing Date, or an amendment to, or change in, an official interpretation or application of such law, treaty, rule or regulation after the Closing Date (or, in the case of any Additional Purchaser the closing date under the Supplement pursuant to which such Additional Purchaser purchased Notes), which amendment or change is in force and continuing and meets the opinion and certification requirements described below or (ii) in the case of any other jurisdiction that becomes a Taxing Jurisdiction after the Closing Date (or, in the case of any Additional Purchaser the closing date under the Supplement pursuant to, or change in, any law, treaty, rule or regulation of such jurisdiction, or an amendment to, or change in, any additional Purchaser the closing date under the Supplement pursuant to which such Additional Purchaser purchased Notes), an amendment to, or change in, any law, treaty, rule or regulation of such jurisdiction, or an amendment to, or change in, any law, treaty, rule or regulation of such jurisdiction shall have become a Taxing Jurisdiction, which amendment or change is in force and continuing and meets such opinion and certification requirements. No such amendment or change shall constitute a Change in Tax Law unless the same would in the opinion of the Company (which shall be evidenced by an Officer's Certificate of the Company and supported by a written opinion of counsel having recognized expertise in the field of taxation in the Taxing Jurisdiction, both of which shall be delivered to all holders of the Notes prior to or concurrently with the Tax Prepayment Notice in respect of such Change in Tax Law)

Section 8.9 Make-Whole Amount and Modified Make-Whole Amount for the Series 2010-A Notes. "Make-Whole Amount" and "Modified Make-Whole Amount" shall mean, with respect to any Series 2010-A 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 Series 2010-A Note over the amount of such Called Principal, *provided* that neither the Make-Whole Amount nor the Modified Make-Whole Amount may in any event be less than zero. For the purposes of determining the Make-Whole Amount and Modified Make-Whole Amount, the following terms have the following meanings:

*"Applicable Percentage"* in the case of a computation of the Modified Make-Whole Amount for purposes of Section 8.8 shall mean 1.00% (100 basis points), and in the case of a computation of the Make-Whole Amount for any other purpose shall mean 0.50% (50 basis points).

"*Called Principal*" shall mean, with respect to any Series 2010-A Note, the principal of such Series 2010-A Note that is to be prepaid pursuant to Section 8.2 or Section 8.8 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"Discounted Value" shall mean, with respect to the Called Principal of any Series 2010-A 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 Series 2010-A Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

*"Reinvestment Yield"* shall mean, with respect to the Called Principal of any Series 2010-A Note, the Applicable Percentage over the yield to maturity implied by (a) the yields reported as of 10:00 a.m. (New York, New York 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 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 (b) 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 (or any comparable successor publication) for U.S. Treasury Securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date.

In the case of each determination under clause (a) or clause (b), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (1) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (2) interpolating linearly between (i) the applicable actively traded on the run U.S. Treasury Security with the maturity closest to and greater than such Remaining Average Life and (ii) the applicable actively traded on the run 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 such Series 2010-A Note.

"*Remaining Average Life*" shall mean, with respect to any Called Principal of any Series 2010-A Note, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (a) such Called Principal into (b) the sum of the products obtained by multiplying (1) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (2) 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"* shall mean, with respect to the Called Principal of any Series 2010-A 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 Series 2010-A 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, Section 8.8 or Section 12.1.

"*Settlement Date*" shall mean, with respect to the Called Principal of any Series 2010-A Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or Section 8.8 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

### SECTION 9. AFFIRMATIVE COVENANTS.

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

Section 9.1 Compliance with Law. Without limiting Section 10.15, the Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, 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.

Section 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. Without limiting the foregoing, the Company will, and will cause each of its Subsidiaries to, maintain the insurance required by the Security Documents.

Section 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.

Section 9.4 Payment of Taxes and Claims. The Company will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any Taxing Jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other Taxes imposed on them or any of their properties, assets, income or franchises, to the extent such Taxes 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 claims if (1) 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 a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (2) the nonpayment of such Taxes, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

*Section 9.5 Existence.* Subject to Section 10.8, the Company will at all times preserve and keep in full force and effect its limited liability company existence. Subject to Sections 10.7 and 10.8, the Company will at all times preserve and keep in full force and effect the limited liability company or other applicable existence of each of its Subsidiaries (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 limited liability company or other applicable existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

*Section 9.6 Books and Records.* The Company will, and will cause each of its Subsidiaries to, maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over the Company or such Subsidiary, as the case may be.

### Section 9.7 Notes to Rank Pari Passu.

(a) The Company will cause the Notes and all other obligations of the Company under this Agreement (including any Supplement) to rank *pari passu* with all other Notes from time to time issued and outstanding hereunder or under any Supplement without preference among themselves and at least *pari passu* with all obligations (actual or contingent) of the Company under the Credit Agreement and under each Additional Term Facility.

(b) The Company will not, and will not permit any Subsidiary to, grant any Lien in favor of, or for the benefit of, the lenders party to the Credit Agreement or the lenders party to any Additional Term Facility unless such Lien is granted in favor of the Collateral Agent to secure the obligations under the Credit Agreement, any Additional Term Facilities and this Agreement and the Notes in accordance with the Intercreditor Agreement. The Company shall not permit any Subsidiary to guaranty or otherwise grant credit support to the lenders party to the Credit Agreement or the lenders party to any Additional Term Facility unless, concurrently therewith, the Company causes such Subsidiary to guaranty the obligations of the Company under this Agreement and the Notes or grant credit support to the holders of Notes, in each case, on terms and pursuant to documentation reasonably acceptable to the Required Holders.

Section 9.8 Further Assurances. The Company will, and will cause each Subsidiary to, execute and deliver such further documentation and take such further action as may be reasonably requested by the holders of Notes to carry out the provisions and purposes of this Agreement and the Security Documents and to create, preserve, and perfect the Liens of the Collateral Agent for the benefit of the holders of Notes and the Lenders in the Collateral.

Section 9.9 Intercompany Loans. The Company will make funds available to Peoples and any other Subsidiary that is a regulated local gas distribution company acquired in a Permitted Acquisition in the form of intercompany loans from the Company and not capital contributions from the Company to the extent (a) not in violation of any Requirement of Law (including any Pennsylvania Public Utilities Commission order or condition applicable to Peoples or other public utilities commission order or condition applicable to such other Subsidiary) and (b) deemed in good faith by the Company as constituting an appropriate capital structure given regulatory requirements and conditions.

Section 9.10 Post-Closing Matter. Within five Business Days of the Closing Date, the Company shall deliver to each Purchaser a copy of a ratings letter from at least two Rating Agencies (including the ratings letter delivered on the Closing Date pursuant to Section 4.14) assigning the Series 2010-A Notes an Investment Grade Rating.

## SECTION 10. NEGATIVE COVENANTS.

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

*Section 10.1 Interest Coverage Ratio.* The Company will not, at any time, permit (a) for the fiscal quarter ending March 31, 2010, the ratio of (1) Consolidated EBITDA for the fiscal quarter ending March 31, 2010 to (2) Consolidated Interest Expense for such period to be

less than 2.00 to 1.00, (b) for the fiscal quarter ending June 30, 2010, the ratio of (1) Consolidated EBITDA for the two consecutive fiscal quarters ending on June 30, 2010 to (2) Consolidated Interest Expense for such period to be less than 2.00 to 1.00, (c) for the fiscal quarter ending September 30, 2010, the ratio of (1) Consolidated EBITDA for the three consecutive fiscal quarters ending on September 30, 2010 to (2) Consolidated Interest Expense for such period to be less than 2.00 to 1.00; and (d) for the fiscal quarter ending December 31, 2010 and thereafter, the ratio of (1) Consolidated EBITDA for the fiscal quarters ending on, or most recently ended prior to, such time to (2) Consolidated Interest Expense for such period to be less than 2.00 to 1.00.

Section 10.2 Leverage Ratio. The Company will not, at any time, permit the Consolidated Debt to Capitalization Ratio to exceed 0.60 to 1.00.

Section 10.3 Limitations on Subsidiary Debt. The Company will not, at any time, permit Subsidiary Debt (including Indebtedness of a Subsidiary under any HGI Facility) to exceed an amount equal to 20% of Consolidated Total Net Worth as of the end of the then most recently ended fiscal quarter of the Company.

Section 10.4 Limitation on Liens. The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Company or any such Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except:

(a) Liens for taxes, assessments or other governmental charges which are not yet due and payable or the payment of which is not at the time required by Section 9.4;

(b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other similar Liens, in each case, incurred in the ordinary course of business for sums not yet due and payable or the payment of which is not at the time required by Section 9.4;

(c) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business (1) in connection with workers' compensation, unemployment insurance and other types of social security or retirement benefits or (2) to secure (or to obtain letters of credit that secure) the performance of tenders, insurance, statutory obligations, surety bonds, appeal bonds, bids, leases (other than Capital Leases), performance bonds, purchase, construction or sales contracts, and other similar obligations, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property;

(d) attachment or judgment Liens unless the judgments secured thereby exceed, individually or in the aggregate, \$25,000,000 (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) and 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, easements, rights-of-way, restrictions and other similar charges or encumbrances or minor survey exceptions, in each case incidental to, and not interfering with, the ordinary conduct of the business of the Company or any of its Subsidiaries, *provided* that such Liens do not, in the aggregate, materially detract from the value of such property;

(f) Liens on property or assets of any Subsidiary securing Indebtedness owing to the Company or to a Wholly-Owned Subsidiary;

(g) Liens created pursuant to the Security Documents;

(h) Liens existing on the Closing Date and described on <u>Schedule 10.4</u> hereto;

(i) Liens on gas inventory in connection with an HGI Facility;

(j) Liens incurred in the ordinary course of business in connection with (1) overdraft protection arrangements and other related cash management programs or (2) the collection or disposition of delinquent accounts receivable which are not incurred in connection with the borrowing of money or the obtaining of credit;

(k) Liens securing Indebtedness of the Company or a Subsidiary incurred to finance the acquisition or construction of fixed or capital assets; *provided* that:

(1) any such Lien shall extend solely to the item or items of such property (or improvement thereon) so acquired and, if required by the terms of the instrument originally creating such Lien, other property (or improvement thereon) which is an improvement to or is acquired for specific use in connection with such acquired or constructed property (or improvement thereon) or which is real property being improved by such acquired or constructed property (or improvement thereon);

(2) the principal amount of the Indebtedness secured by any such Lien shall at no time exceed an amount equal to the lesser of (i) the cost to the Company or a Subsidiary of the property (or improvement thereon) so acquired or constructed and (ii) the Fair Market Value (as determined in good faith by one or more officers of the Company to whom authority to enter into the subject transaction has been delegated by the board of directors of the Company) of such property (or improvement thereon) at the time of such acquisition or construction;

(3) any such Lien shall be created contemporaneously with, or within 180 days after, the acquisition or construction of such property; and

(4) at the time of such incurrence and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing and the aggregate principal amount of all Indebtedness secured by such Liens shall be permitted by the limitations set forth in Sections 10.2 and 10.3;

(l) any Lien existing on property of a Person immediately prior to its being consolidated with or merged into the Company or a Subsidiary or its becoming a Subsidiary, or any Lien existing on any property acquired by the Company or any Subsidiary at the time such property is so acquired (whether or not the Indebtedness secured thereby shall have been assumed), *provided* that (1) no such Lien shall have been created or assumed in contemplation of such consolidation or merger or such Person becoming a Subsidiary or such acquisition of property, (2) each such Lien shall extend solely to the item or items of property so acquired and, if required by the terms of the instrument originally creating such Lien (i) other property which is an improvement to or is acquired for specific use in connection with such acquired property or (ii) other property that does not constitute property or assets of the Company or any of its Subsidiaries, (3) at the time of such incurrence and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing and (4) the aggregate amount of all Indebtedness secured by such Liens shall be permitted by the limitations set forth in Sections 10.2 and 10.3;

(m) any Lien renewing, extending or refunding any Lien permitted by paragraphs (k) or (1) of this Section 10.4, *provided* that (1) the principal amount of Indebtedness secured by such Lien immediately prior to such extension, renewal or refunding is not increased or the maturity thereof reduced, (2) such Lien is not extended to any other property and (3) immediately after such extension, renewal or refunding no Default or Event of Default would exist; and

(n) other Liens on assets of a Subsidiary securing Indebtedness of such Subsidiary not otherwise permitted by paragraphs (a) through (m), inclusive, of this Section 10.4 securing Indebtedness, *provided* that, the Indebtedness secured by such Liens shall have been permitted by Section 9.7 and by the limitations set forth in Section 10.2 and 10.3 at the time the Lien securing such Indebtedness is created.

Section 10.5 Limitation on Dividends. The Company will not declare or pay any dividend (or otherwise effectuate a distribution) (other than dividends or distributions payable solely in common stock of the Person making such dividend or distribution) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Capital Stock of the Company or any Subsidiary, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Company or any Subsidiary (collectively, *"Restricted Payments"*), except that:

(a) the Company may pay dividends (or otherwise effectuate distributions) to HoldCo for tax payments in amounts equal to the tax that would have been imposed on the Company if the Company had been taxed as a domestic corporation (as calculated on the basis of the standalone tax liability of the Company);

(b) so long as no Default or Event of Default shall have occurred and be continuing and the Company shall be in compliance with the provisions of Section 10.1 and in pro forma compliance with the provisions of Sections 10.2 and 10.3 both immediately before and immediately after giving effect thereto, the Company may pay dividends (or otherwise effectuate distributions) to HoldCo; and

(c) the Company may pay a dividend (or otherwise effectuate a distribution) to HoldCo in an amount not to exceed the net cash proceeds of the Notes on or promptly after the Closing Date.

Notwithstanding the foregoing, in no event shall the Company make any Restricted Payment prior to the date the Company delivers to each Purchaser the ratings letters required by Section 9.10.

Section 10.6 Investments. Except with respect to the Transactions, the Company will not, and will not permit any Subsidiary to, make any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of, or any assets constituting a business unit of, or make any other investment in, any Person (all of the foregoing, *"Investments"*), except:

(a) (1) extensions of trade credit in the ordinary course of business and (2) loans or advances to employees, officers or directors of the Company or any Subsidiary in the ordinary course of business for (i) travel, relocation and related expenses or (ii) the purchase of appliances;

(b) Investments in Cash Equivalents;

(c) Guarantee Obligations permitted by Section 9.7(b);

(d) Investments received in connection with the settlement of claims as a result of third party bankruptcies;

(e) Investments in assets useful (and to be used) in the business of any Subsidiary, which are made by such Subsidiary with the proceeds of any Disposition which is reinvested as permitted by clause (A) of the second paragraph of Section 10.7;

(f) intercompany Investments by the Company in its Subsidiaries;

(g) the ownership by the Company of the Capital Stock of its Subsidiaries;

(h) Permitted Acquisitions; and

(i) other Investments not listed in paragraphs (a) through (h) of this Section 10.6 in an aggregate amount not to at any time exceed \$25,000,000.

Section 10.7 Sale of Assets. Except as permitted by Section 10.8, the Company will not, and will not permit any Subsidiary to, sell, lease, transfer or otherwise dispose of, including by way of merger (collectively, a "Disposition"), any property, including Capital Stock of Subsidiaries, in one transaction or a series of transactions, to any Person, other than (a) Dispositions in the ordinary course of business, (b) Dispositions by the Company to a Wholly-Owned Subsidiary or by a Subsidiary to the Company or to a Wholly-Owned Subsidiary or (c) other Dispositions not otherwise permitted by this Section 10.7, provided that (1) after giving effect thereto, no Default or Event of Default exists and (2) the aggregate net book value of all property so disposed of in any fiscal year of the Company pursuant to this Section 10.7(c) does not exceed 10% of Consolidated Total Assets as of the end of the immediately preceding fiscal year of the Company.

Notwithstanding the foregoing, the Company may, or may permit any Subsidiary to, make a Disposition of property acquired or constructed by the Company or any Subsidiary and such property shall not be subject to or included in the foregoing limitation and computation contained in clause (c) of the preceding paragraph to the extent that (i) such property is leased back by the Company or a Subsidiary, as lessee, within 365 days of the acquisition or construction thereof; *provided*, that in the case of property of the Company, such property was acquired or constructed by the Company after the Closing Date or (ii) the net proceeds from such Disposition are, within 365 days of such Disposition, either (A) reinvested in operating assets by the Company or a Subsidiary to be used in the principal business of the Company or such Subsidiary or (B) applied to the payment or prepayment of any outstanding Indebtedness of the Company or any Subsidiary which Indebtedness is not subordinated to the Notes, *provided* that in the course of making such application the Company shall offer to prepay each outstanding Note in accordance with Section 8.6 in a principal amount which equals the Ratable Portion for such Note.

Section 10.8 Merger, Consolidation. The Company will not, and will not permit any Subsidiary to, consolidate with or merge with any other Person or convey, transfer or lease all or substantially all of its assets in a single transaction or series of transactions to any Person; provided that:

(a) any Subsidiary may (1) consolidate with or merge with, or convey, transfer or lease all or substantially all of its assets in a single transaction or series of transactions to, (i) the Company or a Wholly-Owned Subsidiary so long as in any merger or consolidation involving (A) the Company, the Company shall be the surviving or continuing entity and (B) a Wholly-Owned Subsidiary, a Wholly-Owned Subsidiary shall be the surviving or continuing entity or (ii) any other Person so long as the surviving or continuing entity is the Subsidiary with respect to which the Company shall, immediately following such transaction or series of transactions, have at least the same degree of ownership and control as it had with respect to the Subsidiary as it did prior to such transaction or (2) convey, transfer or lease all or substantially all of its assets in compliance with the provisions of Section 10.7 (other than the provisions of clause (i) of the second paragraph thereof); and

(b) the Company may consolidate or merge with, or convey, transfer or lease all or substantially all of the assets of the Company in a single transaction or series of transactions to, any Person so long as:

(1) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease all or substantially all of the assets of the Company as an entirety, as the case may be, shall be a solvent corporation or limited liability company organized and existing under the laws of the United States or any State thereof (including the District of Columbia), and, if the Company is not such corporation or limited liability company, (i) such corporation or limited liability company shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement, the Notes and the Security Documents and (ii) such corporation or limited liability company shall have 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;

(2) all consents, approvals or authorizations of, or registrations, filings or declarations with, any Governmental Authority required in connection with such transaction shall have been obtained or made, shall be in full force and effect and shall not be subject to appeal or any condition which has not been satisfied is required in connection; and

(3) immediately before and immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing.

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 10.8 from its liability under this Agreement, the Notes or the Security Documents.

Section 10.9 Limitation on Restrictive Agreements. The Company will not permit any Subsidiary to, directly or indirectly, enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of a Subsidiary to make Restricted Payments in respect of any of its Capital Stock to the Company except (a) with respect to any Subsidiary acquired in a Permitted Acquisition, any encumbrance or restriction existing immediately prior to such Permitted Acquisition; *provided*, that (1) such encumbrance or restriction shall not have been created or imposed in contemplation of such Permitted Acquisition and (2) such encumbrance or restriction shall not extend to any Subsidiary not acquired in such Permitted Acquisition and (b) for the avoidance of doubt, as may be required by the Pennsylvania Public Utility Commission or other Governmental Authority.

Section 10.10 Swap Agreements. The Company will not, and will not permit any Subsidiary to, enter into any Swap Agreement, except non-speculative (a) Swap Agreements entered into to hedge or mitigate risks to which the Company has actual exposure (other than those in respect of Capital Stock) and (b) Swap Agreements entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of the Company.

Section 10.11 Changes in Fiscal Periods. The Company will not permit the fiscal year of the Company or any Subsidiary to end on a day other than December 31 or change the Company's or any Subsidiary's method of determining fiscal quarters.

Section 10.12 New Subsidiaries. The Company will not, and will not permit any Subsidiary to, form, acquire or otherwise own any Subsidiaries except that Peoples, PNG Services and any Subsidiary formed, incorporated or acquired pursuant to, or in contemplation of, a Permitted Acquisition shall be permitted Subsidiaries of the Company.

Section 10.13 Transactions with Affiliates. The Company will not, and will not permit any Subsidiary to, enter into, directly or indirectly, any transaction or group of related transactions (including, without limitation, 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 (a) as expressly permitted pursuant to the terms of this Agreement or (b) 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.

Section 10.14 Line 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 Memorandum.

*Section 10.15 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) engage in any dealings or transactions with any such Person.

### SECTION 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, Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium or Breakage Amount 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 five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Section 7.1(d), Section 9.10 or Section 10 or any covenant in a Supplement which specifically provides that it shall have the benefit of this paragraph (c); or

(d) the Company defaults in the performance of or compliance with any term contained herein or in any Supplement (other than those referred to in Sections 11(a), (b) and (c)) and such default is not remedied within 30 days after the earlier of (1) a Responsible Officer obtaining actual knowledge of such default and (2) 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 Section 11(d)); or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement, in any Security Documents, in any Supplement under which Additional Notes are then outstanding 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

(f) (1) 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 \$25,000,000 beyond any period of grace provided with respect thereto, or (2) the Company or any Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least \$25,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, 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 (3) 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 before its regular maturity or before its regularly scheduled dates or repay Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least \$25,000,000, or (ii) one or more Persons have the right to require 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 \$25,000,000, or (ii) one or more Persons have the right to require the Company or any Subsidiary so to purchase or repay such Indebtedness; provided, that clause (3) shall not apply to any Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness in a transaction not prohibited by this Agreement; or

(g) the Company or any Subsidiary (1) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (2) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (3) makes an assignment for the benefit of its creditors, (4) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (5) is adjudicated as insolvent or to be liquidated or (6) takes limited liability company or corporate action for the purpose of any of the foregoing; or

(h) a court or Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Subsidiaries, or any such petition shall be filed against the Company or any of its Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of \$25,000,000 are rendered against one or more of the Company and its Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) if (1) (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 \$25,000,000, (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 Multi-employer 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 (2) the Seller shall fail to transfer, or cause to have transferred, from the trust under the Dominion Peoples Pension Plan to the Company Peoples Pension Plan, within the meaning of Section 5.7(d) of the Acquisition Agreement (as in effect on the Closing Date), the "True-Up Amount" by no later than 210 days following such "closing date" (each such term as defined in the Acquisition Agreement); or

(k) the Company defaults in the performance of or compliance with any term contained in any Security Document and such default is not remedied within the period of grace, if any, allowed with respect thereto or any Security Document shall cease to be in full force and effect for any reason whatsoever (other than termination in accordance with its terms) or any Security Document shall, fail or cease to create a valid and perfected first priority Lien on any material portion of the Collateral purported to be covered thereby or the Company shall contest or deny the validity or enforceability in any material respect of any Lien granted under any Security Document or any of its obligations thereunder; or

(1) HoldCo shall (1) conduct, transact or otherwise engage in, or commit to conduct, transact or otherwise engage in, any business or operations other than those incidental to its ownership of the Capital Stock of the Company, (2) incur, create, assume or suffer to exist any Indebtedness or other liabilities or financial obligations, except (i) nonconsensual obligations imposed by operation of law, (ii) obligations pursuant to, and permitted by, the HoldCo Facility Documentation to which it is a party and (iii) obligations with respect to its Capital Stock, or (3) own, lease, manage or otherwise operate any properties or assets (including cash (other than cash received in connection with dividends or distributions made by the Company in accordance with Section 10.5 pending application in the manner contemplated by said Section) and cash equivalents) other than the ownership of shares of Capital Stock of the Company.

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

### SECTION 12. REMEDIES ON DEFAULT.

### Section 12.1 Acceleration.

(a) If an Event of Default with respect to the Company described in Section 11(g) or (h) (other than an Event of Default described in clause (1) of Section 11(g) or described in clause (6) of Section 11(g) by virtue of the fact that such clause encompasses clause (1) of Section 11(g)) has occurred, all the Notes of every Series then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, the Required Holders may at any time at 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 Section 11(a) or (b) 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 such holder or holders 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 (1) all accrued and unpaid interest thereon (including, but not limited to, interest accrued thereon at the Default Rate), (2) the applicable Make-Whole Amount, if any,

determined in respect of such principal amount (to the full extent permitted by applicable law) and (3) with respect to Canadian Holders, the Breakage Amount, if any, 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 or in any Supplement specifically provided for), and that the provision for payment of a Make-Whole Amount, if any, 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.

Section 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, in any Supplement 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.

*Section 12.3 Rescission.* At any time after any Notes have been declared due and payable pursuant to Section 12.1(b) or (c), the Required Holders, 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, applicable Make-Whole Amount, if any, Modified Make-Whole Amount, if any, Change of Control Premium and Breakage 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, the Make-Whole Amount, if any, Modified Make-Whole Amount, if any, Change of Control Premium and Breakage 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 which 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, to any Supplement 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.

Section 12.4 No Waivers or Election of Remedies, Expenses. 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, any Supplement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein 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, without limitation, reasonable attorneys' fees, expenses and disbursements.

## SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

Section 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.

Section 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(4)), for registration of transfer or exchange (and in the case of a surrender for registration of transfer or 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 transfere of such Note or part thereof), within ten Business Days thereafter, the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) of the same Series (and of the same tranche if such Series has separate tranches) 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 the same Series (and of the same tranche if such Series has separate tranches) originally issued hereunder or pursuant to any Supplement. 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 \$100,000, *provided* that if necessary to enable the registration of transfer by a holder of its entire holding of Notes of any Scries or tranche, if applicable, may be in a denomination of less than \$100,000. Any transferee, by its acceptance of a Note shall beliver an executed joinder to the Interceditor Agreement to the Company and the Collateral Agent.

Section 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(4)) 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, an original Additional Purchaser or another holder of a Note with a minimum net worth of at least \$50,000,000 or that is 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, within ten Business Days thereafter, the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same Series (and of the same tranche if such Series has separate tranches), 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.

#### SECTION 14. PAYMENTS ON NOTES.

*Section 14.1 Place of Payment.* Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, Modified Make-Whole Amount, if any, Change of Control Premium, Breakage 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 BNP Paribas 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.

*Section 14.2 Home Office Payment.* So long as any Purchaser or Additional Purchaser or such Person's 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, Modified Make-Whole Amount, if any, Change of Control Premium, Breakage Amount, if any, and interest by the method and at the address specified for such purpose below such Purchaser's name in Schedule A or, in the case of any Additional Purchaser, Schedule A attached to the applicable Supplement, or by such other method or at such other address as such Purchaser or Additional Purchaser 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, such Purchaser or Additional Purchaser 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 a Purchaser or Additional Purchaser or such Person's nominee, such Person will, at its 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 a Purchaser under this Agreement or any Additional Purchaser under a Supplement and that has made the same agreement relating to such Note as such Purchaser or Additional Purchaser has made in this Section 14.2.

## SECTION 15. EXPENSES.

Section 15.1 Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Company will pay all reasonable costs and expenses (including reasonable attorneys' fees of a special counsel for the Purchasers or any Additional Purchasers (provided, that unless the Purchasers and/or the Additional Purchasers, as applicable, determine that there exists a conflict of interest amongst the Purchasers and/or Additional Purchasers, as the case may be, the Company shall only be required to pay the fees of one firm of special counsel acting for the Purchasers and/or the Additional Purchasers, as applicable) and, if reasonably required by the Required Holders, local or other counsel) incurred by each Purchaser, each Additional Purchaser and each other 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, any Supplement, the Notes or any Security Document (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the reasonable costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement, any Supplement, the Notes or any Security Document or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement, any Supplement, the Notes or any Security Document, 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, by any Supplement and by the Notes, (c) the fees, costs and expenses, including without limitation reasonable attorneys' fees, of the Collateral Agent required to be paid by the Company or any Subsidiary pursuant to any Security Document or required to be reimbursed by any holder of a Note pursuant to the Intercreditor Agreement, (d) the costs and expenses, including without limitation reasonable attorneys' fees, of preparing, recording and filing all financing statements, instruments and other documents to create, perfect and fully preserve and protect the Liens granted pursuant to the Security Documents and the rights of the holders of the Notes or of the Collateral Agent for the benefit of the holders of the Notes and the other parties party to the Intercreditor Agreement and (e) the costs and expenses incurred in connection with the initial filing of this Agreement and all related documents and financial information with the SVO; provided, that such costs and expenses under this clause (e) shall not exceed \$5,000. The Company will pay, and will save each Purchaser and each other 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, an Additional Purchaser or other holder in connection with its purchase of its Notes).

*Section 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, any Supplement, the Notes or any Security Document, and the termination of this Agreement, any Supplement or any Security Document.

## SECTION 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein or in any Supplement shall survive the execution and delivery of this Agreement, such Supplement and the Notes, the purchase or transfer by any Purchaser or any Additional Purchaser 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 any Purchaser, any Additional Purchaser 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 or any Supplement shall be deemed representations and warranties of the Company under this Agreement; provided, that the representations and warranties contained in any Supplement shall be made for the benefit of all holders of Notes so long as any Additional Notes issued pursuant to such Supplement remain outstanding. Subject to the preceding sentence, this Agreement (including every Supplement) and the Notes embody the entire agreement and understanding between each Purchaser, each Additional Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

### SECTION 17. AMENDMENT AND WAIVER.

## Section 17.1 Requirements.

(a) *Amendments.* This Agreement, any Supplement and the Notes may be amended, and the observance of any term hereof, of any Supplement or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (1) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof or of the corresponding provision of any Supplement, or any defined term (as it is used therein), will be effective as to any holder of a Note unless consented to by such holder in writing and (2) 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 applicable Make-Whole Amount, if any, Modified Make-Whole Amount, Change of Control Premium or Breakage Amount on, the Notes; *provided*, that, for the avoidance of doubt, mandatory and optional prepayment provisions and prepayment premiums or make-whole amounts applicable solely to a Series of Notes shall only be deemed to affect the holders of Notes of such Series and may be amended or waived by the holders of the Notes of such Series without the consent of the Required Holders, (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, 20 or 22.

(b) *Supplements*. Notwithstanding anything to the contrary contained herein, the Company may enter into any Supplement providing for the issuance of one or more Series of Additional Notes consistent with Section 2.2 hereof without obtaining the consent of any holder of any other Series of Notes.

## Section 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, of any Supplement, of the Notes or of any Security Document. 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 or provide other credit support, 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, of any Supplement, of any Security Document or of the Notes unless such remuneration is concurrently paid, or security is concurrently granted or other credit support is concurrently provided, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

Section 17.3 Binding Effect. 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, under any Supplement 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" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

Section 17.4 Notes Held by Company. 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, any Supplement or the Notes, or have directed the taking of any action provided herein, in any Supplement 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.

## SECTION 18. NOTICES.

All notices and communications provided for hereunder (or under any Supplement) shall be in writing and sent (a) by telefacsimile 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), (c) by a recognized overnight delivery service (charges prepaid) or (d) in the case of communications provided for pursuant to Section 7.1 or Section 7.2, by electronic mail; *provided* that the Company shall deliver physical copies of any communications provided for pursuant to Section 7.1 or Section 7.2 to any Purchaser, Additional Purchaser or other holder that shall have requested delivery of such physical copies. Any such notice must be sent:

(1) if to any Purchaser or its nominee, to such Purchaser or its nominee at the address or, in the case of clause (d) above, the e-mail address specified for such communications in Schedule A, or at such other address or e-mail address as such Purchaser or its nominee shall have specified to the Company in writing;

(2) if to any Additional Purchaser or its nominee, to such Additional Purchaser or its nominee at the address or, in the case of clause (d) above, the e-mail address specified for such communications in Schedule A to the applicable Supplement, or at such other address or e-mail address as such Additional Purchaser or its nominee shall have specified to the Company in writing;

(3) if to any other holder of any Note, to such holder at such address or, in the case of clause (d) above, such e-mail address as such other holder shall have specified to the Company in writing; or

(4) if to the Company, to the Company at:

PNG Companies LLC 1 PPG Place, Suite 1650 Pittsburgh, PA 15222 Attention: Morgan O'Brien Telecopy: (888) 805-2445 Telephone: (412) 244-2566

With copies to:

PNG Companies LLC 500 Fifth Avenue, 55th Floor New York, NY 10110 Attention: John McGuire Telecopy: (212) 696-0040 Telephone: (212) 382-7475

PNG Companies LLC 500 Fifth Avenue, 55th Floor New York, NY 10110 Attention: Cliff Losh, General Counsel Telecopy: (212) 696-0040 Telephone: (212) 382-7473

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.

### SECTION 19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating hereto, including, without limitation, (a) all Supplements, (b) consents, waivers and modifications that may hereafter be executed, (c) documents received by any Purchaser on the Closing Date or by any Additional Purchaser on the date of purchase of its Additional Notes (except the Notes themselves), and (d) financial statements, certificates and other information previously or hereafter furnished to any holder of Notes, may be reproduced by such holder by any photographic, photostatic, electronic, digital or other similar process and such holder 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 such holder of Notes 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.

### SECTION 20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "Confidential Information" shall mean information delivered to any Purchaser or Additional Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement or any Supplement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser or Additional Purchaser 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 such Purchaser or Additional Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or Additional Purchaser or any Person acting on such Purchaser's or Additional Purchaser's behalf, (c) otherwise becomes known to such Purchaser or Additional Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser or Additional Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser or Additional Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser or Additional Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser or Additional Purchaser, provided that such Purchaser or Additional Purchaser may deliver or disclose Confidential Information to (1) its directors, officers, trustees, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (2) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (3) any other holder of any Note, (4) any Institutional Investor to which it sells or offers 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), (5) any Person from which such Purchaser offers 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), (6) any federal or state regulatory

authority having jurisdiction over such Purchaser or Additional Purchaser, (7) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's or Additional Purchaser's investment portfolio or (8) any other Person to which such delivery or disclosure may be necessary or appropriate (i) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (ii) in response to any subpoena or other legal process, (iii) in connection with any litigation to which such Purchaser is a party or (iv) if an Event of Default has occurred and is continuing, to the extent such Purchaser or Additional Purchaser 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 such Purchaser's or Additional Purchaser's Notes and this Agreement (including any Supplement). 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 under any Supplement or requested by such holder (other than a holder that is a party to this Agreement or any Supplement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

#### SECTION 21. SUBSTITUTION OF PURCHASER.

Each Purchaser and each Additional Purchaser shall have the right to substitute any one of its Affiliates as the purchaser of the Notes that it has agreed to purchase hereunder or under a Supplement, by written notice to the Company, which notice shall be signed by both such Purchaser or Additional Purchaser and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement or such Supplement, as the case may be, 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, any reference to such Purchaser or Additional Purchaser in this Agreement (other than in this Section 21) or such Supplement, shall be deemed to refer to such Affiliate in lieu of such original Purchaser or such original Additional Purchaser. In the event that such Affiliate is so substituted as a Purchaser or Additional Purchaser hereunder and such Affiliate thereafter transfers to such original Purchaser or such original Additional Purchaser or such original Additional Purchaser or such original Additional Purchaser or an "Additional Purchaser" in this Section 21) or such Affiliate as a "Purchaser" or an "Additional Purchaser" in this Section 21) or such Supplement, shall no longer be deemed to refer to such Affiliate, but shall refer to such original Purchaser or such original Additional Purchaser or such original Additi

#### SECTION 22. TAX INDEMNIFICATION.

All payments whatsoever under this Agreement (including any Supplement) and the Notes will be made by the Company in lawful currency of the United States of America free and clear of, and without liability for withholding or deduction for or on account of, any present or future Taxes of whatever nature imposed or levied by or on behalf of any jurisdiction (or any political subdivision or taxing authority of or in such jurisdiction) (hereinafter a *"Taxing Jurisdiction"*), unless the withholding or deduction of such Tax is compelled by law.

If any deduction or withholding for any Tax shall at any time be required in respect of any amounts to be paid by the Company under this Agreement (including any Supplement) or the Notes, the Company will pay to the relevant Taxing Jurisdiction the full amount required to be withheld, deducted or otherwise paid before penalties attach thereto or interest accrues thereon and pay to each holder of a Note such additional amounts as may be necessary in order that the net amounts paid to such holder pursuant to the terms of this Agreement (including any Supplement) or the Notes after such deduction, withholding or payment (including, without limitation, any required deduction or withholding of Tax on or with respect to such additional amount), shall be not less than the amounts payable to such holder under the terms of this Agreement (including any Supplement) or the Notes if no such deduction, withholding or payment has been made, *provided* that no payment of any additional amounts shall be required to be made for or on account of:

(a) any Tax that would not have been imposed but for the existence of any present or former connection between such holder (or a fiduciary, settlor, beneficiary, member of, shareholder of, or possessor of a power over, such holder, if such holder is an estate, trust, partnership or corporation or any Person other than the holder to whom the Notes or any amount payable thereon is attributable for the purposes of such Tax) and the Taxing Jurisdiction, including, without limitation, such holder (or such other Person described in the above parenthetical) being or having been a citizen or resident thereof, or being or having been present or engaged in trade or business therein or having or having had an establishment, office, fixed base or branch therein, *provided* that this exclusion shall not apply with respect to a Tax that would not have been imposed but for the Company, after the Closing Date, opening an office in, moving an office to, reincorporating in, or changing the Taxing Jurisdiction imposing the relevant Tax;

(b) any Tax that would not have been imposed but for the delay or failure by such holder (following a written request by the Company) in the filing with the relevant Taxing Jurisdiction of Forms (as defined below) that are required to be filed by such holder to avoid or reduce such Taxes (including for such purpose any refilings or renewals of filings that may from time to time be required by the relevant Taxing Jurisdiction); or

(c) any combination of clauses (a) and (b) above;

and *provided further* that in no event shall the Company be obligated to pay such additional amounts to any holder of a Note (i) not resident in the United States of America or any other jurisdiction in which an original Purchaser is resident for tax purposes on the Closing Date or an Additional Purchaser is resident for tax purposes on the closing date of the Additional Notes purchased by it in excess of the amounts that the Company would be obligated to pay if such holder had been a resident of the United States of America or such other jurisdiction, as applicable, for purposes of, and eligible for the benefits of, any double taxation treaty from time to time in effect between the United States of America or such other jurisdiction and the relevant Taxing Jurisdiction or (ii) to any holder of a Note registered in the name of a nominee if under the law of the relevant Taxing Jurisdiction (or the current regulatory interpretation of such law) securities held in the name of a nominee do not qualify for an exemption from the relevant Tax and the Company shall have given timely notice of such law or interpretation to such holder.

By acceptance of any Note, the holder of such Note agrees that it will, on or before it becomes a party to this Agreement and from time to time thereafter as required by applicable law or requested by the Company with reasonable promptness (x) duly complete and deliver to or as reasonably directed by the Company all such forms, certificates, documents and returns provided to such holder by the Company (collectively, together with instructions for completing the same, *"Forms"*) required to be filed by or on behalf of such holder in order to avoid or reduce any such Tax pursuant to the provisions of an applicable statute, regulation or administrative practice of the relevant Taxing Jurisdiction or of a tax treaty between the United States and any other Taxing Jurisdiction and (y) provide the Company with such information with respect to such holder to provide information with respect to any such Form or otherwise if in the opinion of such holder, and provided further that each such holder shall be deemed to have complied with its obligation under this paragraph with respect to any Form if such Form shall have been duly completed and delivered by such holder to the Company or mailed to the appropriate taxing authority (which in the case of a United Kingdom Inland Revenue Form FD 13 or any similar Form shall be deemed to occur when such Form is submitted to the United States Internal Revenue Service in accordance with instructions contained in such Form), whichever is applicable, within 60 days following a written request of the Company (which request shall be accompanied by copies of such Form and English translations of any such Form not in the English language) and, in the case of a transfer of any Note, at least 90 days prior to the relevant interest payment date.

On or before the Closing Date the Company will furnish each Purchaser with copies of the appropriate Form (and English translation if required as aforesaid) currently required to be filed in the United States of America, if any, and in connection with the transfer of any Note the Company will furnish the transferee of such Note with copies of any Form and English translation then required.

If any payment is made by the Company to or for the account of the holder of any Note after deduction for or on account of any Taxes, and increased payments are made by the Company pursuant to this Section 22, then, if such holder at its sole discretion determines that it has received or been granted a refund of such Taxes, such holder shall, to the extent that it can do so without prejudice to the retention of the amount of such refund, reimburse to the Company such amount as such holder shall, in its sole discretion, determine to be attributable to the relevant Taxes or deduction or withholding. Nothing herein contained shall interfere with the right of the holder of any Note to arrange its tax affairs in whatever manner it thinks fit and, in particular, no holder of any Note shall be under any obligation to claim relief from its corporate profits or similar tax liability in respect of such Tax in priority to any other claims, reliefs, credits or deductions available to it or (other than as set forth in clause (b) above) oblige any holder of any Note to disclose any information relating to its tax affairs or any computations in respect thereof.

The Company will furnish the holders of Notes, promptly and in any event within 60 days after the date of any payment by the Company of any Tax in respect of any amounts paid under this Agreement or the Notes, the original tax receipt issued by the relevant taxation or other authorities involved for all amounts paid as aforesaid (or if such original tax receipt is not available or must legally be kept in the possession of the Company, a duly certified copy of the original tax receipt or any other reasonably satisfactory evidence of payment), together with such other documentary evidence with respect to such payments as may be reasonably requested from time to time by any holder of a Note.

If the Company is required by any applicable law, as modified by the practice of the taxation or other authority of any relevant Taxing Jurisdiction, to make any deduction or withholding of any Tax in respect of which the Company would be required to pay any additional amount under this Section 22, but for any reason does not make such deduction or withholding with the result that a liability in respect of such Tax is assessed directly against the holder of any Note, and such holder pays such liability, then the Company will promptly reimburse such holder for such payment (including any related interest or penalties to the extent such interest or penalties arise by virtue of a default or delay by the Company) upon demand by such holder accompanied by an official receipt (or a duly certified copy thereof) issued by the taxation or other authority of the relevant Taxing Jurisdiction.

If the Company makes payment to or for the account of any holder of a Note and such holder is entitled to a refund of the Tax to which such payment is attributable upon the making of a filing (other than a Form described above), then such holder shall, as soon as practicable after receiving written request from the Company (which shall specify in reasonable detail and supply the refund forms to be filed) use reasonable efforts to complete and deliver such refund forms to or as directed by the Company.

If the Company (i) furnishes to a holder of Notes an opinion of nationally recognized tax counsel that a reasonable basis exists for contesting a Tax, (ii) agrees in writing to pay such holder on demand all reasonable out-of-pocket costs and expenses that such holder may incur in contesting such Tax, including, without limitation, reasonable attorneys' and accountants' fees, and (iii) acknowledges in writing its obligation to indemnify such holder with respect to such Tax, then such holder shall cooperate with the Company as the Company may reasonable request in contesting such Tax. Nothing herein contained shall interfere with the right of the holder of any Note to arrange its tax affairs in whatever manner it thinks fit and, in particular, no holder of any Note shall be under any obligation to claim relief from its corporate profits or similar tax liability in respect of such Tax in priority to any other claims, reliefs, credits or deductions available to it or (other than as set forth in clause (b) above) oblige any holder of any Note to disclose any information relating to its tax affairs or any computations in respect thereof.

The obligations of the Company under this Section 22 shall survive the payment or transfer of any Note and the provisions of this Section 22 shall also apply to successive transferees of the Notes.

#### SECTION 23. MISCELLANEOUS.

Section 23.1 Successors and Assigns. All covenants and other agreements contained in this Agreement (including all covenants and other agreements contained in any Supplement) by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 23.2 Payments Due on Non-Business Days. Anything in this Agreement, any Supplement or the Notes to the contrary notwithstanding (but without limiting the requirement in Section 8.4 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, if any, Modified Make-Whole Amount, if any, Breakage Amount, if any, Change of Control Premium, if any, 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.

Section 23.3 Accounting Terms. All accounting terms used herein or in any Supplement which are not expressly defined in this Agreement or in such Supplement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein or in any Supplement, (a) all computations made pursuant to this Agreement or in such Supplement shall be made in accordance with GAAP and (b) all financial statements shall be prepared in accordance with GAAP.

*Section 23.4 Severability.* Any provision of this Agreement or any Supplement 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 or of such Supplement, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

*Section 23.5 Construction.* Each covenant contained herein or in any Supplement shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein or in any Supplement, 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 or in any Supplement 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 or any Supplement shall be deemed to be a part hereof or of such Supplement.

*Section 23.6 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.

Section 23.7 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.

### Section 23.8 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, any Supplement 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 23.8(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(4) 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 (1) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (2) 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 23.8 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 HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, ANY SUPPLEMENT, THE NOTES OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH OR THEREWITH.

\* \* \* \* \*

The execution hereof by the Purchasers shall constitute a contract among the Company and the Purchasers for the uses and purposes hereinabove set forth.

# PNG COMPANIES LLC

By:/s/ John McGuireName:John McGuireTitle:Vice President

ING LIFE INSURANCE AND ANNUITY COMPANY ING USA ANNUITY AND LIFE INSURANCE COMPANY RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK

By: ING Investment Management LLC, as Agent

By:/s/ Christopher P. LyonsName:Christopher P. LyonsTitle:Senior Vice President

METROPOLITAN LIFE INSURANCE COMPANY, on behalf of itself and as investment manager to the entities below

METLIFE INVESTORS INSURANCE COMPANY

METLIFE REINSURANCE COMPANY OF VERMONT

METLIFE INVESTORS USA INSURANCE COMPANY

GENERAL AMERICAN LIFE INSURANCE COMPANY

By: /s/ John A. Tanyeri

Name:John A. TanyeriTitle:Director

HARTFORD LIFE INSURANCE COMPANY HARTFORD ACCIDENT AND INDEMNITY COMPANY HARTFORD LIFE AND ACCIDENT INSURANCE COMPANY CHAMPLAIN LIFE REINSURANCE COMPANY

By: Hartford Investment Management Company, Their agent and attorney-in-fact

By:	/s/ Ralph D. Witt	
Name:	Ralph D. Witt	DEF
Title:	Vice President	TRG

THRIVENT FINANCIAL FOR LUTHERANS

By: /s/ Alan D. Onstad

Name: Alan D. Onstad Title: Senior Director

# NEW YORK LIFE INSURANCE COMPANY

By:	/s/ Ruthard Murphy
Name:	Ruthard Murphy
Title:	Corporate Vice President
NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION	
By:	New York Life Investment Management LLC, Its
	Investment Manager
By:	/s/ Ruthard Murphy
Name:	Ruthard Murphy
Title:	Vice President
Foreti	HOUGHT LIFE INSURANCE COMPANY

By: /s/ Ruthard Murphy

Name: Ruthard Murphy

Title: Vice President

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

By:/s/ Brian KeatingName:Brian KeatingTitle:Managing Director

THE GUARDIAN INSURANCE & ANNUITY COMPANY, INC.

By: /s/ Brian Keating

Name:Brian KeatingTitle:Managing Director

#### AMERICAN HERITAGE LIFE INSURANCE COMPANY

By: /s/ David Puckett Name: David Puckett

By: /s/ Carrie A. Cazolas Name: Carrie A. Cazolas

Authorized Signatories

Allstate Life Insurance Company

By: /s/ David Puckett Name: David Puckett

By: /s/ Carrie A. Cazolas Name: Carrie A. Cazolas

Authorized Signatories

Allstate Life Insurance Company of New York

 By:
 /s/ David Puckett

 Name:
 David Puckett

By: /s/ Carrie A. Cazolas Name: Carrie A. Cazolas

Authorized Signatories

# PROVIDENT LIFE AND CASUALTY INSURANCE COMPANY

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# MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

By: Babson Capital Management LLC as Investment Adviser

By:	/s/ John B. Wheeler
Name:	John B. Wheeler
Title:	Managing Director
C.M. LIFE INSURANCE COMPANY	
By:	Babson Capital Management LLC
0	as Investment Adviser
By:	/s/ John B. Wheeler
Name:	John B. Wheeler
Title:	Managing Director
Massi	Jutual Asia Limited
141/10/014	TOTORE ASIA LIWITED
By:	Babson Capital Management LLC
5	as Investment Adviser
By:	/s/ John B. Wheeler
Name:	John B. Wheeler

Title: Managing Director

### UNITED OF OMAHA LIFE INSURANCE COMPANY

By:/s/ Justin P. KavanName:Justin P. KavanTitle:Vice President

COMPANION LIFE INSURANCE COMPANY

By: /s/ Justin P. Kavan

Name: Justin P. Kavan Title: Authorized Signer

BANKERS LIFE AND CASUALTY COMPANY COLONIAL PENN LIFE INSURANCE COMPANY CONSECO LIFE INSURANCE COMPANY CONSECO HEALTH INSURANCE COMPANY

By: 40|86 Advisors, Inc. acting as Investment Advisor

By: /s/ Timothy L Powell

Name: Timothy L Powell Title: VP

MODERN WOODMEN OF AMERICA

By: /s/ Nick S. Coin

Name: Nick S. Coin Title: Treasurer & Investment Manager

# PROTECTIVE LIFE INSURANCE COMPANY

By:/s/ Lance P. BlackName:Lance P. BlackTitle:Treasurer

SOUTHERN FARM BUREAU LIFE INSURANCE COMPANY

By:/s/ David DivineName:David DivineTitle:Portfolio Manager

# CCG TRUST CORPORATION

By: /s/ Steven Blazevic

Name: Steven Blazevic Title: Managing Director

# CUNA MUTUAL INSURANCE SOCIETY

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

By: /s/ Allen R. Cantrell

Name: Allen R. Cantrell Title: Director, Investments

### GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

By:	/s/ Eve Hampton
Name:	Eve Hampton
Title:	Vice President, Investments
Bv:	/s/ Tad Anderson

By: /s/ Tad Anderson Name: Tad Anderson

Title: Assistant Vice President, Investments

LIFE INSURANCE COMPANY OF THE SOUTHWEST

By: /s/ R. Scott Higgins

Name: R. Scott Higgins Title: Senior Vice President Sentinel Asset Management

# PRIMERICA LIFE INSURANCE COMPANY

By: Conning, Inc., as Investment Manager

By: /s/ John H. DeMallie Name: John H. DeMallie Title: Director

SENIOR HEALTH INSURANCE COMPANY OF PENNSYLVANIA

By: Conning, Inc., as Investment Manager

By: /s/ John H. DeMallie

Name: John H. DeMallie Title: Director INFORMATION RELATING TO PURCHASERS

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### **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:

"Acquisition" shall mean the acquisition of all of the Capital Stock of Peoples by the Company pursuant to the Acquisition Agreement and the transactions related thereto.

"Acquisition Agreement" shall mean the Stock Purchase Agreement, dated as of July 1, 2008, by and between the Seller and HoldCo, and subsequently assigned (except for Section 5.4(g) thereof which was assigned to LDC Funding LLC pursuant to the Assignment and Assumption Agreement dated September 15, 2008 between LDC Funding LLC, HoldCo and the Seller) to the Company pursuant to the First Amendment, Assignment and Assumption Agreement, dated as of September 15, 2008, between the Company, HoldCo and the Seller (the "First Amendment"), including the exhibits thereto (as amended pursuant to the First Amendment), and further modified by the Side Agreement, dated as of January 3, 2010 among the Company, LDC Funding LLC and the Seller and the Closing Agreement, dated as of January 28, 2010, among the Company, LDC Funding LLC and Seller.

*"Acquisition Documentation"* shall mean collectively, the Acquisition Agreement and all schedules, exhibits and annexes thereto and all side letters and agreements affecting the terms thereof or entered into in connection therewith.

"Additional Notes" is defined in Section 2.2(b).

"Additional Purchasers" shall mean purchasers of Additional Notes.

"Additional Term Facility" shall have the meaning assigned thereto in the Intercreditor Agreement.

*"Add-On Acquisition"* shall mean the acquisition by the Company of (a) all or substantially all of the Capital Stock of another Person, (b) all or substantially all of the assets of another Person or (c) all or substantially all of a line of business of another Person, in each case (1) whether or not involving a merger or a consolidation with such other Person and (2) whether in one transaction or a series of related transactions.

"Affiliate" shall mean, at any time, and with respect to any Person, 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 any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or Capital Stock of the Company or any Subsidiary or any Person 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 Capital Stock. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

*"Anti-Terrorism Order"* shall mean Executive Order No. 13,224 of September 24, 2001, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism, 66 U.S. Fed. Reg. 49, 079 (2001), as amended.

SCHEDULE B (to Note Purchase Agreement) *"Breakage Amount"* shall mean any loss, cost or expense reasonably incurred by any Canadian Holder which has entered into a Swap Agreement relating to the exchange of Canadian Dollars for United States Dollars in connection with its purchase of Notes as a result of any payment or prepayment of any Note held by it on a day other than the scheduled maturity thereof (whether voluntary, mandatory, automatic, by reason of acceleration or otherwise), and any loss or expense arising from the liquidation or reemployment of funds obtained by such holder or from fees payable to terminate the deposits from which such funds were obtained. Each applicable Canadian Holder shall determine the Breakage Amount with respect to the principal amount of its Notes then being paid or prepaid (or required to be paid or prepaid) by written notice to the Company setting forth such determination in reasonable detail not less than two Business Days prior to the date of prepayment in the case of any prepayment pursuant to Section 8.2, 8.6 or 8.7 or any payment required by Section 12. Each such determination shall be conclusive absent manifest error.

"Business" is defined in Section 5.18(b).

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

"Canadian Holder" shall mean holder of a Note that is organized in or under the laws of Canada or any province thereof.

"*Capital Lease*" shall mean, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"*Capital Lease Obligations*" shall mean as to any Person, the obligations of such Person and its Subsidiaries to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a consolidated balance sheet of such Person and its Subsidiaries under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"*Capital Stock*" shall mean any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation), including, without limitation, partnership interests and membership interests, and any and all warrants, rights or options to purchase any of the foregoing.

*"Cash Equivalents"* shall mean (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any commercial bank organized under the laws of the United States or any state thereof having combined capital and surplus of not less than \$500,000,000 and which are

rated at least AA- by S&P or Aa3 by Moody's; (c) commercial paper of an issuer rated at least A-1 by S&P or P-1 by Moody's, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within 270 days from the date of acquisition; (d) repurchase obligations of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days, with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least AA- by S&P or Aa3 by Moody's; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any commercial bank satisfying the requirements of clause (b) of this definition; (g) money market mutual or similar funds that invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition; or (h) money market funds that (i) comply with the criteria set forth in SEC Rule 2a-7 under the Investment Company Act of 1940, as amended, (ii) are rated AAA by S&P and Aaa by Moody's and (iii) have portfolio assets of at least \$5,000,000,000.

"Closing" is defined in Section 3.

"Closing Date" is defined in Section 3.

"Change of Control" is defined in Section 8.7(h).

"*Change of Control Premium*" shall mean, with respect to any Note being repaid pursuant to Section 8.7, an amount equal to 1.00% of the principal amount thereof

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

*"Collateral"* shall mean all property of the Company, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document (including all of the Capital Stock of (a) Peoples, (b) PNG Services and (c) any Subsidiary acquired in a Permitted Acquisition).

"Collateral Agent" shall mean BNP Paribas, as collateral agent under the Intercreditor Agreement, and its successors and permitted assigns in such capacity.

"*Company*" shall mean PNG Companies LLC, a Delaware limited liability company or any successor that becomes such in the manner prescribed in Section 10.8.

*"Company Peoples Pension Plan"* shall mean the defined benefit pension plan established (or caused to be established) by the Company or its Affiliates, or maintained by the Company or its Affiliates pursuant to Section 5.7(d) or 5.7(g) of the Acquisition Agreement.

"Confidential Information" is defined in Section 20.

"*Consolidated Capitalization*" shall mean, at any date, the sum of (a) Consolidated Total Net Worth as at the end of the most recently ended fiscal quarter of the Company and (b) Consolidated Debt at such date.

"*Consolidated Debt*" shall mean, at any date, the aggregate principal amount of all Indebtedness of the Company and its Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP; *provided* that for purposes of calculating compliance with the financial covenant set forth in Section 10.2 any Indebtedness resulting from borrowings under the Revolving Working Capital Facility (under and as defined in the Credit Agreement (as in effect on the Closing Date)) in excess of \$12,500,000 shall not be included as "Consolidated Debt."

#### "Consolidated Debt to Capitalization Ratio" shall mean, at any time, the ratio of Consolidated Debt to Consolidated Capitalization at such time.

"Consolidated EBITDA" shall mean, for any period, Consolidated Net Income for such period *plus*, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) interest expense, amortization or writeoff of debt discount, debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness and, to the extent included in the calculation of Consolidated Net Income and without duplication of the foregoing, (x) any Transaction Costs related to the Acquisition and (y) any payment made by the Company to the Seller pursuant to Section 2 of the Waiver Agreement among the Company, the Seller and LDC Funding LLC dated as of January 3, 2010; *provided*, that the amounts referred to in this clause (y) shall not, in the aggregate, exceed \$20,000,000, (c) depreciation and amortization expense, (d) amortization of intangibles (including, but not limited to, goodwill) and organization costs and (e) any extraordinary or non-recurring non-cash expenses or losses (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, non-cash losses on sales of assets outside of the ordinary course of business), *provided*, that the amounts referred to in this clause (e) shall not, in the aggregate, exceed \$15,000,000 for any fiscal year of the Company, and minus, (1) to the extent included in the statement of such Consolidated Net Income for such period, the sum of (i) any extraordinary, unusual or non-recurring income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, the sum of (i) any extraordinary, unusual or non-recurring income or gains (included in the statement of such Consolidated Net Income for such period, the sum of (i) any extraordinary, unusual or non-recurring income or gains (included in the statement of such Consolidated Net Inco

"Consolidated Interest Expense" shall mean, for any period, total cash interest expense (including that attributable to Capital Lease Obligations and capitalized interest) of the Company and its Subsidiaries for such period with respect to all outstanding Indebtedness of the Company and its Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs under Swap Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP).

"*Consolidated Net Income*" shall mean, for any period, the consolidated net income (or loss) of the Company and its Subsidiaries determined on a consolidated basis in accordance with GAAP.

"Consolidated Total Assets" shall mean, as of the date of any determination thereof, the total assets of the Company and its Subsidiaries that would be shown as assets on a consolidated balance sheet of the Company and its Subsidiaries as of such time prepared in accordance with GAAP.

"Consolidated Total Net Worth" shall mean, at any date, all amounts that would, in conformity with GAAP, be included on a consolidated balance sheet of the Company and its Subsidiaries under stockholders' equity at such date.

"*Control*" shall mean 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.

"Control Event" is defined in Section 8.7(i).

"*Credit Agreement*" shall mean the Amended and Restated Credit Agreement dated as of February 26, 2010 by and among the Company, the Lenders (as defined therein) from time to time parties thereto, BNP Paribas, as administrative agent, and the other agents party thereto, as amended, restated, joined, supplemented or otherwise modified from time to time, and any renewals, extensions or replacements thereof, which constitute the primary bank credit facility of the Company and its Subsidiaries.

"*Default*" shall mean 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" shall mean (a) with respect to any Series 2010-A Note, that rate of interest that is the greater of (1) 2.00% per annum above the rate of interest stated in clause (a) of the first paragraph of such Series 2010-A Note or (2) 2.00% over the rate of interest publicly announced by BNP Paribas in New York, New York as its "base" or "prime" rate and (b) with respect to the Notes of any Series of Additional Notes, as set forth in the Supplement pursuant to which such Series of Notes was issued.

"Disposition" is defined in Section 10.7.

"Dominion Peoples Pension Plan" shall mean The Dominion Peoples Gas Union Pension Plan.

"Electronic Delivery" is defined in Section 7.1(a).

*"Environmental Laws"* shall mean any and all foreign, federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirements of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health (with respect to exposure to Materials of Environmental Concerns) or the environment.

*"ERISA"* shall mean 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"* shall mean 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" shall mean the Securities Exchange Act of 1934, as amended.

*"Fair Market Value"* shall mean, at any time and with respect to any property, the sale value of such property that would be realized in an arm's-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell), as reasonably determined in the good faith opinion of a Responsible Officer.

*"Financing Costs"* shall mean any fees and expenses incurred by the Company and its Affiliates in connection with the HoldCo Facility Documentation, the Credit Agreement, this Agreement and the Notes, the loans and other extensions of credit hereunder and thereunder, the other loan and credit documents relating thereto, and the commitment letters and fee letters relating thereto, which shall include financing due diligence costs, financing upfront fees, legal fees and expenses, ticking fees, and other costs and expenses relating to the financing contemplated hereby and thereby as well as any previously contemplated financing.

"Fitch" shall mean Fitch Ratings, Ltd.

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

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

"*GAAP*" shall mean generally accepted accounting principles as in effect from time to time in the United States of America. Notwithstanding the foregoing or anything else contained in this Agreement or in any Supplement, for purposes of determining compliance with Section 10, any election by the Company to measure an item of Indebtedness using fair value (as permitted by FAS 159, International Accounting Standard 39 or any similar accounting standard) shall be disregarded and such determination shall be made as if such election had not been made.

"Governmental Authority" shall mean

(a) the government of

(1) the United States of America or any State or other political subdivision thereof, or

(2) any other 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.

"Guarantee Obligation" shall mean, as to any Person (the "guaranteeing person"), any obligation, including a reimbursement, counterindemnity or similar obligation, of the guaranteeing Person that guarantees or in effect guarantees, or which is given to induce the creation of a separate obligation by another Person (including any bank under any letter of credit) that guarantees or in effect guarantees, any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including any obligation of the guaranteeing person, whether or not contingent, (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (2) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation, unless such primary obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Company in good faith.

"HGI Facility" shall mean one or more facilities that the Company or its Subsidiaries may enter into with one or more of BNP Paribas, Union Bank, N.A. and/or The Bank of Nova Scotia (each a "HGI Counterparty") pursuant to which the Company or a Subsidiary shall fund the purchase of gas inventory by purchasing natural gas in an open market transaction, by selling such natural gas to the applicable HGI Counterparty and be obligated to repurchase such natural gas at a specified time or times for a specified price or a substantially similar facility; *provided* that (a) in the event the Company or a Subsidiary fails to repurchase the applicable gas pursuant to the applicable HGI Facility, the remedies of the HGI Counterparty are limited to selling the natural gas and proceeding against the Company or the applicable Subsidiary for any deficiency and (b) each HGI Facility shall be used solely to fund the supplies of natural gas required for Peoples and any other Subsidiary of the Company in the regulated local gas distribution business to provide gas to its customers and not for the purpose of speculating in commodities or operating a commodities trading business.

"HoldCo" shall mean LDC Holdings LLC, a Delaware limited liability company.

*"HoldCo Facility Documentation"* shall mean a credit agreement or other document entered into by HoldCo in connection with HoldCo incurring senior secured Indebtedness or any refinancing thereof (including any incremental facilities or other additional Indebtedness of HoldCo incurred in connection with a Permitted Acquisition), together with all instruments and other agreements entered into by HoldCo in connection therewith; *provided*, that (a) no HoldCo Facility Documentation shall contain any restrictions on the Company or any of its Subsidiaries which are more restrictive than those contained in the Credit Agreement and (b) the aggregate outstanding principal amount under all HoldCo Facility Documentation shall not at any time exceed \$125,000,000.

*"holder"* shall mean, 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.

"Indebtedness" shall mean, with respect to any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than current trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under or in respect of acceptances, letters of credit, surety bonds or similar arrangements, (g) all obligations of such Person in respect of obligations of such Person, (i) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (h) above, (j) all obligations of the kind referred to in clauses (a) through (i) above secured by (or for which the holder of such Obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation, and (k) for the purposes of Section 11(f) only, all obligations of such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not li

*"Institutional Investor"* shall mean (a) any Purchaser of a Note, (b) any holder of a Note holding (together with one or more of its affiliates) more than \$2,000,000 in aggregate principal amount of the Notes then outstanding, (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 and (d) any Related Fund of any holder of any Note.

"Intercreditor Agreement" is defined in Section 4.5.

"*Investment Grade Rating*" shall mean a rating equal to or higher than BBB- by S&P or Fitch and a rating equal to or higher than Baa3 by Moody's.

"Investments" is defined in Section 10.6.

"Lender" shall mean each financial institution from time to time party to the Credit Agreement as a "lender."

"*Lien*" shall mean, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

*"Make-Whole Amount"* shall have the meaning (a) set forth in Section 8.9 with respect to the Series 2010-A Notes and (b) set forth in the applicable Supplement with respect to any other Series or tranche of Additional Notes.

"*Material*" shall mean material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries, taken as a whole (after giving effect to any valid, uncontested indemnity from the Seller and any independent third-party insurance as to which the insurer does not dispute coverage with respect thereto).

*"Material Adverse Effect"* shall mean a material adverse effect on (a) the business, operations, affairs, 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, the Notes or any Security Document or (c) the validity or enforceability of this Agreement, the Notes or any Security Document.

*"Materials of Environmental Concern"* shall mean any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any applicable Environmental Law, including asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

"Memorandum" is defined in Section 5.3.

"Modified Make-Whole Amount" shall have the meaning (a) set forth in Section 8.9 with respect to the Series 2010-A Notes and (b) set forth in the applicable Supplement with respect to any other Series or tranche of Additional Notes.

"Moody's" shall mean Moody's Investors Service, Inc.

"Multi-employer Plan" shall mean any Plan that is a "multiemployer plan" (as such term is defined in Section 4001(a)(3) of ERISA).

"NAIC" shall mean the National Association of Insurance Commissioners or any successor thereto.

"Notes" is defined in Section 1.

"Officer's Certificate" shall mean 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.

"Payment Default" shall mean any Default pursuant to Sections 11(a) or 11(b).

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

"Peoples" shall mean Peoples Natural Gas Company LLC, a Pennsylvania limited liability company.

"Permitted Acquisition" shall mean any Add-On Acquisition that satisfies each of the following requirements:

(a) at least 10 Business Days prior to the closing of such Add-On Acquisition, the Company shall have delivered to each holder of Notes an Officer's Certificate describing such Add-On Acquisition in reasonable detail;

(b) both immediately before and immediately after giving effect to such Add-On Acquisition, no Default or Event of Default exists or will exist or would result therefrom;

(c) such Add-On Acquisition shall not be opposed by the board of directors or governing body of the Person or assets being acquired;

(d) all transactions in connection therewith shall be consummated in accordance with all applicable laws and in conformity with all applicable statutes, rules and regulations of any Governmental Authority applicable thereto;

(e) neither the Company nor any Subsidiary shall, as a result of or in connection with any such Add-On Acquisition, assume or incur any direct or contingent liabilities (whether relating to environmental, tax, litigation or other matters) that could reasonably be expected, as of the date of such Add-On Acquisition, to result in the existence or occurrence of a Material Adverse Effect;

(f) if such Add-On Acquisition results in a new direct or indirect Subsidiary of the Company, (1) 100% of the Capital Stock of such Subsidiary shall be pledged to secure the obligations of the Company hereunder (including any Supplement) and under the Notes and the other Senior Secured Obligations (as defined in the Intercreditor Agreement) and (2) the holders of the Notes shall have received board resolutions, officer's certificates, opinions of counsel and organization documents with respect to such Subsidiary as the Required Holders or the Collateral Agent shall reasonably request in connection with such pledge;

(g) the Person or assets subject to such Add-On Acquisition is or are in the regulated local gas distribution business or similar type of business;

(h) each holder of Notes shall have received a copy of letters from at least two Rating Agencies reaffirming that, immediately after giving effect to such Add-On Acquisition, the Notes shall be rated at least the same rating as the Notes were rated immediately prior to such Add-On Acquisition;

(i) concurrently with such Add-On Acquisition, the Company shall have taken any action requested by the Required Holders or the Collateral Agent pursuant to Section 9.8; and

(j) the Company shall be in pro forma compliance with the provisions of Sections 10.1, 10.2 and 10.3 both immediately before and immediately after giving effect thereto, which in the case of Section 10.1, shall be calculated as if such Add-On Acquisition occurred, and any Indebtedness incurred in connection with such Add-On Acquisition was incurred, on the first day of the period then being tested.

"Person" shall mean an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

*"Plan"* shall mean an "employee benefit plan" (as defined in Section 3(3) of ERISA) subject to Title I 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.

"Pledged Stock" shall have the meaning specified in the Security Agreement.

"PNG Services" shall mean PNG Services LLC, a Delaware limited liability company.

"Properties" is defined in Section 5.18(a).

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

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

"Purchaser" is defined in the first paragraph of this Agreement.

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

*"Ratable Portion"* for any Note shall mean an amount equal to the product of (a) the net proceeds from a Disposition being applied to the payment or prepayment of Indebtedness pursuant to clause (ii)(B) of the second paragraph of Section 10.7 multiplied by (b) a fraction, the numerator of which is the aggregate outstanding principal amount of such Note and the denominator of which is the aggregate outstanding principal amount of all Indebtedness of the Company and its Subsidiaries which is subject to the Intercreditor Agreement.

"Rating Agency" shall mean Fitch, Moody's and S&P and, in each case, any successors thereto.

"*Related Fund*" shall mean, with respect to any holder of any Note, any fund or entity that (a) invests in Securities or bank loans and (b) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

*"Required Holders"* shall mean, at any time, the holders of more than 50% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

*"Requirement of Law"* shall mean, as to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

*"Responsible Officer"* shall mean any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"Restricted Payments" is defined in Section 10.5.

"S&P" shall mean Standard & Poor's Rating Group, a Division of the McGraw Hill Companies, Inc.

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

"Securities" or "Security" shall have the meaning specified in Section 2(1) of the Securities Act.

"Securities Act" shall mean the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

*"Security Agreement"* shall mean that certain Amended and Restated Security and Pledge Agreement dated as of February 26, 2010 entered into between the Company and the Collateral Agent and substantially in the form attached hereto as <u>Exhibit 2</u>, as such agreement may be amended, supplemented, restated or otherwise modified from time to time.

*"Security Document"* shall mean the Security Agreement, the Intercreditor Agreement and all other security documents hereafter delivered to the Collateral Agent granting a Lien on any property of any Person to secure the obligations and liabilities of the Company or any Subsidiary under this Agreement, any Supplement or the Notes and the other Secured Obligations (as defined in the Intercreditor Agreement).

"Seller" shall mean Dominion Resources, Inc.

*"Senior Financial Officer"* shall mean the chief financial officer, principal accounting officer, treasurer, comptroller or similar officer of the Company.

"Series" shall mean any series of Notes issued pursuant to this Agreement or any Supplement.

"Series 2010-A Notes" is defined in Section 1.

"Solvent" when used with respect to any Person, shall mean that, as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such Person will, as of such date, exceed the amount of all "liabilities of such Person, contingent or otherwise", as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (1) "debt" means liability on a "claim", and (2) "claim" means any (i) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (ii) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, secured or unsecured. The amount of contingent liabilities (such as litigation, guaranties and pension plan liabilities) at any time shall be computed as the amount that, in light of all the facts and circumstances existing at the time, represents the amount that can be reasonably expected to become an actual or matured liability.

"Sponsor" shall mean SteelRiver Infrastructure Fund North America LP, a Delaware limited partnership.

"Subsidiary" shall mean, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"Subsidiary Debt" shall mean (without duplication), as of the date of any determination thereof, the sum of all Indebtedness of Subsidiaries (including all Guarantee Obligations of Indebtedness of the Company) but excluding Indebtedness owing to the Company or any Wholly-Owned Subsidiary.

"Supplement" is defined in Section 2.2(a).

"SVO" shall mean the Securities Valuation Office of the NAIC or any successor to such Office.

"Swap Agreement" shall mean any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; *provided* that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Company or any of its Subsidiaries shall be a "Swap Agreement."

*"Tax"* shall mean any tax (whether income, documentary, sales, stamp, registration, issue, capital, property, excise or otherwise), duty, assessment, levy, impost or withholding.

"Taxing Jurisdiction" is defined in Section 22.

"tranche" shall mean all Notes of a Series having the same maturity, interest rate and schedule for mandatory prepayments.

"Tranche 1 Notes" is defined in Section 1.

"Tranche 2 Notes" is defined in Section 1.

"Tranche 3 Notes" is defined in Section 1.

*"Transaction Costs"* shall mean any fees and expenses (other than Financing Costs and the origination fees payable by the Sponsor) incurred by the Company and its Affiliates in connection with the Acquisition to the extent that such fees and expenses, which shall include, due diligence costs, legal, accounting, consulting and/or advisory fees, and other costs and expenses, relate to the acquisition of Peoples, but in no event, when added to the Financing Costs, an amount greater than \$45,000,000.

*"Transactions"* shall mean the Acquisition, the transactions contemplated by the Credit Agreement and the transactions contemplated by this Agreement (including, the issuance and sale of the Notes) and the Security Documents.

*"USA Patriot Act"* shall mean 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.

*"Wholly-Owned Subsidiary"* shall mean, at any time, any Subsidiary 100% of all of the Capital Stock (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Subsidiaries at such time.

# **Disclosure Materials**

PNG Companies LLC US Private Placement Investor Presentation provided by BNP Paribas to investors on February 3, 2010.

Order and Opinion of the PPUC, dated November 19, 2009.

Projected Financial Statements provided by BNP Paribas to investors on February 4, 2010.

Standard & Poor's Research Update: PNG Companies LLC Rated at 'BBB-', Outlook Stable, dated February 8, 2010.

# Subsidiaries of the Company and Ownership of Subsidiary Stock

	Jurisdiction of	Percentage of Membership Interests outstanding owned by the
<u>Name</u>	Formation	Company
PNG Services LLC	Delaware	100%
Peoples Natural Gas Company LLC	Pennsylvania	100%

The Directors of the Company include:

- 1. Christopher P. Kinney, Chairman
- 2. Dennis T. Mahoney, Jr.
- 3. Michael J. Cyrus
- 4. James Mahoney
- 5. Morgan O'Brian

The Officers of the Company include:

- 1. Morgan O'Brian Chief Executive Officer
- 2. Clifford Losh Secretary and Vice President
- 3. Kenneth Pereira CFO and Vice President
- 4. Christopher P. Kinney Vice President
- 5. Dennis T. Mahoney, Jr. Vice President
- 6. Michael J. Cyrus Vice President
- 7. James Mahoney Vice President
- 8. John McGuire Vice President

### **Agreements**

Pennsylvania Public Utility Commission Opinion and Order, dated November 19, 2009.

# **Financial Statements**

Financial Statements of The Peoples Natural Gas Company for the fiscal years ending December 31, 2008, December 31, 2007 and December 31, 2006 and Independent Auditors' Report.

Unaudited Financial Statements of The Peoples Natural Gas Company for the fiscal year ending December 31, 2009.

Unaudited Financial Statements of The Peoples Natural Gas Company for the fiscal year ending December 31, 2005.

Unaudited Financial Statements of The Peoples Natural Gas Company for the fiscal year ending December 31, 2004.

Schedule 5.7 to the Note Purchase Agreement

**Governmental Approvals** 

None.

# **Existing Indebtedness**

The Company is obligated to make certain loan principal and interest payments pursuant to the Amended and Restated Credit Agreement, dated as of February 26, 2010, among the Company, the several lenders from time to time party thereto, Union Bank, N.A., as documentation agent, The Bank of Nova Scotia, as syndication agent, BNP Paribas, as administrative agent, and BNP Paribas and The Bank of Nova Scotia, as joint bookrunners.

# UCC Filings

Filing	Debtor	Secured Party	Location
UCC-1	Company	Collateral Agent	Delaware Secretary of State

# **Existing Encroachments**

See Conceptual Development, Inc., v. Dominion Peoples; Court of Common Please of Allegheny County; Case No. GD-07-014391 (Declaratory judgment to define the width of an easement held by Dominion Peoples).

The above relates to a right of way dispute with respect to an easement relating to transmission of gas lines and could not reasonably be expected to be material.

## FORM OF SERIES 2010-A NOTE, TRANCHE 1

#### PNG COMPANIES LLC

### 4.17% Series 2010-A Senior Secured Note, Tranche 1, due February 26, 2015

No. R2010-A-1-\_\_\_\_\_\$

PPN

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FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC (herein called the "*Company*"), a limited liability company organized and existing under the laws of the State of Delaware, hereby promises to pay to \_\_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_\_ DOLLARS (or so much thereof as shall not have been prepaid) on February 26, 2015, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 4.17% per annum from the date hereof, payable semiannually, on the twenty-sixth day of February and August in each year, commencing with the February 26 or August 26 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 (1) 6.17% or (2) 2.00% over the rate of interest publicly announced by BNP Paribas 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices of BNP Paribas 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 the Series 2010-A Senior Secured Notes, Tranche 1 (herein called the "*Notes*") issued pursuant to the Note Purchase Agreement dated as of February 26, 2010 (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, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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

EXHIBIT 1(a) (to Note Purchase Agreement) 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.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreement. This Note is also 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.

PNG COMPANIES LLC

By \_\_\_

Its \_\_\_\_\_

E-1(a)-2

## FORM OF SERIES 2010-A NOTE, TRANCHE 2

#### PNG COMPANIES LLC

### 4.93% Series 2010-A Senior Secured Note, Tranche 2, due February 26, 2017

PPN

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FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC (herein called the "*Company*"), a limited liability company organized and existing under the laws of the State of Delaware, hereby promises to pay to \_\_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_\_ DOLLARS (or so much thereof as shall not have been prepaid) on February 26, 2017, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 4.93% per annum from the date hereof, payable semiannually, on the twenty-sixth day of February and August in each year, commencing with the February 26 or August 26 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 (1) 6.93% or (2) 2.00% over the rate of interest publicly announced by BNP Paribas 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices of BNP Paribas 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 the Series 2010-A Senior Secured Notes, Tranche 2 (herein called the "*Notes*") issued pursuant to the Note Purchase Agreement dated as of February 26, 2010 (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, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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

EXHIBIT 1(b) (to Note Purchase Agreement) 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.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreement. This Note is also 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.

PNG COMPANIES LLC

Its

By\_

E-1(b)-2

## FORM OF SERIES 2010-A NOTE, TRANCHE 3

#### PNG COMPANIES LLC

### 5.53% Series 2010-A Senior Secured Note, Tranche 3, due February 26, 2020

PPN

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FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC (herein called the "*Company*"), a limited liability company organized and existing under the laws of the State of Delaware, hereby promises to pay to \_\_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_\_ DOLLARS (or so much thereof as shall not have been prepaid) on February 26, 2020, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 5.53% per annum from the date hereof, payable semiannually, on the twenty-sixth day of February and August in each year, commencing with the February 26 or August 26 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 (1) 7.53% or (2) 2.00% over the rate of interest publicly announced by BNP Paribas 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices of BNP Paribas 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 the Series 2010-A Senior Secured Notes, Tranche 3 (herein called the "*Notes*") issued pursuant to the Note Purchase Agreement dated as of February 26, 2010 (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, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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

EXHIBIT 1(c) (to Note Purchase Agreement) 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.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreement. This Note is also 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.

PNG COMPANIES LLC

By \_\_\_

Its \_\_\_\_\_

E-1(c)-2

# FORM OF SECURITY AGREEMENT

See Attached.

EXHIBIT 2 (to Note Purchase Agreement)

# AMENDED AND RESTATED SECURITY AND PLEDGE AGREEMENT

made by

PNG COMPANIES LLC

in favor of

BNP PARIBAS,

as Collateral Agent

Dated as of February 26, 2010

		Page
SECTION 1.	DEFINED TERMS	2
1.1	Definitions	2
1.2	Other Definitional Provisions	5
SECTION 2.	GRANT OF SECURITY INTEREST	5
SECTION 3.	REPRESENTATIONS AND WARRANTIES	6
3.1	Title; No Other Liens	6
3.2	Perfected First Priority Liens	7
3.3	Jurisdiction of Organization; Chief Executive Office	7
3.4	Investment Property	7
3.5	Commercial Tort Claims	7
SECTION 4.	COVENANTS	8
4.1	Delivery of Instruments, Certificated Securities and Chattel Paper	8
4.2	Maintenance of Insurance	8
4.3	Maintenance of Perfected Security Interest; Further Documentation	8
4.4	Changes in Name, etc.	9
4.5	Notices	9
4.6	Investment Property	9
4.7	Commercial Tort Claims	10
SECTION 5.	REMEDIAL PROVISIONS	10
5.1	Pledged Stock	10
5.2	Proceeds to be Turned Over To Collateral Agent	11
5.3	Application of Proceeds	11
5.4	Code and Other Remedies	11
5.5	Registration Rights	12
5.6	Subordination	13
5.7	Deficiency	13
SECTION 6.	THE COLLATERAL AGENT	13
6.1	Collateral Agent's Appointment as Attorney-in-Fact, etc.	13
6.2	Duty of Collateral Agent	14
6.3	Financing Statements	15
6.4	Authority of Collateral Agent	15
	MISCELLANEOUS	15
7.1	Amendments in Writing	15
7.2	Notices	15
7.3	No Waiver by Course of Conduct; Cumulative Remedies	15
7.4	Enforcement Expenses; Indemnification	15
7.5	Successors and Assigns	16
7.6	Counterparts	16
7.7	Severability	16
7.8	Section Headings	16
7.9		16
7.10	GOVERNING LAW	16

i

- 7.11 Submission To Jurisdiction; Waivers
- 7.12 Acknowledgements
- 7.13 Releases
- 7.14 WAIVER OF JURY TRIAL
- 7.15 Intercreditor Agreement Controls

# SCHEDULES

Schedule 1	Investment Property
Schedule 2	Perfection Matters

Schedule 3 Jurisdictions of Organization and Chief Executive Offices

ii

### AMENDED AND RESTATED SECURITY AND PLEDGE AGREEMENT

AMENDED AND RESTATED SECURITY AND PLEDGE AGREEMENT (the "<u>Agreement</u>"), dated as of February 26, 2010, made by PNG Companies LLC, (the "<u>Borrower</u>"), in favor of BNP Paribas, as Collateral Agent (in such capacity, the "<u>Collateral Agent</u>") for the Secured Parties (as defined below).

## $\underline{W} \underline{I} \underline{T} \underline{N} \underline{E} \underline{S} \underline{S} \underline{E} \underline{T} \underline{H}$ :

WHEREAS, the Borrower has entered into to that certain Credit Agreement, dated as of February 1, 2010 (as amended and restated on February 26, 2010, and as further amended, supplemented, amended and restated or otherwise modified from time to time, the "<u>Credit Agreement</u>"), with the several banks and other financial institutions or entities from time to time parties thereto (the "<u>Lenders</u>"), Union Bank, N.A., as documentation agent (the "<u>Documentation Agent</u>"), The Bank of Nova Scotia, as syndication agent (the "<u>Syndication Agent</u>"), and BNP Paribas, in its capacity as administrative agent (the "<u>Administrative Agent</u>", together with the Collateral Agent, Documentation Agent and Syndication Agent, the "<u>Agents</u>"), pursuant to which the Lenders have severally agreed to make extensions of credit to the Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, the proceeds of the extensions of credit under the Credit Agreement (a) in the case of the revolving capital expenditure loans will be used to pay for capital expenditures of Peoples and (b) in the case of the revolving working capital loans were used to finance a portion of the Acquisition Consideration related to working capital and will be used to pay for working capital needs of Peoples;

WHEREAS, it was a condition precedent to the obligation of the Lenders to make their respective initial extensions of credit on February 1, 2010 to the Borrower under the Credit Agreement that the Borrower shall have executed and delivered that certain Security and Pledge Agreement dated as of February 1, 2010 (the "Original Security Agreement") in favor of the Collateral Agent for the ratable benefit of the Secured Parties;

WHEREAS, the Borrower is concurrently herewith entering into that certain Note Purchase Agreement dated as of February 26, 2010 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "<u>Note Purchase Agreement</u>") with each of the purchasers listed on Schedule A thereto (collectively, the "<u>Series 2010-A Note Purchasers</u>") pursuant to which the Borrower will issue \$411,000,000 aggregate principal amount of its Series 2010-A Senior Secured Notes consisting of (a) \$125,000,000 aggregate principal amount of its 4.17% Series 2010-A Senior Secured Notes, Tranche 1, due February 26, 2015, (b) \$105,000,000 aggregate principal amount of its 4.93% Series 2010-A Senior Secured Notes, Tranche 2, due February 26, 2017 and (c) \$181,000,000 aggregate principal amount of its 5.53% Series 2010-A Senior Secured Notes, Tranche 3, due February 26, 2020 (collectively, the "<u>Series 2010-A Notes</u>");

WHEREAS, it is a condition precedent to the obligation of the Series 2010-A Note Purchasers to purchase the Series 2010-A Notes pursuant to the Note Purchase Agreement that the Borrower and the Collateral Agent amend and restate the Original Security Agreement in form of this Agreement;

WHEREAS, the Borrower may from time to time enter into additional term loan facilities with Additional Term Lenders (as defined below), who will provide Additional Term Loans (as defined below) to the Borrower and be secured equally and ratably as the other Secured Parties;

WHEREAS, the Administrative Agent on behalf of the Lenders, Series 2010-A Note Purchasers and Collateral Agent are concurrently herewith entering into the Intercreditor Agreement (as defined below) to, among other things, define the rights, duties, authority and responsibilities of the Collateral Agent and the relationship between the Secured Parties; and

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the Borrower and the Collateral Agent hereby agree to amend and restate the Original Security Agreement as hereinafter set forth and the Borrower hereby agrees with the Collateral Agent, for the ratable benefit of the Secured Parties, as follows:

## SECTION 1. DEFINED TERMS

1.1 <u>Definitions</u>. (a) The following terms are used herein as defined in the New York UCC: Accounts, Certificated Security, Chattel Paper, Commercial Tort Claims, Documents, Equipment, Farm Products, General Intangibles, Instruments, Inventory, Letter-of-Credit Rights and Supporting Obligations.

(b) The following terms shall have the following meanings:

"Additional Notes": as defined in the Note Purchase Agreement as in effect on the date hereof.

"Additional Term Lender": as defined in the Intercreditor Agreement.

"Additional Term Loan Documents": as defined in the Intercreditor Agreement.

"Additional Term Loans": as defined in the Intercreditor Agreement.

"<u>Agreement</u>": this Amended and Restated Security and Pledge Agreement, as the same may be further amended, supplemented, amended and restated or otherwise modified from time to time.

"<u>Business Day</u>": a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"<u>Capital Stock</u>": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"Collateral": as defined in Section 2.

"Collateral Account": any collateral account established by the Collateral Agent as provided in Section 5.2.

"<u>Commitments</u>": the collective reference to the obligations of the Lenders to make Loans and participate in Letters of Credit under the Credit Agreement.

"<u>Deposit Account</u>": as defined in the Uniform Commercial Code of any applicable jurisdiction and, in any event, including, without limitation, any demand, time, savings, passbook or like account maintained with a depositary institution.

"Default": any Event of Default, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Event of Default": collectively, any "Event of Default" as defined in the Credit Agreement, any "Event of Default" as defined in the Senior Note Documents and any "Event of Default" as defined in the Additional Term Loan Documents.

"<u>Governmental Authority</u>": any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization (including the National Association of Insurance Commissioners).

"<u>HoldCo</u>": LDC Holdings LLC, a Delaware limited liability company.

"<u>Intellectual Property</u>": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, copyrights, copyright licenses, patents, patent licenses, trademarks and trademark licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Intercompany Note": any promissory note evidencing loans made by the Borrower to HoldCo or any of its Subsidiaries.

"<u>Intercreditor Agreement</u>: that certain Intercreditor and Collateral Agency Agreement dated as of February 26, 2010 (as amended, supplemented, amended and restated or otherwise modified from time to time), originally by and among the Administrative Agent, the Series 2010-A Noteholders and the Collateral Agent.

"Investment Property": the collective reference to (i) all "investment property" as such term is defined in Section 9-102(a)(49) of the New York UCC and (ii) whether or not constituting "investment property" as so defined, all Pledged Notes and all Pledged Stock.

"Issuers": the collective reference to each issuer of any Investment Property that is a Subsidiary of the Borrower.

"Letter of Credit": any letter of credit issued pursuant to the Credit Agreement.

"<u>Liens</u>": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

"Loan": any loan made by any Lender pursuant to the Credit Agreement.

"Loan Documents": the Credit Agreement, this Agreement, the Intercreditor Agreement, the Notes and any amendment, waiver, supplement or other modification to any of the foregoing.

"New York UCC": the Uniform Commercial Code as from time to time in effect in the State of New York.

"Notes": the collective reference to any promissory note evidencing the Loans.

"Obligations": the Senior Secured Obligations as defined in the Intercreditor Agreement.

"Peoples": Peoples Natural Gas Company LLC, a Pennsylvania limited liability company.

"<u>Person</u>": an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"<u>Pledged Notes</u>": all promissory notes listed on <u>Schedule 1</u>, all Intercompany Notes at any time issued to the Borrower and all other promissory notes issued to or held by the Borrower (other than promissory notes issued in connection with extensions of trade credit by the Borrower in the ordinary course of business).

"<u>Pledged Stock</u>": the shares of Capital Stock listed on <u>Schedule 1</u>, together with any other shares, stock certificates, options, interests or rights of any nature whatsoever in respect of the Capital Stock of any Subsidiary of the Borrower that may be issued or granted to, or held by, the Borrower while this Agreement is in effect.

"<u>Proceeds</u>": all "proceeds" as such term is defined in Section 9-102(a)(64) of the New York UCC and, in any event, shall include, without limitation, all dividends or other income from the Investment Property, collections thereon or distributions or payments with respect thereto.

"<u>Receivable</u>": any right to payment for goods sold or leased or for services rendered, whether or not such right is evidenced by an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

"<u>Reimbursement Obligations</u>": the obligation of the Borrower to reimburse issuers of any Letters of Credit pursuant to the terms of the Credit Agreement for amounts drawn under any Letter of Credit.

"<u>Requirement of Law</u>: as to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"<u>Secured Parties</u>": the collective reference to the Agents, each Lender, each holder of Senior Notes and each Additional Term Lender, in each case, that is entitled to the benefits of and subject to the obligations under the Intercreditor Agreement as a Creditor.

"Securities Act": the Securities Act of 1933, as amended.

"Senior Documents": the collective reference to the Loan Documents, the Senior Note Documents and Additional Term Loan Documents, in each case as defined in the Intercreditor Agreement.

4

"Senior Lenders": the Creditors as defined in the Intercreditor Agreement.

"Senior Note Documents": the Senior Note Documents as defined in the Intercreditor Agreement.

"Senior Notes" shall mean the Series 2010-A Notes and each series of Additional Notes issued pursuant to a Supplement.

"<u>Subsidiary</u>": as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person.

"Supplement" shall have the meaning assigned thereto in the Note Purchase Agreement as in effect on the date hereof.

1.2 <u>Other Definitional Provisions</u>. (a) The words "hereof," "herein," "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

## SECTION 2. GRANT OF SECURITY INTEREST

The Borrower hereby assigns, transfers, re-assigns and re-transfers to the Collateral Agent, and hereby grants and re-grants to the Collateral Agent, for the ratable benefit of the Secured Parties, a security interest in, all of the following property now owned or at any time hereafter acquired by the Borrower or in which the Borrower now has or at any time in the future may acquire any right, title or interest (collectively, the "<u>Collateral</u>"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations:

- (a) all Accounts;
- (b) all Chattel Paper;
- (c) all Deposit Accounts;
- (d) all Documents;
- (e) all Equipment;
- (f) all Fixtures;
- (g) all General Intangibles;
- (h) all Instruments;
- (i) all Intellectual Property;



- (j) all Inventory;
- (k) all Investment Property;
- (l) all Letter-of-Credit Rights;

(m) all other property not otherwise described above (except for any property specifically excluded from any clause in this section above, and any property specifically excluded from any defined term used in any clause of this section above);

(n) all books and records pertaining to the Collateral; and

(o) to the extent not otherwise included, all Proceeds, Supporting Obligations and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing;

provided, however, that notwithstanding any of the other provisions set forth in this Section 2, this Agreement shall not constitute a grant of a security interest in any property to the extent that such grant of a security interest is prohibited by any Requirements of Law of a Governmental Authority, requires a consent not obtained of any Governmental Authority pursuant to such Requirement of Law or is prohibited by, or constitutes a breach or default under or results in the termination of or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property or, in the case of any Investment Property (other than the Pledged Stock or Pledged Notes) any applicable shareholder or similar agreement, except to the extent that such Requirement of Law or the term in such contract, license, agreement, instrument or other document or shareholder or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under the UCC or any other applicable law and in the event of any termination or elimination of any such prohibition or the requirement for any consent contained in any Requirement of Law, contract, license, agreement, instrument or other document or shareholder or similar agreement, to the extent sufficient to permit any such item to become Collateral hereunder, or upon the granting of any such consent, or waiving or terminating any requirement for such consent, a security interest in such contract, license, agreement, instrument or other document or Investment Property shall be automatically and simultaneously granted hereunder and shall be included in the Collateral hereunder.

### SECTION 3. REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants to the Collateral Agent and each Lender that:

3.1 <u>Title; No Other Liens</u>. Except for the security interest granted to the Collateral Agent for the ratable benefit of the Secured Parties pursuant to this Agreement and the other Liens permitted to exist on the Collateral by the Senior Documents, the Borrower owns each item of the Collateral free and clear of any and all Liens or claims of others. No financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as have been filed in favor of the Collateral Agent, for the ratable benefit of the Secured Parties, pursuant to this Agreement or as are permitted by the Senior Documents.

3.2 <u>Perfected First Priority Liens</u>. The security interests granted pursuant to this Agreement constitute valid security interests in all of the Collateral in favor of the Collateral Agent, for the ratable benefit of the Secured Parties, as collateral security for the Obligations, enforceable in accordance with the terms hereof. Upon the filing of UCC financing statements naming the Borrower as "debtor", naming the Collateral Agent as "secured party" and describing the Collateral, in the filing offices set forth on <u>Schedule 2</u> annexed hereto, the security interests granted or purported to be granted hereby shall be perfected to the extent any such security interest may be perfected by the filing of a financing statement. In the case of the Pledged Stock consisting of certificated Securities, in addition to filing of such UCC financing statements, upon delivery of the certificates representing such certificated Securities to the Collateral Agent, in each case duly endorsed or accompanied by duly executed instruments of assignment or transfer in blank, the security interests in the Collateral granted to the Collateral Agent will constitute perfected security interests therein prior to all other Liens (except for Liens permitted by the Senior Documents) to the extent the creation, perfection and priority thereof is governed by the UCC.

3.3 <u>Jurisdiction of Organization; Chief Executive Office</u>. On the date hereof, the Borrower's jurisdiction of organization, identification number from the jurisdiction of organization (if any), and the location of the Borrower's chief executive office or sole place of business or principal residence, as the case may be, are specified on <u>Schedule 3</u>. The Borrower has furnished to the Collateral Agent certificate of formation, limited liability company agreement or other organization document and long form good standing certificate as of a date which is recent to the date hereof.

3.4 <u>Investment Property</u>. (a) The shares of Pledged Stock pledged by the Borrower hereunder constitute all the issued and outstanding shares of all classes of the Capital Stock of each Issuer owned by the Borrower.

(b) All the shares of the Pledged Stock have been duly and validly issued and are fully paid and nonassessable.

(c) Each of the Pledged Notes constitutes the legal, valid and binding obligation of the obligor with respect thereto, enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(d) The Borrower is the record and beneficial owner of, and has good and marketable title to, the Pledged Stock pledged by it hereunder, free of any and all Liens or options or shareholder or similar agreements in favor of, or claims of, any other Person, except the security interest created by this Agreement.

3.5 Commercial Tort Claims

(a) On the date hereof, the Borrower does not have rights in any Commercial Tort Claim with potential value in excess of \$100,000.

(b) Upon the filing of UCC financing statements naming the Borrower as "debtor", naming the Collateral Agent as "secured party" and describing the Commercial Tort Claims referred to in Section 4.7(a) below, in the filing offices set forth on <u>Schedule 2</u> annexed hereto, the security interest in such Commercial Tort Claim granted to the Collateral Agent will constitute a perfected security interest therein prior to all other Liens (except for Liens permitted by the Senior Documents), to the extent any such security interest may be perfected by the filing of a financing statement.

### SECTION 4. COVENANTS

The Borrower covenants and agrees with the Collateral Agent and the Senior Lenders that, from and after the date of this Agreement until the Obligations shall have been paid in full, no Letter of Credit shall be outstanding and the Commitments shall have terminated:

4.1 <u>Delivery of Instruments, Certificated Securities and Chattel Paper</u>. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument, Certificated Security or Chattel Paper in excess of \$1,000,000 (or when combined with any previously undelivered Instrument, Certificated Security or Chattel Paper which have an aggregate value in excess of \$2,000,000), such Instrument, Certificated Security or Chattel Paper (and any other previously undelivered Instrument, Certificated Security or Chattel Paper) shall promptly be delivered to the Collateral Agent, duly indorsed in a manner satisfactory to the Collateral Agent, to be held as Collateral pursuant to this Agreement; provided that to the extent any such Instrument, Certificated Security or Chattel Paper is transferred to HoldCo as permitted by Section 7.6(c) of the Credit Agreement within three Business Days, the Borrower shall not be required to make any such delivery.

### 4.2 Maintenance of Insurance

(a) The Borrower will maintain, with financially sound and reputable companies, insurance policies (i) insuring the Inventory and Equipment against loss by fire, explosion, theft and such other casualties as may be reasonably satisfactory to the Collateral Agent and (ii) insuring the Borrower, the Collateral Agent and the Senior Lenders against liability for personal injury and property damage relating to such Inventory and Equipment, such policies to be in such form and amounts and having such coverage as is consistent with reasonable and prudent utility industry practice.

(b) All such insurance shall (i) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the Collateral Agent of written notice thereof, to the extent such provision is generally available in the insurance market on a commercially reasonable basis, (ii) name the Collateral Agent and each Senior Lender as an additional insured party and the Collateral Agent as sole loss payee, (iii) if reasonably requested by the Collateral Agent, include a breach of warranty clause and (iv) be consistent with reasonable and prudent utility practice.

(c) The Borrower shall deliver to the Collateral Agent and the Senior Lenders a report of a reputable insurance broker with respect to such insurance substantially concurrently with each delivery of the Borrower's audited annual financial statements pursuant to the Senior Documents and such supplemental reports with respect thereto as the Collateral Agent may from time to time reasonably request.

4.3 <u>Maintenance of Perfected Security Interest; Further Documentation</u>. (a) The Borrower shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 3.2 and shall defend such security interest against the claims and demands of all Persons whomsoever, subject to the rights of the Borrower under the Senior Documents to dispose of the Collateral.

(b) The Borrower will furnish to the Collateral Agent from time to time statements and schedules further identifying and describing the assets and property of the Borrower and such other reports in connection therewith as the Collateral Agent or any Senior Lender may reasonably request, all in reasonable detail.

(c) At any time and from time to time, upon the written request of the Collateral Agent or any Senior Lender, and at the sole expense of the Borrower, the Borrower will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as the Collateral Agent or any Senior Lender may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted including, (i) filing any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby and (ii) in the case of Investment Property, Deposit Accounts, Letter-of-Credit Rights and any other relevant Collateral, taking any actions necessary to enable the Collateral Agent to obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect thereto.

#### 4.4 Changes in Name, etc.

The Borrower will not, except upon 15 days' prior written notice to the Collateral Agent and each Senior Lender and delivery to the Collateral Agent of all additional executed financing statements and other documents reasonably requested by the Collateral Agent to maintain the validity, perfection and priority of the security interests provided for herein, (i) change its jurisdiction of organization or the location of its chief executive office or sole place of business or principal residence from that referred to in Section 3.3 or (ii) change its name.

#### 4.5 Notices

The Borrower will advise the Collateral Agent and the Senior Lenders promptly, in reasonable detail, of any Lien (other than security interests created hereby or Liens permitted under the Senior Documents) on any of the Collateral which would materially and adversely affect the ability of the Collateral Agent to exercise any of its remedies hereunder.

#### 4.6 Investment Property

(a) If the Borrower shall become entitled to receive or shall receive any certificate (including, without limitation, any certificate representing a dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights in respect of the Capital Stock of any Issuer, whether in addition to, in substitution of, as a conversion of, or in exchange for, any shares of the Pledged Stock, or otherwise in respect thereof, the Borrower shall accept the same as the agent of the Collateral Agent, hold the same in trust for the Collateral Agent and deliver the same forthwith to the Collateral Agent in the exact form received, duly indorsed by the Borrower to the Collateral Agent, if required, together with an undated stock power covering such certificate duly executed in blank by the Borrower and with, if the Collateral Agent so requests, signature guaranteed, to be held by the Collateral Agent, subject to the terms hereof, as additional collateral security for the Obligations. Any sums paid upon or in respect of the Investment Property upon the liquidation or dissolution of capital shall be made on or in respect of the Investment Property or any property shall be distributed upon or with respect to the Investment Property pursuant to the recapitalization or reclassification of the capital of any Issuer or pursuant to the reorganization thereof, the property so distributed shall, unless otherwise subject to a perfected security interest in favor of the Collateral Agent, be delivered to the Collateral Agent, hold such money or property is paid or delivered to the Collateral Agent, hold such money or property is paid or delivered to the Collateral Agent, hold such money or property in trust for the Collateral Agent, hold such money or property is paid or delivered to the Collateral Agent, hold such money or property is to the Borrower, as additional collateral Agent, be delivered to the Collateral Agent, hold such

(b) Without the prior written consent of the Collateral Agent, the Borrower will not (i) vote to enable, or take any other action to permit, any Issuer to issue any Capital Stock of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any Capital Stock of any nature of any Issuer, (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Investment Property or Proceeds thereof (except pursuant to a transaction expressly permitted by the Senior Documents), (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Investment Property or Proceeds thereof, or any interest therein, except for the security interests created by this Agreement or (iv) enter into any agreement or undertaking restricting the right or ability of the Borrower or the Collateral Agent to sell, assign or transfer any of the Investment Property or Proceeds thereof.

#### 4.7 Commercial Tort Claims.

(a) If the Borrower shall obtain an interest in any Commercial Tort Claim with a potential value in excess of \$1,000,000, the Borrower shall within 30 days of obtaining such interest sign and deliver documentation acceptable to the Collateral Agent granting a security interest under the terms and provisions of this Agreement in and to such Commercial Tort Claim.

#### SECTION 5. REMEDIAL PROVISIONS

5.1 <u>Pledged Stock</u>. (a) Unless an Event of Default shall have occurred and be continuing and the Collateral Agent shall have given notice to the Borrower of the Collateral Agent's intent to exercise its corresponding rights pursuant to Section 5.1(b) (provided that no such notice shall be required in the case of an Event of Default under Section 8(f)(i) or (ii) of the Credit Agreement or Sections 11(g) or (h) of the Note Purchase Agreement), the Borrower shall be permitted to receive all cash dividends and other distributions paid in respect of the Pledged Stock and all payments made in respect of the Pledged Notes, to the extent permitted in the Senior Documents, and to exercise all voting and corporate or other organizational rights with respect to the Investment Property; <u>provided</u>, <u>however</u>, that no vote shall be cast or corporate or other organizational right exercised or other action taken which, in the Collateral Agent's reasonable judgment, would impair the Collateral or which would be inconsistent with or result in any violation of any provision of the this Agreement or any other Senior Document.

(b) If an Event of Default shall occur and be continuing and the Collateral Agent shall give notice of its intent to exercise such rights to the Borrower (provided that no such notice shall be required in the case of an Event of Default under Section 8(f)(i) or (ii) of the Credit Agreement or Sections 11(g) or (h) of the Note Purchase Agreement), (i) except as otherwise expressly permitted by the Senior Documents, the Collateral Agent shall have the right to receive any and all cash dividends, payments or other Proceeds paid in respect of the Investment Property and make application thereof to the Obligations subject to the Intercreditor Agreement, in such order as the Collateral Agent may determine, and (ii) subject to clause (d) below, any or all of the Investment Property shall be registered in the name of the Collateral Agent or its nominee, and the Collateral Agent or its nominee may thereafter exercise (x) all voting, corporate and other rights pertaining to such Investment Property at any meeting of shareholders of the relevant Issuer or Issuers or otherwise and (y) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Investment Property as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Investment Property upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate or other organizational structure of any Issuer, or upon the exercise by the Borrower or the Collateral Agent of any right, privilege or option pertaining to such Investment Property, and in connection therewith, the right to deposit and deliver any and all of the Investment Property with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as the Collateral Agent may determine), all without liability except to

account for property actually received by it, but the Collateral Agent shall have no duty to the Borrower to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(c) The Borrower hereby authorizes and instructs each Issuer of any Pledged Stock pledged by the Borrower hereunder to (i) comply with any instruction received by it from the Collateral Agent in writing that (x) states that an Event of Default has occurred and is continuing and (y) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from the Borrower, and the Borrower agrees that each Issuer shall be fully protected in so complying, and (ii) unless otherwise expressly permitted hereby, pay any dividends or other payments with respect to the Pledged Stock directly to the Collateral Agent.

(d) Anything in Section 5.1(b)(ii) or any other provision of this Agreement notwithstanding, in no event shall the Collateral Agent take any voting, remedial or other action with respect to any Collateral constituting Capital Stock of Peoples unless and until all authorizations, approvals and other actions by, and all notices to and filings with, all Governmental Authorities necessary under any Requirement of Law have been obtained, taken and made, as applicable (including without limitation the prior filing with and approval of the Pennsylvania Public Utility Commission).

5.2 <u>Proceeds to be Turned Over To Collateral Agent</u>. Except as otherwise permitted pursuant to the Senior Documents, if an Event of Default shall occur and be continuing, all Proceeds received by the Borrower consisting of cash, checks and other near-cash items shall be held by the Borrower in trust for the Collateral Agent and the Senior Lenders, segregated from other funds of the Borrower, and shall, forthwith upon receipt by the Borrower, be turned over to the Collateral Agent in the exact form received by the Borrower (duly indorsed by the Borrower to the Collateral Agent, if required). All Proceeds received by the Collateral Agent hereunder shall be held by the Collateral Agent in a Collateral Agent in a Collateral Account maintained under its sole dominion and control. All Proceeds while held by the Collateral Agent in a Collateral Account (or by the Borrower in trust for the Collateral Agent) shall continue to be held as collateral security for all the Obligations and shall not constitute payment thereof until applied as provided in Section 5.3.

5.3 <u>Application of Proceeds</u>. If an Event of Default shall have occurred and be continuing, at any time at the Collateral Agent's election, the Collateral Agent may apply all or any part of Proceeds constituting Collateral, whether or not held in any Collateral Account, in accordance with the terms of the Intercreditor Agreement.

5.4 <u>Code and Other Remedies</u>. If an Event of Default shall occur and be continuing but subject to Section 5.1(d), the Collateral Agent, on behalf of the Senior Lenders, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the Collateral Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon the Borrower or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Collateral Agent or any Senior Lender or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Collateral Agent or any Senior Lender shall have the right

upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Borrower, which right or equity is hereby waived and released. The Borrower further agrees, at the Collateral Agent's request, to assemble the Collateral and make it available to the Collateral Agent at places which the Collateral Agent shall reasonably select, whether at the Borrower's premises or elsewhere. The Collateral Agent shall apply the net proceeds of any action taken by it pursuant to this Section 5.4, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Collateral Agent and the Senior Lenders hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, subject to the Intercreditor Agreement, in such order as the Collateral Agent may elect, and only after such application and after the payment by the Collateral Agent of any other amount required by any provision of law, including, without limitation, Section 9-615(a)(3) of the New York UCC, need the Collateral Agent account for the surplus, if any, to the Borrower. To the extent permitted by applicable law, the Borrower waives all claims, damages and demands it may acquire against the Collateral Agent or any Senior Lender arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

5.5 <u>Registration Rights</u>. (a) If the Collateral Agent shall determine to exercise its right to sell any or all of the Pledged Stock pursuant to Section 5.4, and if in the opinion of the Collateral Agent it is necessary or advisable to have the Pledged Stock, or that portion thereof to be sold, registered under the provisions of the Securities Act, the Borrower will cause the Issuer thereof to (i) execute and deliver, and cause the directors and officers of such Issuer to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts as may be, in the opinion of the Collateral Agent, necessary or advisable to register the Pledged Stock, or that portion thereof to be sold, under the provisions of the Securities Act, (ii) use its best efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of the Pledged Stock, or that portion thereof to be sold, and (iii) make all amendments thereto and/or to the related prospectus which, in the opinion of the Collateral Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. The Borrower agrees to cause such Issuer to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions which the Collateral Agent shall designate and to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of Section 11(a) of the Securities Act.

(b) The Borrower recognizes that the Collateral Agent may be unable to effect a public sale of any or all the Pledged Stock, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. The Borrower acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Collateral Agent shall be under no obligation to delay a sale of any of the Pledged Stock for the period of time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so.

(c) The Borrower agrees to use its best efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Stock pursuant to this Section 5.5 valid and binding and in compliance with any and all other applicable Requirements of Law.

The Borrower further agrees that a breach of any of the covenants contained in this Section 5.5 will cause irreparable injury to the Collateral Agent and the Senior Lenders, that the Collateral Agent and the Senior Lenders have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 5.5 shall be specifically enforceable against the Borrower, and the Borrower hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the relevant Senior Document.

5.6 <u>Subordination</u>. The Borrower hereby agrees that, upon the occurrence and during the continuance of an Event of Default, unless otherwise agreed by the Collateral Agent, it shall consent to the full subordination of all Indebtedness owing by it to any Subsidiary of the Borrower to the indefeasible payment in full in cash of the Obligations and, to the extent permitted by law, direct any such Subsidiary to consent to such subordination.

5.7 <u>Deficiency</u>. The Borrower shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Obligations and the fees and disbursements of any attorneys employed by the Collateral Agent to collect such deficiency.

## SECTION 6. THE COLLATERAL AGENT

6.1 <u>Collateral Agent's Appointment as Attorney-in-Fact, etc.</u> (a) The Borrower hereby irrevocably constitutes and appoints the Collateral Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Borrower and in the name of the Borrower or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, the Borrower hereby gives the Collateral Agent the power and right, on behalf of the Borrower, without notice to or assent by the Borrower, to do any or all of the following:

(i) in the name of the Borrower or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Collateral Agent for the purpose of collecting any and all such moneys due under any Receivable or with respect to any other Collateral whenever payable;

(ii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iii) execute, in connection with any sale provided for in Section 5.4 or 5.5, any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(iv) (1) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Collateral Agent or as the Collateral Agent shall direct; (2) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (3) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (4) commence and prosecute any suits,

13

actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (5) defend any suit, action or proceeding brought against the Borrower with respect to any Collateral; (6) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Collateral Agent may deem appropriate; (7) assign any copyright, patent or trademark (along with the goodwill of the business to which any such copyright, patent or trademark pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the Collateral Agent shall in its sole discretion determine; and (8) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Collateral Agent were the absolute owner thereof for all purposes, and do, at the Collateral Agent's option and the Borrower's expense, at any time, or from time to time, all acts and things which the Collateral Agent deems necessary to protect, preserve or realize upon the Collateral and the Collateral Agent's and the Senior Lenders' security interests therein and to effect the intent of this Agreement, all as fully and effectively as the Borrower might do.

Anything in this Section 6.1(a) to the contrary notwithstanding, the Collateral Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 6.1(a) unless an Event of Default shall have occurred and be continuing and, to the extent applicable, in compliance with Section 5.1(d).

(b) If the Borrower fails to perform or comply with any of its agreements contained herein, the Collateral Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Collateral Agent incurred in connection with actions undertaken as provided in this Section 6.1, together with interest thereon at a rate per annum equal to the highest rate per annum at which interest would then be payable on any category of past due ABR Loans (as defined in the Credit Agreement) under the Credit Agreement, from the date of payment by the Collateral Agent to the date reimbursed by the Borrower, shall be payable by the Borrower to the Collateral Agent on demand.

(d) The Borrower hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

6.2 <u>Duty of Collateral Agent</u>. The Collateral Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Collateral Agent deals with similar property for its own account. Neither the Collateral Agent, any Senior Lender nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Borrower or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Collateral Agent hereunder are solely to protect the Collateral Agent's and the Senior Lenders' interests in the Collateral and shall not impose any duty upon the Collateral Agent or any Senior Lender to exercise any such powers. The Collateral Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to the Borrower for any act or failure to act hereunder, except for its own gross negligence or willful misconduct.

14

6.3 <u>Financing Statements</u>. Pursuant to any applicable law, the Borrower authorizes the Collateral Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of the Borrower in such form and in such offices as the Collateral Agent determines appropriate to perfect the security interests of the Collateral Agent under this Agreement. The Borrower authorizes the Collateral Agent to use the collateral description "all personal property" in any such financing statements. The Borrower hereby ratifies and authorizes the filing by the Collateral Agent of any financing statement with respect to the Collateral made prior to the date hereof.

6.4 <u>Authority of Collateral Agent</u>. The Borrower acknowledges that the rights and responsibilities of the Collateral Agent under this Agreement with respect to any action taken by the Collateral Agent or the exercise or non-exercise by the Collateral Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Collateral Agent and the Senior Lenders, be governed by the Senior Documents and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Collateral Agent and the Borrower, the Collateral Agent shall be conclusively presumed to be acting as agent for the Senior Lenders with full and valid authority so to act or refrain from acting, and the Borrower shall not be under any obligation, or entitlement, to make any inquiry respecting such authority.

## SECTION 7. MISCELLANEOUS

7.1 <u>Amendments in Writing</u>. None of the terms or provisions of this Agreement may be waived, amended, supplemented, amended and restated or otherwise modified except, in accordance with the Intercreditor Agreement.

7.2 <u>Notices</u>. All notices, requests and demands to or upon the Collateral Agent or the Borrower hereunder shall be effected in the manner provided for in the Intercreditor Agreement.

7.3 <u>No Waiver by Course of Conduct; Cumulative Remedies</u>. Neither the Collateral Agent nor any Senior Lender shall by any act (except by a written instrument pursuant to Section 7.1), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Collateral Agent or any Senior Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Collateral Agent or any Senior Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Collateral Agent or such Senior Lender would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

7.4 <u>Enforcement Expenses; Indemnification</u>. (a) The Borrower agrees to pay or reimburse the Collateral Agent and, if incurred during the continuance of an Event of Default, each Senior Lender for all its costs and expenses incurred in collecting the Obligations or otherwise enforcing or preserving any rights under this Agreement and the other Senior Documents to which the Borrower is a party, including, without limitation, the reasonable fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to each Senior Lender and of counsel to the Collateral Agent.

(b) The Borrower agrees to pay, and to save the Collateral Agent and the Senior Lenders harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) The Borrower agrees to pay, and to save the Collateral Agent and the Senior Lenders harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Borrower would be required to do so pursuant to the Senior Documents.

(d) The agreements in this Section 7.4 shall survive repayment of the Obligations and all other amounts payable under the Senior Documents.

7.5 <u>Successors and Assigns</u>. This Agreement shall be binding upon the successors and assigns of the Borrower and shall inure to the benefit of the Collateral Agent and the Senior Lenders and their successors and assigns; provided that the Borrower may not assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Collateral Agent.

7.6 <u>Counterparts</u>. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

7.7 <u>Severability</u>. Any provision of this Agreement 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.

7.8 <u>Section Headings</u>. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

7.9 <u>Integration</u>. This Agreement and the other Senior Documents represent the agreement of the Borrower, the Collateral Agent and the Senior Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Collateral Agent or any Senior Lender relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Senior Documents.

## 7.10 <u>GOVERNING LAW</u>. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

7.11 <u>Submission To Jurisdiction; Waivers</u>. The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Senior Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

16

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower at its address referred to in Section 7.2 or at such other address of which the Collateral Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

7.12 <u>Acknowledgements</u>. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Senior Documents to which it is a party;

(b) neither the Collateral Agent nor any Senior Lender has any fiduciary relationship with or duty to the Borrower arising out of or in connection with this Agreement or any of the other Senior Documents, and the relationship between the Borrower, on the one hand, and the Collateral Agent and Senior Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Senior Documents or otherwise exists by virtue of the transactions contemplated hereby among the Senior Lenders or among the Borrower and the Senior Lenders.

7.13 <u>Releases</u>. (a) At such time as the Loans, the Reimbursement Obligations, the Senior Notes and the other Obligations shall have been paid in full, the Commitments have been terminated and no Letters of Credit shall be outstanding, the Collateral shall be released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Collateral Agent and the Borrower hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Borrower. At the request and sole expense of the Borrower following any such termination, the Collateral Agent shall deliver to the Borrower any Collateral held by the Collateral Agent hereunder, and execute and deliver to the Borrower such documents as the Borrower shall reasonably request to evidence such termination.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by the Borrower in a transaction permitted by the Senior Documents, then the Collateral Agent, at the request and sole expense of the Borrower, shall execute and deliver to the Borrower all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral.

17

# 7.14 <u>WAIVER OF JURY TRIAL</u>. THE BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER SENIOR DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

7.15 <u>Intercreditor Agreement Controls</u>. In the event of any conflict between the provisions set forth in this Agreement and those set forth in the Intercreditor Agreement, the provisions of the Intercreditor Agreement shall supersede and control the terms and provisions of this Agreement.

IN WITNESS WHEREOF, each of the undersigned has caused this Security and Pledge Agreement to be duly executed and delivered as of the date first above written.

-

PNG COMPANIES LLC

By: Title:

BNP PARIBAS, as Collateral Agent

By:

Title:

19

## DESCRIPTION OF INVESTMENT PROPERTY

## **Pledged Stock:**

Issuer

.

Class of Stock

Stock Certificate No.

No. of Shares

## Uniform Commercial Code Filings

[List each office where a financing statement is to be filed]

## LOCATION OF JURISDICTION OF ORGANIZATION AND CHIEF EXECUTIVE OFFICE

-

Borrower	Jurisdiction of Organization	Location of Chief Executive Office

## ACKNOWLEDGEMENT AND CONSENT

The undersigned hereby acknowledges receipt of a copy of the Amended and Restated Security and Pledge Agreement dated as of February 26, 2010 (the "<u>Agreement</u>"), made by the Borrower for the benefit of BNP Paribas, as Collateral Agent. The undersigned agrees for the benefit of the Collateral Agent and the Senior Lenders as follows:

1. The undersigned will be bound by the terms of the Agreement and will comply with such terms insofar as such terms are applicable to the undersigned.

2. The undersigned will notify the Collateral Agent promptly in writing of the occurrence of any of the events described in Section 4.5 of the Agreement.

3. Subject to Section 5.1(d), the terms of Sections 5.1(c) and 5.5 of the Agreement shall apply to it, <u>mutatis mutandis</u>, with respect to all actions that may be required of it pursuant to Section 5.1(c) or 5.5 of the Agreement.

## PEOPLES NATURAL GAS COMPANY LLC

By: Name:

Title:

Address for Notices:

Fax:

## ACKNOWLEDGEMENT AND CONSENT

The undersigned hereby acknowledges receipt of a copy of the Amended and Restated Security and Pledge Agreement dated as of February 26, 2010 (the "<u>Agreement</u>"), made by the Borrower for the benefit of BNP Paribas, as Collateral Agent. The undersigned agrees for the benefit of the Collateral Agent and the Senior Lenders as follows:

1. The undersigned will be bound by the terms of the Agreement and will comply with such terms insofar as such terms are applicable to the undersigned.

2. The undersigned will notify the Collateral Agent promptly in writing of the occurrence of any of the events described in Section 4.5 of the Agreement.

3. The terms of Sections 5.1(c) and 5.5 of the Agreement shall apply to it, <u>mutatis mutandis</u>, with respect to all actions that may be required of it pursuant to Section 5.1(c) or 5.5 of the Agreement.

## PNG SERVICES LLC

By:

Name: Title:

Address for Notices:

Fax:

## FORM OF INTERCREDITOR AGREEMENT

See Attached.

EXHIBIT 3 (to Note Purchase Agreement)

## INTERCREDITOR AND COLLATERAL AGENCY AGREEMENT

Dated as of February 26, 2010

By and Among

BNP PARIBAS, as Collateral Agent

And

BNP PARIBAS, as Administrative Agent

And

The Noteholders Party Hereto, as Creditors

## TABLE OF CONTENTS

SECTION	HEADING	PAGE
SECTION 1.	Definitions	2
Section 1.1.	Definitions	2
Section 1.2.	Effectiveness of this Agreement	8
SECTION 2.	Relationships Among Secured Parties	8
Section 2.1.	Restrictions on Actions	8
Section 2.2.	Representations and Warranties	9
Section 2.3.	Cooperation; Accountings	9
Section 2.4.	Termination of Credit Agreement, Note Agreement or Additional Term Loan Facility	10
SECTION 3.	Appointment and Authorization of Collateral Agent; Appointment of Co-Agents	10
Section 3.1.	Appointment and Authorization of Collateral Agent	10
Section 3.2.	Appointment of Co-Agents	10
SECTION 4.	Agency Provisions	11
Section 4.1.	Delegation of Duties	11
Section 4.2.	Exculpatory Provisions	11
Section 4.3.	Reliance by Collateral Agent	11
Section 4.4.	Knowledge or Notice of Default, Event of Default, Special Event of Default or Acceleration	12
Section 4.5.	Non-Reliance on Collateral Agent and Other Creditors	12
Section 4.6.	Indemnification	12
Section 4.7.	Collateral Agent in Its Individual Capacity	13
Section 4.8.	Successor Collateral Agent	13
SECTION 5.	Actions by the Collateral Agent	14
Section 5.1.	Duties and Obligations	14
Section 5.2.	Notification of Default or Acceleration	14
Section 5.3.	Actions of Collateral Agent; Exercise of Remedies	15
Section 5.4.	Instructions from Creditors	15
Section 5.5.	Protective Advances	15
Section 5.6.	Changes to Security Documents	15
Section 5.7.	Release of Collateral	16

-i-

Section 5	5.8. Ot	her Actions	16
Section 5.9.		operation	16
Section 5.10.		stribution of Proceeds	16
Section 5.11.		nior Preferential Payments and Special Collateral Account	17
Section 5.12.		thorized Investments	18
Section 5.13.		storation of Obligations	19
Section 5	5.14. Ba	nkruptcy Preferences	19
SECTION 6. Bankruptcy Proceedings		ptcy Proceedings	19
SECTION 7.	Miscell	aneous	20
Section 7	7.1. Cr	editors; Other Collateral	20
Section 7	7.2. Ma	arshalling	20
Section 7	7.3. Co	nsents, Amendments, Waivers	20
Section 7	7.4. Go	verning Law	21
Section 7	7.5. Pa	rties in Interest	21
Section 7	7.6. Co	unterparts	21
Section 7	7.7. Te	rmination	21
Section 7	7.8. No	tices	21
Section 7	7.9. Sei	nior Secured Obligations Held by Company	22
		-ii-	

ATTACHMENT TO INTERCREDITOR AND COLLATERAL AGENCY AGREEMENT:

Exhibit A – List of Security Documents

Exhibit B – Addresses of Creditors

Exhibit C – Joinder

Exhibit D – Additional Term Lender Joinder

#### INTERCREDITOR AND COLLATERAL AGENCY AGREEMENT

THIS INTERCREDITOR AND COLLATERAL AGENCY AGREEMENT dated as of February 26, 2010 (this "*Agreement*"), is entered into by and among BNP PARIBAS, in its capacity as Collateral Agent (as hereinafter defined), BNP PARIBAS, in its capacity as Administrative Agent (as hereinafter defined) for the Lenders (as hereinafter defined), each Noteholder (as hereinafter defined) named on the signature pages hereof and each other Creditor which becomes a party hereto after the date hereof.

#### **RECITALS:**

A. PNG Companies LLC, a Delaware limited liability company (the "*Company*"), has heretofore entered into that certain Credit Agreement dated as of February 1, 2010 (as amended and restated on February 26, 2010, the "*Credit Agreement*") with the several banks and other financial institutions or entities from time to time party thereto (collectively, the "*Lenders*"), Union Bank, N.A., as documentation agent, The Bank of Nova Scotia, as syndication agent, and BNP Paribas, as administrative agent (the "*Administrative Agent*"), pursuant to which the Lenders are providing revolving credit loans.

B. The Company is concurrently herewith entering into that certain Note Purchase Agreement dated as of February 26, 2010 (the "*Note Agreement*") with each of the purchasers listed on Schedule A thereto (collectively, the "*Series 2010-A Noteholders*"), pursuant to which the Noteholders will purchase \$411,000,000 aggregate principal amount of Series 2010-A Senior Secured Notes of the Company consisting of (a) \$125,000,000 aggregate principal amount of its 4.17% Series 2010-A Senior Secured Notes, Tranche 1, due February 26, 2015 (the "*Tranche 1 Notes*"), (b) \$105,000,000 aggregate principal amount of its 4.93% Series 2010-A Senior Secured Notes, Tranche 2, due February 26, 2017 (the "*Tranche 2 Notes*") and (c) \$181,000,000 aggregate principal amount of its 5.53% Series 2010-A Senior Secured Notes, Tranche 3, due February 26, 2020 (the "*Tranche 3 Notes*"; the Tranche 1 Notes, the Tranche 2 Notes and the Tranche 3 Notes are collectively referred to herein as the "*Series 2010-A Notes*"). Pursuant to the Note Agreement, the Company may from time to time issue additional series of Senior Secured Notes in an aggregate principal amount not to exceed \$189,000,000 (the "*Additional Notes*"; the Series 2010-A Notes and each series of Additional Notes are collectively referred to herein as the "*Senior Secured Notes*") pursuant to Supplements (as hereinafter defined) to the Note Agreement to Additional Purchasers (as hereinafter defined).

C. The Company may from time to time enter into Additional Term Facilities (as hereinafter defined) pursuant to which the Additional Term Lenders (as hereinafter defined) provide Additional Term Loans (as hereinafter defined) to the Company.

D. The Revolving Obligations (as hereinafter defined), the Senior Note Obligations (as hereinafter defined) and any Additional Term Obligations (as hereinafter defined) will be secured equally and ratably by the Collateral (as hereinafter defined) pursuant to the Security Documents (as hereinafter defined) and administered in accordance with the terms and conditions hereof. The Lenders and the Noteholders desire to appoint BNP Paribas as the collateral agent (the *"Collateral Agent"*) to act on behalf of the Creditors (as hereinafter defined) regarding the Collateral, all as more fully provided herein. The parties hereto have entered into

this Agreement to, among other things, define the rights, duties, authority and responsibilities of the Collateral Agent and the relationship between the Creditors regarding their *pari passu* interests in the Collateral.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

#### SECTION 1. DEFINITIONS.

*Section 1.1. Definitions.* The following terms shall have the meanings assigned to them in this Section 1.1 or in the provisions of this Agreement referred to below:

"Additional Notes" shall have the meaning assigned thereto in the Recitals hereof.

"Additional Purchasers" shall mean the "Additional Purchasers" as defined in the Note Agreement as in effect on the date hereof.

"Additional Term Facility" shall mean any credit agreement or note agreement pursuant to which the Company incurs Additional Term Loans.

"Additional Term Lender" the financial institutions providing Additional Term Loans pursuant to an Additional Term Facility, and their successors and permitted assigns.

"Additional Term Lender Joinder" shall mean a joinder in substantially the form of Exhibit D hereto.

"Additional Term Loan Documents" shall mean each Additional Term Facility and all other agreements, documents, certificates and instruments relating to, arising out of, or in any way connected therewith or any of the transactions contemplated thereby (including, without limitation, the Security Documents).

"Additional Term Loans" shall mean indebtedness of the Company (other than revolving loans) so long as (a) the proceeds of such indebtedness are used solely to either (i) refinance all or a portion of the outstanding principal amount of the Revolving CapEx Loans (as defined in the Credit Agreement (as in effect on the date hereof)) or (ii) refinance all or a portion of the Senior Secured Notes (any indebtedness used to refinance Senior Secured Notes being a "*Note Refinancing*"), (b) immediately after giving effect to the incurrence of any such indebtedness, (i) the ratio of Consolidated Debt to Consolidated Capitalization (as defined in the Credit Agreement) shall not exceed 0.50 and (ii) the ratio of Consolidated Debt to Consolidated Capitalization (as defined in the Note Agreement) shall not exceed 0.50, (c) such indebtedness shall be permitted pursuant to the terms of the Credit Agreement and the Note Agreement, (d) such indebtedness shall not (i) mature, provide for any scheduled amortization or, without the consent of the Required Holders and the Administrative Agent, require prepayments or be prepaid, in each case, prior to the Revolving Commitment Termination Date (as defined in the Credit Agreement) or (ii) have terms, other than pricing, more favorable to the providers of such indebtedness than the terms of the Credit Agreement unless consented to by the Administrative Agent and the Required Holders, (e) the holders of such indebtedness shall have become a party

- 2 -

hereto pursuant to an Additional Term Lender Joinder, (f) immediately before and immediately after giving effect to the incurrence of such indebtedness and the use of the proceeds thereof, no Default or Event of Default shall have occurred and be continuing, (g) each Creditor shall have received any documents or information, including resolutions and opinions of counsel, it reasonably requests in connection with the Company entering into such indebtedness and (h) with respect to any Note Refinancing and without limiting the foregoing, (i) such indebtedness shall not have terms, other than pricing, more favorable to the providers of such indebtedness than the terms of the Note Agreement unless consented to by the Required Holders and (ii) each Noteholder shall have received a copy of letters from at least two Rating Agencies (as defined in the Note Agreement) reaffirming that, immediately after giving effect to the issuance of such indebtedness, the Senior Secured Notes shall be rated at least the same rating as the Senior Secured Notes were rated immediately prior to such issuance.

"Additional Term Obligations" shall mean the obligations of the Company under any Additional Term Facility and the other Additional Term Loan Documents.

"Administrative Agent" shall mean the party identified as such in the Recitals hereof, and its successor and permitted assigns.

*"Affiliate"* shall mean, at any time, and as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Agreement" shall have the meaning assigned thereto in the Preamble hereof, and shall include such agreement as amended, supplemented, replaced, restated or otherwise modified in accordance with its terms.

*"Bankruptcy Code"* shall mean the Bankruptcy Reform Act of 1978, as codified under Title 11 of the United States Code, and the Bankruptcy Rules promulgated thereunder, as the same may be in effect from time to time.

"Bankruptcy Proceeding" shall mean, with respect to any Person, a general assignment by such Person for the benefit of its creditors, or the institution by or against such Person of any proceeding seeking relief as debtor, or seeking to adjudicate such Person as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of such Person or its debts, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for such Person or for any substantial part of its property.

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

*"Cash Equivalent Investments"* shall mean: (a) direct obligations of the United States government or any agencies thereof and obligations guaranteed by the United States government, in each case having remaining terms to maturity of not more than 30 days; and (b) certificates of

- 3 -

deposit, time deposits and acceptances, having remaining terms to maturity of not more than 30 days issued by United States banks which have a combined capital and surplus of at least \$1,000,000,000 and having an "A" rating or better assigned thereto by Standard & Poor's Ratings Group, a Division of The McGraw Hill Companies, Inc. or Moody's Investors Service, Inc.

"*Collateral*" shall mean (a) all collateral under, and cash received in respect of, the Security Documents, (b) all collateral held by the Collateral Agent, the Administrative Agent or any other Creditor under the Loan Documents, the Senior Note Documents or the Additional Term Loan Documents and (c) all cash received as a result of the exercise of any setoff rights of any Creditor.

"Collateral Agent" shall mean the party identified as such in the Recitals hereof, and its successors and permitted assigns in such capacity.

"Company" shall mean that party identified as such in the Recitals hereof, and its successors and permitted assigns.

"*Credit Agreement*" shall have the meaning assigned thereto in the Recitals hereof, and shall include such agreement as amended, supplemented, replaced, restated or otherwise modified from time to time.

"*Creditor*" shall mean any one of the Administrative Agent, the Lenders, the Noteholders, any Additional Term Lender and any successors and permitted assigns to the interests in the Senior Secured Obligations owing to any such Persons.

"Default" shall mean any event or condition, the occurrence of which would, with the lapse of time or the giving of notice, or both, constitute an Event of Default.

*"Event of Default"* shall mean any event or occurrence which would constitute an "Event of Default" under the terms of the Credit Agreement, the Note Agreement or any Additional Term Loan Facility or an event of default under the terms of any Security Document.

"Joinder" shall mean a joinder to this Agreement in the form of Exhibit C hereto.

*"L/C Exposure"* shall mean, as of any date of determination and without duplication, the "L/C Obligations" as defined in the Credit Agreement as in effect on the date hereof.

*"L/C Issuer"* shall mean BNP Paribas, The Bank of Nova Scotia or any other Lender who becomes an "Issuing Lender" under the Credit Agreement or any Affiliate thereof and its permitted successors as "Issuing Lender" under the Credit Agreement.

*"Lender Exposure"* shall mean, as of any date of determination, for any Lender, the sum, without duplication, of (a) the Total Outstandings of such Lender as of such date and (b) the Revolving Availability of such Lender as of such date; *provided*, that, if (1) a Bankruptcy Proceeding with respect to the Company has been commenced, (2) any of the Senior Secured Obligations have been accelerated (which acceleration has not been rescinded) and the Collateral Agent shall have received notice of such acceleration, (3) such Lender has terminated its

- 4 -

Revolving Commitment or (4) a Default or Event of Default under the Credit Agreement shall exist and such Lender shall not have, concurrently with its delivery of any instructions to the Collateral Agent, acknowledged in writing its willingness to continue to fund borrowing requests by the Company (or, if such Lender is also the L/C Issuer, its willingness to issue Letters of Credit requested by the Company) and otherwise extend credit, in each case, in accordance with the Credit Agreement, then "Lender Exposure" shall mean, as of such date of determination, for such Lender, such Lender's Total Outstandings as of such date.

"Lenders" shall mean the parties identified as such in the Recitals hereof, and their successors and permitted assigns.

"Letters of Credit" shall mean all letters of credit issued under or pursuant to the Credit Agreement.

"Letters of Credit Collateral Account" shall have the meaning assigned thereto in Section 5.10 hereof.

*"Lien"* shall mean, any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

"Loan Documents" shall mean the Credit Agreement and all other agreements, documents, certificates and instruments relating to, arising out of, or in any way connected therewith or any of the transactions contemplated thereby (including, without limitation, the Security Documents).

*"Majority Creditors"* shall mean Creditors, considered as a single class, holding more than 50% of the sum of (a) the aggregate amount of the Lender Exposure of all Lenders, (b) the aggregate outstanding principal amount of the indebtedness evidenced by the Senior Secured Notes and (c) the aggregate outstanding principal amount of the Additional Term Loans.

"*Note Agreement*" shall have the meaning assigned thereto in the Recitals hereof, and shall include such agreement as amended, supplemented, replaced, restated or otherwise modified in accordance with its terms.

"*Noteholders*" shall mean the Series 2010-A Noteholders together with each Additional Purchaser that executes and delivers a Joinder to the Collateral Agent, and their successors and permitted assigns.

"Notice of Default" shall mean a notice pursuant to Section 5.2 hereof from the Collateral Agent to the Creditors of the occurrence of a Default or an Event of Default.

"Notice of Special Default" shall have the meaning assigned thereto in Section 5.11(a).

- 5 -

"*Person*" shall mean an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

*"Required Additional Term Lenders"* shall mean, with respect to any Additional Term Facility, the Additional Term Lenders required pursuant to the terms of such Additional Term Facility to waive Events of Defaults thereunder.

"Required Holders" shall have the meaning assigned thereto in the Note Agreement.

"Required Lenders" shall mean the "Required Lenders" as defined in the Credit Agreement.

*"Revolving Availability"* shall mean an amount equal to the "Revolving Commitment" as defined in the Credit Agreement as in effect on the date hereof of a Lender minus the "Revolving Extensions of Credit" as defined in the Credit Agreement as in effect on the date hereof of such Lender (it being understood that the term "Revolving Commitment" shall include any "Incremental Revolving W/C Commitments," if any, (as defined in the Credit Agreement as in effect on the date hereof) and that any such loans extended pursuant to the "Incremental Revolving W/C Commitments" shall constitute "Revolving Extensions of Credit").

*"Revolving Commitment"* shall mean the commitment of the Lenders to fund further borrowing requests by the Company, participate in L/C Exposure and otherwise extend credit, in each case, in accordance with the Credit Agreement.

"Revolving Obligations" shall mean the obligations of the Company under the Credit Agreement and the other Loan Documents.

"Security Documents" shall mean the documents set forth on Exhibit A hereto and all other agreements, documents and instruments relating to, arising out of, or in any way connected with any of the foregoing documents or granting to the Collateral Agent Liens to secure the Senior Secured Obligations, whether now or hereafter executed, each as amended or amended and restated in conjunction herewith, or as may be amended, supplemented, replaced, restated or otherwise modified from time to time hereafter in accordance with the terms hereof and thereof. Security Documents shall not, however, include the Credit Agreement, the Note Agreement, any Additional Term Loan Facility or the Senior Secured Notes.

"Senior Note Documents" shall mean the Note Agreement, each Supplement, the Senior Secured Notes and all other agreements, documents, certificates and instruments relating to, arising out of, or in any way connected therewith or any of the transactions contemplated thereby (including, without limitation, the Security Documents).

*"Senior Note Obligations"* shall mean the obligations of the Company under the Note Agreement, each Supplement, the Senior Secured Notes and the other Senior Note Documents.

- 6 -

*"Senior Preferential Payment"* shall mean any payments, property constituting Collateral or proceeds of the Collateral, from the Company or any other source with respect to the Senior Secured Obligations which are:

(a) received by a Creditor within 90 days prior to the (1) commencement of a Bankruptcy Proceeding with respect to the Company or any of its Subsidiaries or (2) the acceleration of the Revolving Obligations, the Senior Note Obligations or the Additional Term Obligations and which payment reduces the amount of the Senior Secured Obligations owed to such Creditor below the amount owed to such Creditor as of the 90th day prior to such occurrence;

(b) received by a Creditor (1) within 90 days prior to the occurrence of any other Event of Default which has not been waived or cured within 45 days after the occurrence thereof and which payment reduces the amount of the Senior Secured Obligations owed to such Creditor below the amount owed to such Creditor as of the 90th day prior to the occurrence of such Event of Default or (2) within 45 days after the occurrence of such Event of Default; or

(c) received by a Creditor after the occurrence of a Special Event of Default except as provided in Section 5.11(b).

"Senior Secured Notes" shall have the meaning assigned thereto in the Recitals hereof.

*"Senior Secured Obligations"* shall mean, collectively, (a) the indebtedness, obligations and liabilities of the Company and its Subsidiaries to the Lenders, the L/C Issuer and the Administrative Agent under the Loan Documents (including, without limitation, the Revolving Obligations), (b) the indebtedness, obligations and liabilities of the Company and its Subsidiaries to the Noteholders under the Senior Note Documents (including, without limitation, the Senior Note Obligations), (c) the indebtedness, obligations and liabilities of the Company and its Subsidiaries to the Additional Term Lenders under the Additional Term Facilities (including, without limitation, the Additional Term Obligations) and (d) the obligations and liabilities of the Company and its Subsidiaries to the Collateral Agent under this Agreement, the Loan Documents, the Senior Note Documents, the Additional Term Loan Documents and the Security Documents, in each case whether now existing or hereafter arising, joint or several, direct or indirect, absolute or contingent, due or to become due, matured or unmatured, liquidated or unliquidated, arising by contract, operation of law or otherwise, and all obligations of the Company and its Subsidiaries, to the Creditors, arising out of any extension, refinancing or refunding of any of the foregoing obligations.

"Series 2010-A Noteholders" shall mean those parties identified as such in the Recitals hereof, and their successors and permitted assigns.

*"Special Collateral Account"* shall mean that certain interest bearing restricted account maintained by the Collateral Agent for the purpose of receiving and holding Senior Preferential Payments.

*"Special Event of Default"* shall mean (a) the commencement of a Bankruptcy Proceeding with respect to the Company or any of its Subsidiaries, (b) any other Event of Default which has not been waived or cured within 45 days after the occurrence thereof or (c) the acceleration of the Revolving Obligations, the Senior Note Obligations or the Additional Term Obligations.

- 7 -

"Subsidiary" shall mean, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Company.

"Supplement" shall mean a "Supplement" as defined in the Note Agreement as in effect on the date hereof.

"Total Outstandings" shall mean "Revolving Extensions of Credit" as defined in the Credit Agreement as in effect on the date hereof.

*Section 1.2. Effectiveness of this Agreement.* The effectiveness of this Agreement is conditioned upon (a) the execution and delivery of this Agreement by the Collateral Agent, the Administrative Agent and the Noteholders and (b) the execution, delivery and effectiveness of the Credit Agreement and the Note Agreement by each of the parties thereto.

#### SECTION 2. RELATIONSHIPS AMONG SECURED PARTIES.

*Section 2.1. Restrictions on Actions.* Each Creditor (or in the case of the Lenders, the Administrative Agent on behalf of the Lenders) agrees that, so long as any Senior Secured Obligations are outstanding, the provisions of this Agreement shall provide the exclusive method by which any Creditor may exercise rights and remedies under the Security Documents. Therefore, each Creditor shall, for the mutual benefit of all Creditors, except as permitted under this Agreement:

(a) Refrain from taking or filing any action, judicial or otherwise, to enforce any rights or pursue any remedy under the Security Documents, except for delivering notices hereunder;

(b) Refrain from (1) selling any Senior Secured Obligations to the Company or any of its Affiliates after the occurrence of and during the continuance of any Default or Event of Default and (2) accepting any guaranty of, or any other security for, the Senior Secured Obligations from the Company or any of its Affiliates, except for any cash collateral received by the Administrative Agent or any other Creditor pursuant to the requirement of the Loan Documents, the Senior Note Documents or the Additional Term Loan Documents (which cash collateral shall constitute Collateral for purposes of this Agreement) and any guaranty or security granted to the Collateral Agent for the benefit of all Creditors; and

(c) Refrain from exercising any rights or remedies under the Security Documents which have or may have arisen or which may arise as a result of a Default or Event of Default;

- 8 -

*provided, however*, that nothing contained in subsections (a) through (c) above, shall prevent any Creditor from (1) imposing a default rate of interest in accordance with the Credit Agreement, the Note Agreement or any Additional Term Loan Facility, as applicable, (2) accelerating the maturity of, or demanding payment from the Company or any Subsidiary on, any Senior Secured Obligation owing to such Creditor, (3) instituting legal action against the Company or any Subsidiary to obtain a judgment or other legal process in respect of such Senior Secured Obligation, (4) subject to Section 6, filing to commence a Bankruptcy Proceeding against the Company or any Subsidiary and filing claims and otherwise participating in any voluntary or involuntary Bankruptcy Proceeding, (5) raising any defenses in any action in which it has been made a party defendant or has been joined as a third party, except that the Collateral Agent may direct and control any defense directly relating solely to the Collateral or any one or more of the Security Documents but not relating to any Creditor, which shall be governed by the provisions of this Agreement or (6) exercising any right of setoff, recoupment or similar right; *provided* that the amounts so setoff or recouped shall constitute Collateral for purposes of this Agreement and the Creditor shall promptly cause such amounts to be delivered to the Collateral Agent for deposit in the Special Collateral Account.

#### Section 2.2. Representations and Warranties.

(a) Each of the Creditors (or in the case of the Lenders, the Administrative Agent on behalf of the Lenders) represents and warrants to the other parties hereto that:

(1) the execution, delivery and performance by such Creditor of this Agreement has been duly authorized by all necessary corporate or similar proceedings and does not and will not contravene any provision of law, its charter or by-laws or any amendment thereof, or of any indenture, agreement, instrument or undertaking binding upon such Creditor; and

(2) the execution, delivery and performance by such Creditor of this Agreement will result in a valid and legally binding obligation of such Creditor enforceable in accordance with its terms.

(b) The Administrative Agent further represents and warrants to the other parties hereto that as of the date hereof the Administrative Agent has the power and authority under the Loan Documents to execute and deliver this Agreement and to carry out its obligations hereunder, in each case, on behalf of the Lenders.

*Section 2.3. Cooperation; Accountings.* Each of the Creditors will, upon the reasonable request of another Creditor or the Collateral Agent, from time to time execute and deliver or cause to be executed and delivered such further instruments, and do and cause to be done such further acts as may be necessary or proper to carry out more effectively the provisions of this Agreement. Each Creditor agrees to provide to each other Creditor and the Collateral Agent upon reasonable request a statement of all payments received by it in respect of Senior Secured Obligations. The Collateral Agent will from time to time provide to each other Creditor upon reasonable request a statement of all (a) amounts received pursuant to the Security Documents (including, without limitation, in connection with the exercise of remedies thereunder) and (b) disbursements made therewith.

- 9 -

Section 2.4. Termination of Credit Agreement, Note Agreement or Additional Term Loan Facility. Upon payment in full of all Senior Secured Obligations to any Creditor, and, in the case of any Lender, the termination of such Lender's Revolving Commitment, such Creditor shall cease to be a party to this Agreement; provided, however, if all or any part of any payments to such Creditor are thereafter invalidated or set aside or required to be repaid to any Person in any Bankruptcy Proceeding or pursuant to Section 5.11, then this Agreement in respect of such Creditor shall be renewed as of such date and shall thereafter continue in full force and effect to the extent of the Senior Secured Obligations so invalidated, set aside or repaid.

#### SECTION 3. APPOINTMENT AND AUTHORIZATION OF COLLATERAL AGENT; APPOINTMENT OF CO-AGENTS.

#### Section 3.1. Appointment and Authorization of Collateral Agent.

(a) Each Creditor (or in the case of the Lenders, the Administrative Agent on behalf of the Lenders) hereby designates and appoints BNP Paribas as the Collateral Agent of such Creditor under this Agreement and the Security Documents and BNP Paribas hereby accepts such designation and appointment. The appointment made by this Section 3.1(a) is given for valuable consideration and coupled with an interest and is irrevocable so long as the Senior Secured Obligations, or any part thereof, shall remain unpaid or subject to disgorgement hereunder or any Lender is obligated to fund any borrowing under the Loan Documents.

(b) Each Creditor (or in the case of the Lenders, the Administrative Agent on behalf of the Lenders) has reviewed the Security Documents set forth on Exhibit A and hereby irrevocably authorizes BNP Paribas as the Collateral Agent for such Creditor to (1) execute and enter into each of the Security Documents and all other instruments relating to said Security Documents, (2) to take action on its behalf expressly permitted to perfect, maintain and preserve the Liens granted thereby, (3) to execute instruments of release or to take such other action necessary to release Liens upon the Collateral to the extent authorized by this Agreement, the Security Documents or the requisite Creditors and (4) to exercise such other powers and perform such other duties as are, in each case, expressly delegated to the Collateral Agent by the terms hereof.

(c) Notwithstanding any provision to the contrary elsewhere in this Agreement or the Security Documents, the Collateral Agent shall not have any duties or responsibilities except those expressly set forth herein or therein or any trust or fiduciary relationship with any Creditor, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any Security Document or otherwise exist against the Collateral Agent.

*Section 3.2.* Appointment of Co-Agents. At any time or times, in order to comply with any legal requirement in any jurisdiction, the Collateral Agent may appoint a bank or trust company or one or more other Persons reasonably acceptable to the Majority Creditors, either to act as co-agent or co-agents, jointly with the Collateral Agent, or to act as separate agent or agents on behalf of the Creditors with such power and authority as may be necessary for the effectual operation of the provisions hereof and of the Security Documents and as may be specified in the instrument of appointment.

- 10 -

## SECTION 4. AGENCY PROVISIONS.

*Section 4.1. Delegation of Duties.* The Collateral Agent may exercise its powers and execute any of its duties under this Agreement and the Security Documents jointly with any co-trustee or co-trustees appointed pursuant to Section 3.2 or by or through employees, agents, attorneys-in-fact or separate trustees appointed pursuant to Section 3.2 and shall be entitled to take and to rely on advice of counsel concerning all matters pertaining to such powers and duties. The Collateral Agent shall not be responsible for the negligence or misconduct of any agents, attorneys-in-fact, co-trustees or separate trustees selected by it with reasonable care. Subject to Section 3.2, the Collateral Agent may utilize the services of such Persons as the Collateral Agent in its sole discretion may determine, and all reasonable fees and expenses of such Persons shall be borne by the Company.

*Section 4.2. Exculpatory Provisions.* Neither the Collateral Agent nor any of the Collateral Agent's officers, directors, employees, agents, attorneys-in-fact, co-trustees, separate trustees or Affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any Security Document (except for its or such Person's own gross negligence or willful misconduct) or (b) responsible in any manner to any of the Creditors for any recitals, statements, representations or warranties made by the Company or any Creditor or any officer of any thereof contained in any Security Document or in any certificate, report, statement or other document referred to or provided for in, or received by, the Collateral Agent under or in connection with this Agreement, any Security Document or any other document in any way connected therewith, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of the Security Documents or any Lien under the Security Documents or the perfection or priority of any such Lien or for any failure of the Company to perform its obligations thereunder. Neither the Collateral Agent nor any of the Creditors to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, the Security Documents.

*Section 4.3. Reliance by Collateral Agent.* The Collateral Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing (in electronic or physical form), resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation reasonably 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, without limitation, counsel to the Company), independent accountants and other experts selected by the Collateral Agent. The Collateral Agent shall be fully justified in failing or refusing to take action under this Agreement or the Security Documents unless it shall first receive such advice or concurrence of the Majority Creditors as is contemplated by Section 5 hereof and it shall first be indemnified to its reasonable satisfaction by the Creditors against any and all liability and expense which may be incurred by it by reason of taking, continuing to take or refraining from taking any such action. The Collateral Agent shall in all cases be fully protected in acting, or in refraining from acting, under this

- 11 -

Agreement and the Security Documents in accordance with the provisions of Section 5.5 hereof and in accordance with written instructions of the Majority Creditors pursuant to Section 5.3 hereof, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Creditors and all future holders of the Senior Secured Obligations.

Section 4.4. Knowledge or Notice of Default, Event of Default, Special Event of Default or Acceleration. The Collateral Agent shall not be deemed to have knowledge or notice of the occurrence of any Default, Event of Default, Special Event of Default or the acceleration of any of the Senior Secured Obligations unless the Collateral Agent has received written notice from the Administrative Agent, a Creditor or the Company referring to the Credit Agreement, the Note Agreement or an Additional Term Facility, describing such Default, Event of Default, Special Event of Default, Special Event of Default or acceleration, setting forth in reasonable detail the facts and circumstances thereof and stating that the Collateral Agent may rely on such notice without further inquiry.

*Section 4.5.* Non-Reliance on Collateral Agent and Other Creditors. Each Creditor expressly acknowledges that except as expressly set forth in this Agreement, neither the Collateral Agent nor any of the Collateral Agent's officers, directors, employees, agents, attorneys-in-fact, co-trustees, separate trustees or Affiliates has made any representations or warranties to it and that no act by the Collateral Agent hereinafter taken, including any review of the affairs of the Company or any Subsidiary, shall be deemed to constitute any representation or warranty by the Collateral Agent to any Creditor. Each Creditor represents that it has, independently and without reliance upon the Collateral Agent or any other Creditor, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Company and its Subsidiaries. Each Creditor also represents that it will, independently and without reliance upon the Collateral Agent or any other Creditor, 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 the Security Documents and this Agreement and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditors by the Collateral Agent documents expressly required to be furnished to the Creditors by the Collateral Agent tor any Security Document, the Collateral Agent shall not have any duty or responsibility to provide the Creditors with any credit or or ther information concerning the business, operations, property, financial and other condition or creditworthiness of the Company or any Subsidiary which may come into the possession of the Collateral Agent or any of its officers, directors, employees, agents, attorneys-in-fact co-trustees, separate trustee

*Section 4.6.* Indemnification. Each Creditor shall indemnify the Collateral Agent in its capacity as such (to the extent not reimbursed by the Company and without limiting the obligation of the Company to do so), ratably according to its respective share of the sum of (a) the aggregate amount of Lender Exposure, (b) the aggregate principal amount of indebtedness evidenced by the Senior Secured Notes and (c) the aggregate principal amount of the Additional Term Loans, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following an Event of Default or the payment

- 12 -

of the Senior Secured Obligations) be imposed on, incurred by or asserted against the Collateral Agent arising out of actions or omissions of the Collateral Agent specifically required or permitted by this Agreement or by the exercise of remedies pursuant to written instructions of the Majority Creditors pursuant to Section 5.3 hereof; *provided* that no Creditor shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent due to the Collateral Agent's gross negligence or willful misconduct. The agreements in this Section 4.6 shall survive the payment of the Senior Secured Obligations.

*Section 4.7. Collateral Agent in Its Individual Capacity.* BNP Paribas and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Company and its Affiliates as though such Person was not the Collateral Agent hereunder. With respect to any obligations owed to it under the Credit Agreement, BNP Paribas shall have the same rights and powers under this Agreement as any Creditor and may exercise the same as though it were not the Collateral Agent, and the terms "Creditor" and "Creditors" shall include BNP Paribas in its individual capacity.

## Section 4.8. Successor Collateral Agent.

(a) The Collateral Agent may resign at any time upon 30 days' written notice to the Creditors and the Company, may be removed at any time, with or without cause, by the Majority Creditors by written notice delivered to the Company, the Collateral Agent and the Creditors and, if the Collateral Agent is a Lender or Additional Term Lender, may be removed by the Required Holders at any time that the Collateral Agent has failed to take any action that the Collateral Agent is required to take hereunder after request therefor by the Majority Creditors or the Collateral Agent has taken any action hereunder that the Collateral Agent is not authorized to take hereunder or that violates the terms hereof. After any resignation or removal hereunder of the Collateral Agent, the provisions of this Section 4 shall continue to inure to its benefit as to any actions taken or omitted to be taken by it in its capacity as Collateral Agent hereunder while it was the Collateral Agent under this Agreement.

(b) Upon receiving written notice of any such resignation or removal, a successor Collateral Agent shall be appointed by the Majority Creditors; *provided, however*, that such successor Collateral Agent shall be (1) a bank or trust company having a combined capital and surplus of at least \$1,000,000,000, subject to supervision or examination by a Federal or state lending authority and (2) authorized under the laws of the jurisdiction of its incorporation or organization to assume the functions of the Collateral Agent. If a successor Collateral Agent shall not have been appointed pursuant to this Section 4.8(b) within such 30 day period after the Collateral Agent's resignation or upon removal of the Collateral Agent, then any Creditor or the Collateral Agent (unless the Collateral Agent is being removed) may petition a court of competent jurisdiction for the appointment of a successor Collateral Agent. Such court shall, after such notice as it may deem proper, appoint a successor Collateral Agent meeting the qualifications specified in this Section 4.8(b). The Creditors hereby consent to such petition and appointment so long as such criteria are met. If a successor Collateral Agent shall not have been appointed pursuant to this Section 4.8(b) within 360 days after the Collateral Agent's resignation or

- 13 -

upon removal of the Collateral Agent, then the resignation or removal shall nonetheless become effective and the Creditors acting collectively shall thereafter have the rights and obligations of the Collateral Agent hereunder and under the Security Documents until a successor Collateral Agent has been appointed and accepted such appointment. The appointment of a successor Collateral Agent pursuant to this Section 4.8(b) shall become effective upon the acceptance of the appointment as Collateral Agent hereunder by a successor Collateral Agent. Upon such effective appointment, the successor Collateral Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent.

(c) The resignation or removal of a Collateral Agent shall take effect on the day specified in the notice described in Section 4.8(a), unless previously a successor Collateral Agent shall have been appointed and shall have accepted such appointment, in which event such resignation or removal shall take effect immediately upon the acceptance of such appointment by such successor Collateral Agent, *provided*, *however*, that no such resignation or removal shall be effective hereunder unless and until a successor Collateral Agent shall have been appointed and shall have accepted such appointment.

(d) Upon the effective appointment of a successor Collateral Agent, the successor Collateral Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent and the predecessor Collateral Agent hereby appoints the successor Collateral Agent the attorney-in-fact of such predecessor Collateral Agent to accomplish the purposes hereof, which appointment is coupled with an interest. Such appointment and designation shall be full evidence of the right and authority to act as Collateral Agent hereunder and all Collateral, power, trusts, duties, documents, rights and authority of the previous Collateral Agent shall rest in the successor, without any further deed or conveyance. The predecessor Collateral Agent shall, nevertheless, on the written request of the Majority Creditors or successor Collateral Agent, execute and deliver any other such instrument transferring to such successor Collateral Agent all the Collateral, properties, rights, power, trust, duties, authority and title of such predecessor. The Company, to the extent requested by the Majority Creditors or the Collateral Agent shall procure any and all documents, conveyances or instruments and execute same, to the extent required, in order to reflect the transfer to the successor Collateral Agent.

#### SECTION 5. ACTIONS BY THE COLLATERAL AGENT.

*Section 5.1. Duties and Obligations.* The duties and obligations of the Collateral Agent are only those set forth in this Agreement and in the Security Documents.

*Section 5.2. Notification of Default or Acceleration.* If the Collateral Agent has been notified in writing as provided in Section 4.4 that a Default or an Event of Default has occurred or that any of the Senior Secured Obligations have been accelerated, the Collateral Agent shall notify the Creditors and may notify the Company of such determination. Any Creditor that has delivered notice to the Company or the Administrative Agent pursuant to the Credit Agreement, the Note Agreement or any Additional Term Facility, as applicable, that a Default or an Event of

- 14 -

Default has occurred or that any of the Senior Secured Obligations have been accelerated, or facts which indicate that a Default or an Event of Default has occurred or the Senior Secured Obligations have been accelerated, shall deliver to the Collateral Agent a written statement to such effect. Failure to do so, however, does not constitute a waiver of any such Default or Event of Default by the Creditors. Upon receipt of a notice described herein or in Section 4.4 from a Creditor of the occurrence of a Default or an Event of Default or that any of the Senior Secured Obligations have been accelerated, the Collateral Agent shall promptly (and in any event no later than three Business Days after receipt of such notice in the manner provided in Section 7.8 hereof) issue its "Notice of Default" to all Creditors. The Notice of Default may contain a recommendation of actions by the Creditors and/or request instructions from the Creditors as to specific matters and shall specify the date on which responses are due in order to be timely within Section 5.4 hereof.

*Section 5.3.* Actions of Collateral Agent; Exercise of Remedies. The Collateral Agent shall take only such actions and exercise only such remedies under the Security Documents as are approved in a written notice or notices delivered to the Collateral Agent and signed by the Majority Creditors.

*Section 5.4. Instructions from Creditors.* If any Creditor does not respond in a timely manner to any notice from the Collateral Agent or request for instructions within the time period specified by the Collateral Agent in a Notice of Default or request for instructions (which shall be a minimum of 10 Business Days), the Senior Secured Obligations held by such Creditor shall be deemed to have voted against any action set forth in such notice or request for instructions.

*Section 5.5. Protective Advances.* If the Collateral Agent has asked the Creditors for instruction to make a payment with regard to a Default or Event of Default which the Collateral Agent, in good faith, believes to be required to protect the interests of the Creditors in the Collateral and if the Majority Creditors have not yet responded to such request, the Collateral Agent shall be authorized to make such payment, but shall not be required to make such payment and shall in no event have any liability for failure to make such payment.

*Section 5.6. Changes to Security Documents.* Any term of the Security Documents may be amended, and the performance or observance by the parties to a Security Document of any term of such Security Document may be waived (either generally or in a particular instance and either retroactively or prospectively) by the Collateral Agent only upon the written consent of the Majority Creditors; *provided* that no amendment to the Security Documents which directly or indirectly narrows the description of the Collateral or the obligations being secured thereby, changes the priority of payments to the Creditors under the Security Documents, changes any voting provisions contained therein (including Section 7.1 of the Security and Pledge Agreement set forth in Item 1 of Exhibit A) or amends the definition of "Majority Creditors" may be made without the written consent of all of the Creditors.

Notwithstanding the foregoing, the Collateral Agent may, without the consent of the Majority Creditors, amend the Security Documents (a) to add property hereafter acquired by the Company intended to be subjected to the Security Documents or to correct or amplify the description of any property subject to the Security Documents and (b) to cure any ambiguity or cure, correct or supplement any defective provisions of the Security Documents (so long as the same shall in no respect be adverse to the interest of any Creditor).

- 15 -

*Section 5.7. Release of Collateral.* Unless a Default or an Event of Default has occurred and is continuing, the Collateral Agent may, without the approval of the Creditors as required by Section 5.3 hereof, release any Collateral under the Security Documents which is permitted to be sold or disposed of by the Company and its Subsidiaries, pursuant to each of the Credit Agreement, the Note Agreement and each Additional Term Facility and execute and deliver such releases as may be necessary to terminate of record the Collateral Agent's security interest in such Collateral. In determining whether any such release is permitted, the Collateral Agent may rely upon instructions from the Required Lenders in respect of the Credit Agreement, the Required Holders in respect of the Note Agreement and the applicable Required Additional Term Lenders in respect of the applicable Additional Term Facility.

*Section 5.8.* Other Actions. The Collateral Agent shall have the right to take such actions, or omit to take such actions, hereunder and under the Security Documents not inconsistent with the written instructions of the Majority Creditors delivered pursuant to Section 5.3 hereof or the terms of this Agreement, including actions the Collateral Agent deems necessary or appropriate to perfect or continue the perfection of the Liens on the Collateral for the benefit of the Creditors. Except as otherwise provided by applicable law, the Collateral Agent shall have no duty as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of rights pertaining to the Collateral beyond the safe custody of any Collateral in the Collateral Agent's actual possession.

*Section 5.9. Cooperation.* To the extent that the exercise of the rights, powers and remedies of the Collateral Agent in accordance with this Agreement requires that any action be taken by any Creditor, such Creditor shall take such reasonable action and reasonably cooperate with the Collateral Agent to ensure that the rights, powers and remedies of all Creditors are exercised in full.

*Section 5.10. Distribution of Proceeds.* All amounts owing with respect to the Senior Secured Obligations shall be secured by the Collateral without distinction as to whether some Senior Secured Obligations are then due and payable and other Senior Secured Obligations are not then due and payable. Upon any realization upon the Collateral and/or the receipt of any payments under any Security Document, the Creditors agree that the proceeds thereof shall be applied (a) *first,* to the amounts owing to the Collateral Agent by the Company or the Creditors pursuant to this Agreement or the Security Documents, including, without limitation, payment of expenses incurred by the Collateral Agent with respect to maintenance and protection of the Collateral and of expenses incurred with respect to the sale of or realization upon any of the Collateral or the perfection, enforcement or protection of the rights of the Creditors (including reasonable attorneys' fees) incurred directly in connection with the enforcement of this Intercreditor Agreement, the Loan Documents, the Senior Note Documents, any Additional Term Facility Documents and the Security Documents according to the aggregate amounts thereof then owing to each Creditor; (c) *third*, to the payment of (i) all or any portion of the outstanding principal amount (including

- 16 -

any reimbursement obligations owing with respect to amounts drawn under Letters of Credit and, subject to the terms of the following paragraph, the undrawn amounts of any Letters of Credit) of and (ii) all accrued and unpaid interest, commitment fees and letter of credit fees on the Revolving Obligations, the Senior Note Obligations and the Additional Term Obligations, which payments shall be distributed ratably to each Lender, each L/C Issuer, each Noteholder and each Additional Term Lender according to the aggregate amount of such obligations and interest then owing to each Creditor; (d) *fourth*, to the payment of all other amounts (including, without limitation, any make-whole amount, modified make-whole amount, change of control premium or breakage amount) then due to the Creditors under the Credit Agreement, the Note Agreement and any Additional Term Facility which payments shall be distributed ratably to each Lender, each Noteholder and each Additional Term Lender according to the aggregate amount of such amounts then owing to each Creditor; and (e) *fifth*, the balance, if any, shall be returned to the Company or such other Persons as are entitled thereto.

Any payment pursuant to this Section 5.10 with respect to the outstanding amount of any undrawn Letters of Credit shall be paid to the Collateral Agent for deposit in an account (the "*Letters of Credit Collateral Account*") to be held as collateral for the Senior Secured Obligations and disposed of as provided herein. On each date on which a payment is made to a beneficiary pursuant to a draw on a Letter of Credit, the Collateral Agent shall distribute from the Letters of Credit Collateral Account for application to the payment of the reimbursement obligation due to the Lenders with respect to such draw an amount equal to the product of (1) the amount then on deposit in the Letters of Credit Collateral Account and (2) a fraction, the numerator of which is the amount of such draw and the denominator of which is the outstanding amount of all undrawn Letters of Credit Collateral Account an amount equal to the product of (1) the amount then the Collateral Agent shall distribute from the Letters of Credit Collateral Account an amount equal to the product of (1) the amount then the Collateral Agent shall distribute from the Letters of Credit Collateral Account an amount equal to the product of (1) the amount then on deposit in the Letters of Credit Collateral Account an amount equal to the product of (1) the amount of undrawn Letters of Credit Collateral Account and (2) a fraction, the numerator of which is the amount of such reduction in the outstanding amount of Credit Collateral Account and (2) a fraction, the numerator of which is the amount of such reduction in the outstanding amount of undrawn Letters of Credit Collateral Account and (2) a fraction, the numerator of which is the amount of such reduction in the outstanding amount of undrawn Letters of Credit Collateral Account an amount equal to the product of (1) the amount then on deposit in the Letters of Credit and the denominator of which is the outstanding amount of all undrawn Letters of Credit immediately prior to such reduction, which amount shall be d

## Section 5.11. Senior Preferential Payments and Special Collateral Account.

(a) The Collateral Agent shall give each Creditor a written notice (a "*Notice of Special Default*") promptly, but no later than, three Business Days after being notified in writing by a Creditor that an Event of Default constituting a Special Event of Default has occurred. After the receipt of such Notice of Special Default, all Senior Preferential Payments other than those payments received pursuant to subsection (b) of this Section 5.11 shall be deposited into the Special Collateral Account. Each Creditor agrees that no Default or Event of Default shall occur as a result of payments so made on a timely basis to the Collateral Agent.

- 17 -

(b) If (1) such Special Event of Default is waived by the Required Lenders, the Required Holders or the applicable Required Additional Term Lenders, as applicable, and if no other Event of Default has occurred and is continuing, (2) such Special Event of Default is cured by the Company or by any amendment of the Credit Agreement, the Note Agreement or an Additional Term Facility, as applicable, and if no other Event of Default has occurred and is continuing or (3) none of the Senior Secured Obligations have been accelerated nor have the Majority Creditors instructed the Collateral Agent to foreclose on the Collateral, seek the appointment of a receiver, commence litigation against the Company or any of its Subsidiaries, liquidate the Collateral, commence a Bankruptcy Proceeding against the Company or any of its Subsidiaries, seize Collateral, or exercise other remedies of similar character prior to the 180th day following such Special Event of Default, the Collateral Agent thereupon shall return all amounts, together with their pro rata share of interest earned thereon, held in the Special Collateral Account representing payment of any Senior Secured Obligations to the Creditor initially entitled thereto, and no payments thereafter received by a Creditor for which such Creditor has been obligated to make a deposit into the Special Collateral Account shall thereafter ever be characterized as a Senior Preferential Payment. If the Special Event of Default is an Event of Default under the terms of one or more of the Credit Agreement, the Note Agreement or any Additional Term Facility, the Collateral Agent shall not return any payments to the Creditors pursuant to clause (1) above unless such Special Event of Default shall have been waived under each such agreement where such Special Event of Default is an Event of Default by the Required Lenders, the Required Holders and/or the applicable Required Additional Term Lenders, as applicable.

(c) Each Creditor agrees that upon its knowledge of the occurrence of a Special Event of Default it shall (1) promptly notify the Collateral Agent of the receipt of any Senior Preferential Payments, (2) hold such amounts in trust for the Creditors and act as agent of the Creditors during the time any such amounts are held by it and (3) deliver to the Collateral Agent such amounts for deposit into the Special Collateral Account.

(d) If any of the Senior Secured Obligations have been accelerated or the Majority Creditors have instructed the Collateral Agent to foreclose on the Collateral, seek the appointment of a receiver, commence litigation against the Company or any of its Subsidiaries, liquidate the Collateral, commence a Bankruptcy Proceeding against the Company or any of its Subsidiaries, seize Collateral, or exercise other remedies of similar character, then all funds, together with interest earned thereon, held in the Special Collateral Account and all subsequent Senior Preferential Payments shall be applied in accordance with the provisions of Section 5.10 above.

*Section 5.12. Authorized Investments.* Any and all funds held by the Collateral Agent in its capacity as Collateral Agent, whether pursuant to any provision of any of the Security Documents or otherwise, shall to the extent feasible within a reasonable time be invested by the Collateral Agent in Cash Equivalent Investments. Any interest earned on such funds shall be disbursed to the Creditors in accordance with Section 5.10 or Section 5.11, as applicable. The Collateral Agent may hold any such funds in a common interest bearing account. To the extent

- 18 -

that the interest rate payable with respect to any such account varies over time, the Collateral Agent may use an average interest rate in making the interest allocations among the respective Creditors. The Collateral Agent shall have no duty to place funds held pursuant to this Section 5.12 in investments which provide a maximum return; *provided, however*, that the Collateral Agent shall to the extent feasible invest funds in Cash Equivalent Investments with reasonable promptness. In the absence of gross negligence or willful misconduct, the Collateral Agent shall not be responsible for any loss of any funds invested in accordance with this Section 5.12.

*Section 5.13. Restoration of Obligations.* For the purposes of determining the amount of outstanding Senior Secured Obligations, if any Creditor is required to deposit any Senior Preferential Payment in the Special Collateral Account, then the obligations intended to be satisfied by such Senior Preferential Payment shall be revived, as of the date of the deposit of such amount with the Collateral Agent, in the amount of such Senior Preferential Payment and such obligation shall continue in full force and effect (and bear interest from such deposit date at the non-default rate provided in the underlying document) as if such Creditor had not received such payment. All such revived obligations shall be included as Senior Secured Obligations for purposes of allocating any payments under Section 5.10 and for applying the definition of Majority Creditors. If any such revived obligation shall not be allowed as a claim under the Bankruptcy Code due to the fact that the Senior Preferential Payment has in fact been made by the Company, the Creditors shall make such other equitable arrangements for the purchase and sale of participations in the Senior Secured Obligations and shall execute and deliver such agreements as are necessary to evidence such arrangements, in each case in order to effectuate the intent of this Section 5.13.

Section 5.14. Bankruptcy Preferences. If any payment to a Creditor is subsequently invalidated, declared to be fraudulent or preferential or set aside and is required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, and such Creditor has previously made a deposit in respect of such payment into the Special Collateral Account pursuant to Section 5.11, then the Collateral Agent shall distribute to such Creditor proceeds from the Special Collateral Account in an amount equal to such deposit or so much thereof as is affected by such events together with any interest earned thereon (which amount of interest shall not exceed the amount of interest, if any, such Creditor is then required to repay) and if, due to previous disbursements to the Creditors pursuant to Section 5.11(d), the proceeds in the Special Collateral Account are insufficient for such purpose, then each other Creditor shall pay to such Creditor upon demand an amount equal to a ratable portion of such disbursements of the deposit and interest thereon which was distributed to each such Creditor according to the aggregate amounts so distributed to each such Creditor.

## SECTION 6. BANKRUPTCY PROCEEDINGS.

The following provisions shall apply during any Bankruptcy Proceeding of the Company or any of its Affiliates:

(a) The Collateral Agent shall represent all Creditors in connection with all matters directly relating solely to the Collateral, including, without limitation, use, sale or lease of Collateral, use of cash collateral, relief from the automatic stay and adequate

- 19 -

protection. The Collateral Agent shall act on the instructions of the Majority Creditors; *provided* that no such vote by the Majority Creditors shall treat the Lenders, the Noteholders or the Additional Term Lenders differently with respect to rights in the Collateral from any other class of Creditors.

(b) Each Creditor shall be free to act independently on any issue not directly relating solely to the Collateral. Each Creditor shall give prior notice to the Collateral Agent of any action hereunder to the extent that such notice is possible. If such prior notice is not given, such Creditor shall give prompt notice following any action taken hereunder.

(c) Any proceeds of the Collateral received by any Creditor as a result of, or during, any Bankruptcy Proceeding will be delivered promptly to the Collateral Agent for distribution in accordance with Section 5.10.

#### SECTION 7. MISCELLANEOUS.

*Section 7.1. Creditors; Other Collateral.* The Creditors agree that all of the provisions of this Agreement shall apply to any and all properties, assets and rights of the Company and its Subsidiaries, in which the Collateral Agent or any Creditor at any time acquires a security interest or Lien pursuant to the Security Documents, the Loan Documents, the Senior Note Documents or any Additional Term Loan Documents, including, without limitation, real property or rights in, on or over real property, notwithstanding any provision to the contrary in any mortgage, leasehold mortgage or other document purporting to grant or perfect any Lien in favor of the Creditors or any of them or the Collateral Agent for the benefit of the Creditors.

*Section 7.2. Marshalling.* The Collateral Agent shall not be required to marshall any present or future security for (including, without limitation, the Collateral), or guaranties of, the Senior Secured Obligations or any of them, or to resort to such security or guaranties in any particular order; and all of each of such Person's rights in respect of such security and guaranties shall be cumulative and in addition to all other rights, however existing or arising. To the extent that they lawfully may, the Creditors hereby agree that they will not invoke any law relating to the marshalling of collateral which might cause delay in or impede the enforcement of the Creditors' rights under the Security Documents or under any other instrument evidencing any of the Senior Secured Obligations or under which any of the Senior Secured Obligations is outstanding or by which any of the Senior Secured Obligations is secured or guaranteed.

*Section 7.3. Consents, Amendments, Waivers.* All amendments, waivers or consents of any provision of this Agreement shall be effective only if the same shall be in writing and signed by the Majority Creditors and the Collateral Agent; *provided, however,* that no such amendment, waiver or consent to Sections 2.1, 4.6, 4.8, 5.3, 5.6, 5.7, 5.10, 5.11, 6 or this Section 7.3 or to the definition of "Additional Term Lender," "Additional Term Loans," "Collateral," "Lender Exposure," "Majority Creditors," "Senior Preferential Payment," "Senior Secured Obligations" or "Special Event of Default" or any defined term as used in such sections or definitions shall be effective without the written consent of all of the Creditors.

- 20 -

*Section 7.4. Governing Law.* This Agreement shall be deemed to be a contract under seal and shall for all purposes be governed by and construed in accordance with the laws of the State of New York (without regard to conflicts of law provisions thereof other than Section 5-1401 of the New York General Obligations Law).

### Section 7.5. Parties in Interest.

(a) All terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, including, without limitation, any future holder of the Senior Secured Obligations; *provided* that no Creditor (or in the case of the Lenders, the Administrative Agent) may assign or transfer its rights hereunder or under the Security Documents without such assignees or transferees delivering an executed Joinder to the Collateral Agent pursuant to which such assignee or transferee agrees to be bound by the terms of this Agreement as though named herein.

(b) The Collateral Agent has no duty to acknowledge, and shall be deemed to not have any knowledge of, any notice from or for the benefit of any Creditor or Person claiming to be a Creditor, or to provide any notice or other communication to any Creditor, unless such Creditor or Person claiming to be a Creditor has complied with Section 7.5(a).

*Section 7.6. Counterparts.* This Agreement and any amendment hereof may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, but all of which together shall constitute one instrument. In proving this Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

*Section 7.7. Termination.* Upon payment in full of the Senior Secured Obligations in accordance with their respective terms and the termination of the Revolving Commitments, this Agreement shall terminate except for those provisions hereof that by their express terms shall survive the termination of this Agreement.

*Section 7.8. Notices.* Except as otherwise expressly provided herein, all notices, consents and waivers and other communications made or required to be given pursuant to this Agreement shall be in writing and shall be delivered by hand, mailed by registered or certified mail or prepaid overnight air courier, or by facsimile communications, addressed as follows:

If to the Collateral Agent, at:

BNP Paribas, as Collateral Agent 787 7th Avenue, 3rd Floor New York, NY 10019 Attention: Sean Finnegan, Director Telecopy: (212) 841-2555 Telephone: (212) 841-2310

If to any Creditor, at:

Such address as set forth on Exhibit B hereto

- 21 -

If to the Company, at:	PNG Companies LLC 1 PPG Place, Suite 1650 Pittsburgh, PA 15222 Attention: Morgan O'Brien Telecopy: (888) 805-2445 Telephone: (412) 244-2566
With a copy to:	PNG Companies LLC 500 Fifth Avenue, 55th Floor New York, NY 10110 Attention: John McGuire Telecopy: (212) 696-0040 Telephone: (212) 382-7475
	PNG Companies LLC 500 Fifth Avenue, 55th Floor New York, NY 10110 Attention: Cliff Losh, General Counsel Telecopy: (212) 696-0040 Telephone: (212) 382-7473

or at such other address for notice as the Collateral Agent or such Creditor shall last have furnished in writing to the Person giving the notice, *provided* that a notice by overnight air courier shall only be effective if delivered at a street address designated for such purpose and a notice by facsimile communication shall only be effective if made by confirmed transmission at a telephone number designated for such purpose.

*Section 7.9. Senior Secured Obligations Held by Company.* Solely for the purpose of (a) determining whether the holders of the requisite percentage of the aggregate principal amount of Senior Secured Obligations then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement, or have directed the taking of any action provided herein to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Senior Secured Obligations then outstanding or (b) determining Majority Creditors, Senior Secured Obligations directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding and not to represent any Revolving Availability.

\* \* \* - 22 - IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed as an instrument under seal by their authorized representatives as of the date first written above.

=

BNP PARIBAS, as Collateral Agent

By: Name: Title:

BNP PARIBAS, as Administrative Agent

By: Name: Title:

\_\_\_\_, as a Noteholder

By:

Name: Title: The undersigned hereby acknowledges (a) the terms of the foregoing Agreement, (b) that the foregoing Agreement is for the sole benefit of the Creditors and that it has no rights or benefits under such Agreement, (c) that the foregoing Agreement is for the purpose of defining the rights, duties authority and responsibilities of the Collateral Agent and the relationship among the Creditors regarding their *pari passu* interest in the Collateral and that nothing therein shall impair, as between the Company and any Creditor, the obligations of the Company under the Loan Documents, the Senior Note Documents or any Additional Term Loan Documents and (d) that the provisions of the foregoing Agreement may be waived, amended or modified without its consent.

PNG COMPANIES LLC

By:

Name:

Title:

# SECURITY DOCUMENTS

1. Amended and Restated Security and Pledge Agreement dated as of February 26, 2010 entered into between the Company and the Collateral Agent, as such agreement may be amended, supplemented, restated or otherwise modified from time to time.

EXHIBIT A (to Intercreditor and Collateral Agency Agreement) ADDRESSES OF CREDITORS

Intentionally left blank.

EXHIBIT B (to Intercreditor and Collateral Agency Agreement) BNP Paribas, as Collateral Agent 787 7th Avenue, 3rd Floor New York, NY 10019 Attention: Sean Finnegan, Director Telecopy: (212) 841-2555 Telephone: (212) 841-2310

Reference is made to the Intercreditor and Collateral Agency Agreement dated as of February 26, 2010 (as amended or otherwise modified from time to time, the *"Intercreditor Agreement"*; capitalized terms not otherwise defined herein being used as defined in the Intercreditor Agreement) among BNP Paribas, as Collateral Agent, the Administrative Agent, the Noteholders party thereto and certain other creditors of the Company, relating to indebtedness of PNG Companies LLC, a Delaware limited liability company.

Dated as of:

, as a Noteholder

By: Name:

Title:

[Insert address for notices]

EXHIBIT C (to Intercreditor and Collateral Agency Agreement)

BNP Paribas, as Collateral Agent 787 7th Avenue, 3rd Floor New York, NY 10019 Attention: Sean Finnegan, Director Telecopy: (212) 841-2555 Telephone: (212) 841-2310

Reference is made to the Intercreditor and Collateral Agency Agreement dated as of February 26, 2010 (as amended or otherwise modified from time to time, the *"Intercreditor Agreement"*; capitalized terms not otherwise defined herein being used as defined in the Intercreditor Agreement) among BNP Paribas, as Collateral Agent, the Administrative Agent, the Noteholders party thereto and certain other creditors of the Company, relating to indebtedness of PNG Companies LLC, a Delaware limited liability company.

We acknowledge that we have received and reviewed a copy of the Intercreditor Agreement. By executing and delivering this Joinder, the undersigned holder of Senior Secured Obligations issued pursuant to [describe Additional Term Facility] agrees, on its own behalf, to be bound by all of the terms and provisions of the Intercreditor Agreement as an Additional Term Lender.

The Additional Term Loan Documents relating to the applicable Additional Term

Facility are described on Schedule 1 attached hereto.

The address set forth under the signature of the undersigned constitutes its address for the purposes of Section 7.8 of the Intercreditor Agreement.

Dated as of:

, as an Additional Term Lender

By:

Name: Title:

[Insert address for notices]

EXHIBIT D (to Intercreditor and Collateral Agency Agreement)

# Form of Opinion of Special Counsel to the Company

To be provided to the Purchasers only.

EXHIBIT 4.6(a) (to Note Purchase Agreement)

# Form of Opinion of Special Pennsylvania Counsel to the Company

To be provided to the Purchasers only.

EXHIBIT 4.6(b) (to Note Purchase Agreement)

# FORM OF OPINION OF SPECIAL COUNSEL TO THE PURCHASERS

To be provided to the Purchasers only.

EXHIBIT 4.6(c) (to Note Purchase Agreement)

# PNG COMPANIES LLC

# [NUMBER] SUPPLEMENT TO NOTE PURCHASE AGREEMENT

Dated as of , 20

Re: \$ % Series Senior Secured Notes, [Tranche ,] due , 20

> EXHIBIT S (to Note Purchase Agreement)

To the Purchaser(s) listed in the attached Schedule A hereto

Ladies and Gentlemen:

This [Number] Supplement to Note Purchase Agreement (this "Supplement") is between PNG COMPANIES LLC, a Delaware limited liability company (the "Company"), and the institutional investors named on Schedule A attached hereto (the "Purchasers").

Reference is hereby made to that certain Note Purchase Agreement dated as of February 26, 2010 (the "*Note Purchase Agreement*") between the Company and the purchasers listed on Schedule A thereto. All capitalized terms not otherwise defined herein shall have the same meaning as specified in the Note Purchase Agreement. Reference is further made to Section 2.2(c)(2) of the Note Purchase Agreement which requires that, prior to the delivery of any Additional Notes, the Company and each Additional Purchaser shall execute and deliver a Supplement.

The Company hereby agrees with the Purchaser(s) as follows:

aggregate principal amount of its % Series Senior Secured Notes[, 1. The Company has authorized the issue and sale of \$ , 20 (the "Series Notes, together with the Series 2010-A Notes [and the Series Tranche .] due *Notes*"). The Series Notes] initially issued pursuant to the Note Purchase Agreement and the Supplement, respectively, and each series of Additional Notes which may from time to time hereafter be issued pursuant to the provisions of Section 2.2 of the Note Purchase Agreement, are collectively referred to as the "Notes" (such term shall also include any such notes issued in substitution therefor pursuant to Section 13 of the Note Purchase Agreement). The Notes shall be substantially in the form set out in Exhibit 1 hereto with such changes therefrom, if any, as may be approved by the Series Purchaser(s) and the Company.

2. Subject to the terms and conditions hereof and as set forth in the Note Purchase Agreement and on the basis of the representations and warranties hereinafter set forth, the Company will issue and sell to each Purchaser, at the Closing provided for in Section 3, and each Purchaser will purchase from the Company, Series Notes in the principal amount

Dated as of , 20 specified opposite such Purchaser's name in Schedule A hereto at a price of 100% of the principal amount thereof. The obligations of each Purchaser hereunder are several and not joint obligations and no Purchaser shall have any obligation or any liability to any Person for the performance or nonperformance by any other Purchaser hereunder.

3. The sale and purchase of the SeriesNotes to be purchased by each Purchaser shall occur at the offices of [Schiff Hardin LLP, 900 ThirdAvenue, 23rd Floor, New York, New York 10022] at 11:00 a.m. New York time, at a closing (the "*Closing*") on, 20or on such other BusinessDay thereafter on or prior to, 20as may be agreed upon by the Company and the Purchasers. At the Closing, the Company will deliver to eachPurchaser the SeriesNotes to be purchased by such Purchaser in the form of a single SeriesNote (or such greater number of Series

Notes in denominations of at least \$100,000 as such Purchaser may request) dated the date of the Closing and registered in such Purchaser's name (or in the name of such Purchaser's nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company. If, at the Closing, the Company shall fail to tender such Series Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to any Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Supplement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

4. The obligation of each Purchaser to purchase and pay for the Series Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to the Closing, of the conditions set forth in Section 2.2(c) and Section 4 of the Note Purchase Agreement (each reference to "Closing Date" or "Closing" set forth therein shall be deemed to be a reference to the "Closing Date" or "Closing" of the "Series Notes") with respect to the Series Notes to be purchased at the Closing, and to the following additional conditions:

(a) Except as supplemented, amended or superceded by the representations and warranties set forth in Exhibit A hereto, each of the representations and warranties of the Company set forth in Section 5 of the Note Purchase Agreement shall be correct as of the date of the Closing and the Company shall have delivered to each Purchaser an Officer's Certificate, dated the date of the Closing, certifying that such condition has been fulfilled.

(b) Contemporaneously with the Closing, the Company shall sell to each other Purchaser and each other Purchaser shall purchase the Series Notes to be purchased by it at the Closing as specified in Schedule A.

5. [Here insert special provisions for Series Notes including prepayment provisions applicable to Series Notes (including Make-Whole Amount) and closing conditions applicable to Series Notes].

-2-

6. Each Purchaser represents and warrants that the representations and warranties set forth in Section 6 of the Note Purchase Agreement are true and correct on the date hereof with respect to the purchase of the Series Notes by such Purchaser.

7. The Company and each Purchaser agree to be bound by and comply with the terms and provisions of the Note Purchase Agreement as fully and completely as if such Purchaser were an original signatory to the Note Purchase Agreement.

8. All references in the Note Purchase Agreement and all other instruments, documents and agreements relating to, or entered into in connection with the foregoing documents and agreements, to the Note Purchase Agreement shall be deemed to refer to the Note Purchase Agreement, as supplemented by this Supplement.

9. Except as expressly supplemented by this Supplement, all terms and provisions of the Note Purchase Agreement remain unchanged and continue, unabated, in full force and effect and the Company hereby reaffirms its obligations and liabilities under the Note Purchase Agreement.

10. This Supplement 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 permit the application of the laws of a jurisdiction other than such State.

11. Any provision of this Supplement 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 full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

12. All covenants and other agreements contained in this Supplement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

13. This Supplement 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.

-3-

The execution hereof shall constitute a contract between the Company and the Purchaser(s) for the uses and purposes hereinabove set forth.

# PNG COMPANIES LLC

By Name: Title:			
<b>G T</b>			

Accepted as of	, 20

[VARIATION]	

By	
Name:	
Title:	

-4-

## INFORMATION RELATING TO PURCHASERS

	e and Address of Purchaser ME OF PURCHASER]	PRINCIPAL AMOUNT OF SERIES NOTES TO BE PURCHASED \$
(1)	All payments by wire transfer of immediately available funds to:	
	with sufficient information to identify the source and application of such funds.	
(2)	All notices of payments and written confirmations of such wire transfers:	
(3)	All other communications:	

SCHEDULE A Supplement to Note Purchase Agreement)

(to

### SUPPLEMENTAL REPRESENTATIONS

The Company represents and warrants to each Purchaser that, except as hereinafter set forth in this Exhibit A, each of the representations and warranties set forth in Section 5 of the Note Purchase Agreement is true and correct in all material respects as of the date hereof with respect to the Series Notes with the same force and effect as if each reference to "Series 2010-A Notes" set forth therein was modified to refer to the "Series Notes," each reference to "this Agreement" therein was modified to refer to "the Note Purchase Agreement as supplemented by the

Supplement." The Section references hereinafter set forth correspond to the similar sections of the Note Purchase Agreement which are supplemented hereby:

Section 5.3 Disclosure. The Company, through its lead agents, [BNP Paribas Securities Corp. and Scotia Capital (USA) Inc.], has delivered to each Purchaser a copy of a Private Placement Memorandum, dated (the "Memorandum"), relating to the transactions contemplated by Supplement. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the the Company and its Subsidiaries. This Agreement, the Memorandum and the documents, certificates or other writings delivered to the Purchasers and Supplement, delivered to the Purchasers by or on behalf of the Company (this the financial statements listed in Schedule 5.5 to the Agreement, the Memorandum and such documents, certificates or other writings, the Supplement and such financial statements delivered to each Purchaser prior to being referred to, collectively, as 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 , there has been no change in the financial condition, , operations, business, properties or prospects of the Company or any Subsidiary except changes that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents.

Section 5.4 Organization and Ownership of Shares of Subsidiaries. (a) Schedule 5.4 contains (except as noted therein) complete and correct lists (1) of 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 outstanding owned by the Company and each other Subsidiary and (2) of Company's directors and senior officers.

Section 5.5 Financial Statements; Material Liabilities. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5 to the Supplement. All of said financial statements (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 in such Schedule 5.5 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

(to

EXHIBIT A Supplement to Note Purchase Agreement 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.

Section 5.13 Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Series 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 the Purchasers and not more than other Institutional Investors of the type described in clause (c) of the definition thereof, each of which has been offered the Series 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 Series 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.

Section 5.14 Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Series Notes to and for other general limited liability company purposes. No part of the proceeds from the sale of the Series Notes hereunder 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 25% 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 25% 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.

#### Section 5.15 Existing Debt; Future Liens.

(a) Except as described therein, Schedule 5.15 to the Supplement sets forth a complete and correct list of all outstanding including and collateral therefor, if any, and Guarantee Obligations relating thereto, if any), since which date 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. 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 such 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.

E-A-2

(b) Except as disclosed in Schedule 5.15 to the Supplement, 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 10.4.

[Add any additional Sections as appropriate at the time the Series Notes are issued]

E-A-3

## FORM OF SERIES 20\_-\_ NOTE[, TRANCHE \_\_\_]

#### PNG COMPANIES LLC

\_\_% Series 20\_\_\_ Senior Secured Note[, Tranche \_\_\_\_,] due \_\_\_\_\_, 20\_\_\_

No. R20 \_-\_-\$\_\_\_\_\_

\_\_\_\_\_, 20\_\_ PN

FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC (herein called the "*Company*"), a limited liability company organized and existing under the laws of the State of Delaware, hereby promises to pay to \_\_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_\_ DOLLARS (or so much thereof as shall not have been prepaid) on \_\_\_\_\_\_, 20\_\_, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of \_\_% per annum from the date hereof, payable [semiannually], on the \_\_\_\_\_ day of \_\_\_\_\_\_\_ and \_\_\_\_\_\_\_ in each year, commencing with the \_\_\_\_\_\_ or \_\_\_\_\_\_ 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 (1) \_\_% or (2) 2.00% over the rate of interest publicly announced by BNP Paribas 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices of BNP Paribas 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 the Series \_\_\_\_\_ Senior Secured Notes[, Tranche \_\_] (herein called the "*Notes*") issued pursuant to the \_\_\_\_\_\_ Supplement dated as of \_\_\_\_\_\_ (the "*Supplement*") which supplements that certain Note Purchase Agreement dated as of February \_\_\_, 2010 (as from time to time amended, supplemented or otherwise modified, the "*Note Purchase Agreement*"), originally between the Company and the respective Purchasers named therein and is entitled to the benefits of the Note Purchase Agreement. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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.

E-1-1

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.

[The Company will make required prepayments of principal on the dates and in the amounts specified in the Supplement.] [This Note is not subject to regularly scheduled prepayments of principal.] This Note is [also] subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Supplement and/or 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.

PNG COMPANIES LLC

E-A-2

PNG COMPANIES LLC

FIRST AMENDMENT Dated as of August 10, 2011

to

NOTE PURCHASE AGREEMENT Dated as of February 26, 2010

Re: \$125,000,000 4.17% Series 2010-A Senior Secured Notes, Tranche 1, due February 26, 2015 \$105,000,000 4.93% Series 2010-A Senior Secured Notes, Tranche 2, due February 26, 2017 \$181,000,000 5.53% Series 2010-A Senior Secured Notes, Tranche 3, due February 26, 2020

#### FIRST AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS FIRST AMENDMENT dated as of August 10, 2011 (this "Amendment") to the Note Purchase Agreement dated as of February 26, 2010 is between PNG COMPANIES LLC, a Delaware limited liability company (the "Company"), and each of the institutions which is named on the signature pages to this Amendment (collectively, the "Noteholders").

#### **RECITALS:**

A. The Company and each of the Noteholders have heretofore entered into that certain Note Purchase Agreement dated as of February 26, 2010 (the "*Note Purchase Agreement*").

B. The Company has heretofore issued \$411,000,000 aggregate principal amount of its Series 2010-A Senior Secured Notes consisting of (1) \$125,000,000 aggregate principal amount of its 4.17% Series 2010-A Senior Secured Notes, Tranche 1, due February 26, 2015 (the *"Tranche 1 Notes"*), (2) \$105,000,000 aggregate principal amount of its 4.93% Series 2010-A Senior Secured Notes, Tranche 2, due February 26, 2017 (the *"Tranche 2 Notes"*) and (3) \$181,000,000 aggregate principal amount of its 5.53% Series 2010-A Senior Secured Notes, Tranche 3, due February 26, 2020 (the *"Tranche 3 Notes"*; said Tranche 3 Notes together with the Tranche 1 Notes and Tranche 2 Notes are hereinafter referred to collectively as the *"Notes"*) pursuant to the Note Purchase Agreement. The Noteholders are the holders of 100% of the outstanding principal amount of the Notes.

C. The Company and the Noteholders now desire to amend the Note Purchase Agreement in the respects, but only in the respects, hereinafter set forth.

D. Capitalized terms used herein shall have the respective meanings ascribed thereto in the Note Purchase Agreement unless herein defined or the context shall otherwise require.

E. All requirements of law have been fully complied with and all other acts and things necessary to make this Amendment a valid, legal and binding instrument according to its terms for the purposes herein expressed have been done or performed.

NOW, THEREFORE, upon the full and complete satisfaction of the conditions precedent to the effectiveness of this Amendment set forth in Section 3 hereof, and in consideration of good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Company and the Noteholders do hereby agree as follows:

#### SECTION 1. AMENDMENTS.

Section 1.1. Section 7.2(a) of the Note Purchase Agreement shall be and is hereby amended and restated in its entirety to read as follows:

(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 10.3, inclusive, and Section 10.7, if and to the extent applicable, 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, with respect to Section 10.2, showing (i) the outstanding principal amount of Working Capital Loans as of the first day of such quarterly or annual period, (ii) any borrowings or repayments of Working Capital Loans during such period and (iii) the outstanding principal amount of Working Capital Loans as of the last day of such quarterly or annual period); and

Section 1.2. Section 10.3 of the Note Purchase Agreement shall be and is hereby amended by inserting the following proviso at the end thereof:

; *provided* that in no event shall the amount of Subsidiary Debt permitted pursuant to this Section 10.3 at any time exceed the amount of Subsidiary Debt then permitted to be outstanding under the Credit Agreement (without giving effect to any amendment or waiver thereof entered into after the occurrence and during the continuance of a Default or Event of Default).

Section 1.3. Section 10.12 of the Note Purchase Agreement shall be and is hereby amended in its entirety and restated to read as follows:

10.12. New Subsidiaries. The Company will not, and will not permit any Subsidiary to, form, acquire or otherwise own any Subsidiaries except that Peoples and Rager Mountain shall be permitted Subsidiaries of the Company; *provided*, that the Company may form, acquire or otherwise own any direct Subsidiaries that engage in the same or substantially similar lines of business but solely to the extent reasonably determined to be prudent in the conduct of the Company's and its Subsidiaries' business in the ordinary course and not adverse to any holder of a Note including, without limitation, the provision of corporate, shared, general, administrative and other services including procuring, billing, accounting, legal and related services to Peoples or services reasonably related thereto; *provided*, *further* that concurrently with the formation or acquisition of any Subsidiary (1) 100% of the Capital Stock of such Subsidiary shall be pledged to secure the obligations of the Company hereunder (including any Supplement) and under the Notes and the other Senior Secured Obligations (as defined in the Intercreditor Agreement) and (2) the holders of the Notes shall have received board resolutions, officer's certificates, opinions of counsel and organization documents with respect to such Subsidiary as the Required Holders or the Collateral Agent shall reasonably request in connection with such pledge.

-3-

*Section 1.4.* The definition of "Consolidated Debt" contained in Schedule B to the Note Purchase Agreement shall be and is hereby amended in its entirety and restated to read as follows:

"Consolidated Debt" shall mean, at any date, the aggregate principal amount of all Indebtedness of the Company and its Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP; *provided* that for purposes of calculating compliance with the financial covenant set forth in Section 10.2, any Working Capital Loans in excess of \$12,500,000 in the aggregate but less than or equal to \$175,000,000 (or such lesser amount of Working Capital Loans that is then excluded as Indebtedness for purposes of determining compliance with any leverage ratio financial covenant under the Credit Agreement at such time) in the aggregate shall not be included as "Consolidated Debt."

*Section 1.5.* The definition of "Credit Agreement" contained in Schedule B to the Note Purchase Agreement shall be and is hereby amended in its entirety and restated to read as follows:

"*Credit Agreement*" shall mean the Credit Agreement dated as of August 10, 2011 by and among the Company, the Lenders (as defined therein) from time to time parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, and the other agents party thereto, as amended, restated, joined, supplemented or otherwise modified from time to time, and any renewals, extensions or replacements thereof, which constitute the primary bank credit facility of the Company and its Subsidiaries.

*Section 1.6.* Schedule B to the Note Purchase Agreement shall be and is hereby amended by inserting the following new definitions in the proper alphabetical order:

"*Rager Mountain*" shall mean Rager Mountan Storage Company LLC, a Delaware limited liability company formerly known as PNG Services LLC.

*"Working Capital Loans"* shall mean, at any time, then outstanding extensions of credit (including letters of credit) under the Credit Agreement that are, pursuant to the terms of the Credit Agreement, designated by the Company to finance or support the working capital needs of the Company and its Subsidiaries and not used for capital expenditures or other purposes.

## SECTION 2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

In order to induce the Noteholders to execute and deliver this Amendment (which representations shall survive the execution and delivery of this Amendment), the Company represents and warrants to the Noteholders that:

(a) this Amendment has been duly authorized, executed and delivered by it and this Amendment constitutes the legal, valid and binding obligation, contract and agreement of the Company enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

-4-

(b) the execution, delivery and performance by the Company of this Amendment and performance by the Company of the terms of the Note Purchase Agreement, as amended by this Amendment, (i) have been duly authorized by all requisite company action and, if required, member action, (ii) do not require the consent or approval of any governmental or regulatory body or agency, except consents or approvals (A) described in Schedule 5.7 to the Note Purchase Agreement, which have been obtained or made, are in full force and effect and are not subject to appeal or any condition which has not been satisfied or (B) the failure of which to obtain could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (iii) will not (A) violate (1) any provision of law, statute, rule or regulation applicable to the Company or its organizational documents, (2) any order of any court or any rule, regulation or order of any other agency or government binding upon it or (3) any provision of any indenture, agreement or other instrument to which it is a party or by which its properties or assets are or may be bound or (B) result in a breach of, or constitute (alone or with due notice or lapse of time or both) a default under any indenture, agreement or other instrument referred to in clause (iii)(A)(3) of this Section 2(b); and

(c) no Default or Event of Default has occurred and is continuing.

SECTION 3. CONDITIONS TO EFFECTIVENESS OF THIS AMENDMENT.

Upon satisfaction of each of the following conditions, this First Amendment shall become effective on and as of August 10, 2011:

(a) executed counterparts of this Amendment, duly executed by the Company and the Required Holders, shall have been delivered to the Noteholders;

(b) the representations and warranties of the Company set forth in Section 2 hereof are true and correct on and with respect to the date hereof;

(c) the Company shall have delivered a true correct and complete copy of the Credit Agreement to the Noteholders; and

(d) the Company shall have paid the reasonable fees and expenses of Schiff Hardin LLP, special counsel to the Noteholders, in connection with the negotiation, preparation, approval, execution and delivery of this Amendment.

#### SECTION 4. MISCELLANEOUS.

Section 4.1. This Amendment shall be construed in connection with and as part of the Note Purchase Agreement, and except as expressly amended by this Amendment, all terms, conditions and covenants contained in the Note Purchase Agreement, the Notes and each Security Document are hereby ratified and shall be and remain in full force and effect. On and after the date hereof each reference in the Note Purchase Agreement to "this Agreement," "hereof" or words of like import referring to the Note Purchase Agreement, and each reference in each of the Security Documents or Notes to "the Note Purchase Agreement," "thereof" or words of like import referring to the Note Purchase Agreement, shall mean and be a reference to the Note Purchase Agreement as amended by this Amendment.

-5-

Section 4.2. The descriptive headings of the various Sections or parts of this Amendment are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

*Section 4.3.* This Amendment shall be governed by and construed 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.

\* \* \* \* \* \* \* \*

[Remainder of page intentionally left blank.]

*Section 4.4.* The execution hereof by you shall constitute a contract between us for the uses and purposes hereinabove set forth, and this Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but all together only one agreement.

PNG COMPANIES LLC

By /s/ Morgan O'Brien

Name: Morgan O'Brien Title: Chief Executive Officer

Accepted and Agreed to:

ING LIFE INSURANCE AND ANNUITY COMPANY ING USA ANNUITY AND LIFE INSURANCE COMPANY RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK

By: ING Investment Management LLC, as Agent

By: /s/ Paul Aronson Name: Paul Aronson

Title: Senior Vice President

METROPOLITAN LIFE INSURANCE COMPANY, on behalf of itself and as investment manager to the entities below

METLIFE INVESTORS INSURANCE COMPANY

METLIFE REINSURANCE COMPANY OF VERMONT

METLIFE INVESTORS USA INSURANCE COMPANY

GENERAL AMERICAN LIFE INSURANCE COMPANY

By: /s/ John A. Tanyeri

Name: John A. Tanyeri Title: Director

HARTFORD LIFE INSURANCE COMPANY HARTFORD ACCIDENT AND INDEMNITY COMPANY HARTFORD LIFE AND ACCIDENT INSURANCE COMPANY

By: Hartford Investment Management Company, Their agent and attorney-in-fact

By: /s/ Dawn Crunden

Name: Dawn Crunden Title: Vice President

THRIVENT FINANCIAL FOR LUTHERANS

By: /s/ Alan D. Onstad

Name: Alan D. Onstad Title: Senior Director

NEW YORK LIFE INSURANCE COMPANY

By: /s/ Ruthard C. Murphy, II Name: Ruthard C. Murphy, II

Title: Corporate Vice President

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

By: New York Life Investment Management LLC, Its Investment Manager

By: /s/ Ruthard C. Murphy, II

Name: Ruthard C. Murphy, II Title: Director

FORETHOUGHT LIFE INSURANCE COMPANY

- By: Prudential Private Placement Investors, L.P. (as Investment Advisor)
- By: Prudential Private Placement Investors, Inc. (as its General Partner)
- By: /s/ Brien Davis

Vice President

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

By: /s/ Gwendolyn Foster

Name:Gwendolyn FosterTitle:Senior Director

THE GUARDIAN INSURANCE & ANNUITY COMPANY, INC.

By: <u>/s/ Gwendolyn Foster</u>

Name: Gwendolyn Foster Title: Senior Director

American Heritage Life Insurance Company

By: /s/ Carrie A. Cazolas Name: Carrie A. Cazolas

By: <u>/s/ Jerry D. Zinkula</u> Name: Jerry D. Zinkula Authorized Signatories

Allstate Life Insurance Company

By: /s/ Carrie A. Cazolas Name: Carrie A. Cazolas

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

Allstate Life Insurance Company of New York

By: <u>/s/ Carrie A. Cazolas</u> Name: Carrie A. Cazolas

By: <u>/s/ Jerry D. Zinkula</u> Name: Jerry D. Zinkula Authorized Signatories

PROVIDENT LIFE AND CASUALTY INSURANCE COMPANY

By: Provident Investment Management, LLC Its: Agent

By: <u>/s/ Ben Vance</u> Name: Ben Vance Title: Managing Director

UNUM LIFE INSURANCE COMPANY OF AMERICA

By: Provident Investment Management, LLC Its: Agent

By: <u>/s/ Ben Vance</u>

Name: Ben Vance Title: Managing Director

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

By: Babson Capital Management LLC as Investment Adviser

By: /s/ Mark B. Ackerman Name: Mark B. Ackerman Title: Managing Director

C.M. LIFE INSURANCE COMPANY

By: Babson Capital Management LLC as Investment Adviser

By: /s/ Mark B. Ackerman Name: Mark B. Ackerman

Title: Managing Director

MASSMUTUAL ASIA LIMITED

By: Babson Capital Management LLC as Investment Adviser

By: /s/ Mark B. Ackerman Name: Mark B. Ackerman Title: Managing Director

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: /s/ Justin P. Kavan

Name: Justin P. Kavan Title: Vice President

COMPANION LIFE INSURANCE COMPANY

By: /s/ Justin P. Kavan

Name: Justin P. Kavan Title: Authorized Signer

BANKERS LIFE AND CASUALTY COMPANY COLONIAL PENN LIFE INSURANCE COMPANY CONSECO LIFE INSURANCE COMPANY CONSECO HEALTH INSURANCE COMPANY

By: 40|86 Advisors, Inc. acting as Investment Advisor

By: <u>/s/ Timothy L. Powell</u>

Name: Timothy L. Powell Title: Vice President

MODERN WOODMEN OF AMERICA

By: /s/ Douglas A. Pannier

Name: Douglas A. Pannier Title: Portfolio Manager - Private Placements

PROTECTIVE LIFE INSURANCE COMPANY

By: /s/ Philip E. Passafiume Name: Philip E. Passafiume Title: Director, Fixed Income

SOUTHERN FARM BUREAU LIFE INSURANCE COMPANY

By: /s/ David Divine

Name: David Divine Title: Portfolio Manager

CCG TRUST CORPORATION

By: /s/ Stephen Emtage

Name: Stephen Emtage Title: Chairman

# CUNA MUTUAL INSURANCE SOCIETY

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

By: /s/ Allen R. Cantrell

Name: Allen R. Cantrell Title: Managing Director, Investments

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

By: <u>/s/ James Lowery</u> Name: James Lowery

Title: Assistant Vice President, Investments

By: /s/ Paul Runnalls

Name: Paul Runnalls Title: Manager, Investments

LIFE INSURANCE COMPANY OF THE SOUTHWEST

By: <u>/s/ R. Scott Higgins</u>

Name: R. Scott Higgins Title: Senior Vice President Sentinel Asset Management

PRIMERICA LIFE INSURANCE COMPANY

By: Conning, Inc., as Investment Manager

By: <u>/s/</u>Felicisimo G. Falcon, Jr. Name: Felicisimo G. Falcon, Jr. Title: Director

SENIOR HEALTH INSURANCE COMPANY OF PENNSYLVANIA

By: Conning, Inc., as Investment Manager

By: /s/ Felicisimo G. Falcon, Jr.

Name: Felicisimo G. Falcon, Jr. Title: Director

Exhibit 10.1.2

**EXECUTION VERSION** 

## PNG COMPANIES LLC

## SECOND AMENDMENT Dated as of August 22, 2013

to

NOTE PURCHASE AGREEMENT Dated as of February 26, 2010

As Amended by the

FIRST AMENDMENT Dated as of August 10, 2011

Re: \$125,000,000 4.17% Series 2010-A Senior Secured Notes, Tranche 1, due February 26, 2015 \$105,000,000 4.93% Series 2010-A Senior Secured Notes, Tranche 2, due February 26, 2017 \$181,000,000 5.53% Series 2010-A Senior Secured Notes, Tranche 3, due February 26, 2020

#### SECOND AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS SECOND AMENDMENT dated as of August 22, 2013 (this "Amendment") to the Note Purchase Agreement dated as of February 26, 2010 is between PNG COMPANIES LLC, a Delaware limited liability company (the "Company"), and each of the institutions which is named on the signature pages to this Amendment (collectively, the "Noteholders").

#### **RECITALS:**

A. The Company and each of the Noteholders have heretofore entered into that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by the First Amendment to Note Purchase Agreement dated as of August 10, 2011, the "*Note Purchase Agreement*").

B. The Company has heretofore issued \$411,000,000 aggregate principal amount of its Series 2010-A Senior Secured Notes consisting of (1) \$125,000,000 aggregate principal amount of its 4.17% Series 2010-A Senior Secured Notes, Tranche 1, due February 26, 2015 (the *"Tranche 1 Notes"*), (2) \$105,000,000 aggregate principal amount of its 4.93% Series 2010-A Senior Secured Notes, Tranche 2, due February 26, 2017 (the *"Tranche 2 Notes"*) and (3) \$181,000,000 aggregate principal amount of its 5.53% Series 2010-A Senior Secured Notes, Tranche 3, due February 26, 2020 (the *"Tranche 3 Notes"*; said Tranche 3 Notes together with the Tranche 1 Notes and Tranche 2 Notes are hereinafter referred to collectively as the *"Notes"*) pursuant to the Note Purchase Agreement. The Noteholders are the holders of 100% of the outstanding principal amount of the Notes.

C. The Company and the Noteholders now desire to amend the Note Purchase Agreement in the respects, but only in the respects, hereinafter set forth.

D. Capitalized terms used herein shall have the respective meanings ascribed thereto in the Note Purchase Agreement unless herein defined or the context shall otherwise require.

E. All requirements of law have been fully complied with and all other acts and things necessary to make this Amendment a valid, legal and binding instrument according to its terms for the purposes herein expressed have been done or performed.

NOW, THEREFORE, upon the full and complete satisfaction of the conditions precedent to the effectiveness of this Amendment set forth in Section 3 hereof, and in consideration of good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Company and the Noteholders do hereby agree as follows:

#### SECTION 1. AMENDMENTS.

Section 1.1 Section 2.2(a) of the Note Purchase Agreement shall be amended by deleting the proviso at the end thereof.

Section 1.2 Section 5.16 of the Note Purchase Agreement shall be amended and restated in its entirety to read as follows:

## "Section 5.16 Foreign Assets Control Regulations, Etc.

(a) Neither the Company nor any Controlled Entity is (i) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by the Office of Foreign Assets Control, United States Department of the Treasury ("*OFAC*") (an "*OFAC Listed Person*") (ii) an agent, department, or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, (x) any OFAC Listed Person or (y) any Person, entity, organization, foreign country or regime that is subject to any OFAC Sanctions Program, or (iii) otherwise blocked, subject to sanctions under or engaged in any activity in violation of other United States economic sanctions, including but not limited to, the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act ("*CISADA*") or any similar law or regulation with respect to Iran or any other country, the Sudan Accountability and Divestment Act, any OFAC Sanctions Program, or any economic sanctions regulations administered and enforced by the United States or any enabling legislation or executive order relating to any of the foregoing (collectively, "*U.S. Economic Sanctions*") (each OFAC Listed Person and each other Person, entity, organization and government of a country described in clause (i), clause (ii) or clause (iii), a "*Blocked Person*"). Neither the Company nor any Controlled Entity has been notified that its name appears or may in the future appear on a state list of Persons that engage in investment or other commercial activities in Iran or any other country that is subject to U.S. Economic Sanctions.

(b) No part of the proceeds from the sale of the Notes hereunder constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (i) in connection with any investment in, or any transactions or dealings with, any Blocked Person, or (ii) otherwise in violation of U.S. Economic Sanctions.

(c) Neither the Company nor any Controlled Entity (i) has been found in violation of, charged with, or convicted of, money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes under the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act), the USA PATRIOT Act or any other United States law or regulation governing such activities (collectively, "*Anti-Money Laundering Laws*") or any U.S. Economic Sanctions violations, (ii) to the Company's actual knowledge after making due inquiry, is under investigation by any Governmental Authority for possible violation of Anti-Money Laundering Laws or any U.S. Economic Sanctions violations, (iii) has been assessed civil penalties under any Anti-Money Laundering Laws or any U.S. Economic Sanctions, or (iv) has had any of its funds seized or forfeited in an action under any Anti-Money Laundering Laws. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable current and future Anti-Money Laundering Laws and U.S. Economic Sanctions.

(d) (1) Neither the Company nor any Controlled Entity (i) has been charged with, or convicted of bribery or any other anti-corruption related activity under any applicable law or regulation in a U.S. or any non-U.S. country or jurisdiction, including but not limited to, the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010 (collectively, "*Anti-Corruption Laws*"), (ii) to the Company's actual knowledge after making due inquiry, is under investigation by any U.S. or non-U.S. Governmental Authority for possible violation of Anti-Corruption Laws, (iii) has been assessed civil or criminal penalties under any Anti-Corruption Laws or (iv) has been or is the target of sanctions imposed by the United Nations or the European Union;

(2) To the Company's actual knowledge after making due inquiry, neither the Company nor any Controlled Entity has, within the last five years, directly or indirectly offered, promised, given, paid or authorized the offer, promise, giving or payment of anything of value to a Governmental Official or a commercial counterparty for the purposes of: (i) influencing any act, decision or failure to act by such Government Official in his or her official capacity or such commercial counterparty, (ii) inducing a Governmental Official to do or omit to do any act in violation of the Governmental Official's lawful duty, or (iii) inducing a Governmental Official or a commercial counterparty to use his or her influence with a government or instrumentality to affect any act or decision of such government or entity; in each case in order to obtain, retain or direct business or to otherwise secure an improper advantage in violation of any applicable law or regulation or which would cause any holder to be in violation of any law or regulation applicable to such holder; and

(3) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable current and future Anti-Corruption Laws."

Section 1.3 Section 6.2(d) of the Note Purchase Agreement shall be amended and restated in its entirety to read as follows:

"(d) the Source constitutes assets of an "investment fund" (within the meaning of Part VI of PTE 84-14 (the **"QPAM Exemption"**)) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part VI of the QPAM Exemption), no employee benefit plan's assets that are managed by the QPAM 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 Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, represent more than 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 maintains an ownership interest in the Company that would cause the QPAM and the Company to be "related" within the meaning of Part VI(h) of the QPAM Exemption and (i) the identity of such QPAM and (ii) the names of any employee benefit plans whose assets in the 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 Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization, represent 10% or more of the assets of such investment fund, have been disclosed to the Company in writing pursuant to this clause (d); or"

Section 1.4 Section 6.2(e) of the Note Purchase Agreement shall be amended and restated in its entirety to read as follows:

"(e) the Source constitutes assets of a "plan(s)" (within the meaning of Part IV(h) of PTE 96-23 (the **"INHAM Exemption"**)) managed by an "in-house asset manager" or "INHAM" (within the meaning of Part IV(a) 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 Part IV(d)(3) of the INHAM Exemption) owns a 10% 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"

Section 1.5 Section 9 of the Note Purchase Agreement is hereby amended by inserting the following new Sections at the end thereof:

*"Section 9.11 Maintenance of Ratings.* The Company shall continue to use commercially reasonable efforts to maintain a rating of the Notes by at least two Rating Agencies; *provided* that no on-going minimum rating shall be required.

*Section 9.12 Equitable Downgrade Fee.* Upon the occurrence of a Trigger Event, in addition to interest accruing on the Series 2010-A Notes, the Company covenants that it will pay to the holder of each Series 2010-A Note a fee (the "**Equitable Downgrade Fee**") at the rate of 1.50% per annum on the outstanding principal balance of the Series 2010-A Notes from the date of such Trigger Event until the Series 2010-A Notes have received an Investment Grade Rating from at least two Ratings Agencies and the Company has delivered updated ratings letters from two Rating Agencies affirming such rating; *provided*, for the avoidance of doubt, that no Equitable Downgrade Fee or any other fee shall be due in connection with a downgrade of the Notes other than as a result and for the duration of a Trigger Event. The Equitable Downgrade Fee with respect to the Series 2010-A Notes shall be payable on the same periodic basis as the interest on such Series 2010-A Notes is payable and on each date upon which interest is payable on such Series 2010-A Notes. This Section 9.12 shall cease to be effective upon (i) delivery by the Company of updated ratings letters from two Rating Agencies affirming that the Series 2010-A Notes have an Investment Grade Rating after giving effect to the Equitable Transaction and the incurrence of any related Indebtedness and (ii) payment of any Equitable Downgrade Fee required to be paid pursuant to the terms hereof."

Section 1.6 Section 10.3 of the Note Purchase Agreement is hereby amended by:

- (a) deleting the word "Subsidiary" from the heading thereof; and
- (b) adding the following at the end thereof:

"The Company will not at any time, permit the incurrence of any Indebtedness unless (i) the Consolidated Debt to Capitalization Ratio as of the most recently ended fiscal quarter prior to the incurrence of such Indebtedness, calculated on a pro forma basis, after giving effect to such incurrence as if such incurrence had occurred on the first day of such fiscal quarter, shall be no greater than 0.60 to 1.00, (ii) immediately before and immediately after giving effect to the incurrence of such Indebtedness and the use of the proceeds thereof, no Default or Event of Default shall have occurred and be continuing and (iii) solely in connection with any Indebtedness used to refinance a portion (but less than all) of the Notes, (x) such Indebtedness shall not have terms, other than pricing, more favorable to the providers of such Indebtedness than the terms of this Agreement unless consented to by the Required Holders, and (y) each holder of Notes outstanding immediately after such refinancing shall have received a copy of letters from at least two Rating Agencies reaffirming that, immediately after giving effect to the issuance of such Indebtedness, the Notes shall be rated at least the same rating as the Notes were rated immediately prior to such issuance."

*Section 1.7* Section 10.4(d) of the Note Purchase Agreement is hereby amended by deleting the reference to "\$25,000,000" and replacing it with "the greater of (i) \$25,000,000 and (ii) 2% of Consolidated Total Assets as of the date of the Company's most recent audited financial statements which have been delivered to the holders of Notes pursuant to Section 7.1(b)".

*Section 1.8* Section 10.7 of the Note Purchase Agreement is hereby amended by (i) replacing the word "or" at the end of clause (b) thereof with a comma ",", and (ii) adding the following at the end of clause (c) thereof: "or (d) Dispositions of the PNG Assets".

Section 1.9 Section 10.14 of the Note Purchase Agreement is hereby amended in its entirety and restated to read as follows:

*Section 10.14 Line 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 regulated utility business and any other activity or ancillary business related thereto. For purposes of this Section 10.14, neither gas processing nor exploration and development shall constitute the regulated utility business or an activity or ancillary business related thereto.

Section 1.10 Section 10.15 of the Note Purchase Agreement is hereby amended in its entirety and restated to read as follows:



Section 10.15 Terrorism Sanctions Regulations. The Company will not and will not permit any Controlled Entity (a) to become (including by virtue of being owned or controlled by a Blocked Person), own or control a Blocked Person or any Person that is the target of sanctions imposed by the United Nations or by the European Union, or (b) directly or indirectly to have any investment in or engage in any dealing or transaction (including, without limitation, any investment, dealing or transaction involving the proceeds of the Notes) with any Person if such investment, dealing or transaction (i) would cause any holder to be in violation of any law or regulation applicable to such holder, or (ii) is prohibited by or subject to sanctions under any U.S. Economic Sanctions, or (c) to engage, nor shall any Affiliate of either engage, in any activity that could subject such Person or any holder to sanctions under CISADA or any similar law or regulation with respect to Iran or any other country that is subject to U.S. Economic Sanctions.

*Section 1.11* Clause (b) of Section 11 of the Note Purchase Agreement is hereby amended by inserting "or Equitable Downgrade Fee" immediately following the reference to "any interest" contained therein.

*Section 1.12* Section 11 of the Note Purchase Agreement is hereby amended by replacing the references to "\$25,000,000" in clauses (f), (i) and (j) therein with "the greater of (i) \$25,000,000 and 2% of Consolidated Total Assets as of the date of the Company's most recent audited financial statements which have delivered to the holders of Notes pursuant to Section 7.1(b)".

Section 1.13 Clause (1) of Section 11 of the Note Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"(1) HoldCo shall (1) conduct, transact or otherwise engage in, or commit to conduct, transact or otherwise engage in, any business or operations other than those incidental to its ownership of the Capital Stock of the Company, (2) incur, create, assume or suffer to exist any Indebtedness or other liabilities or financial obligations, except (i) nonconsensual obligations imposed by operation of law, (ii) obligations pursuant to, and permitted by, the HoldCo Facility Documentation to which it is a party and (iii) obligations with respect to its Capital Stock; provided that in no event shall HoldCo incur any Indebtedness if immediately after giving effect thereto on a pro forma basis the HoldCo Consolidated Debt to Capitalization Ratio would exceed 0.65 to 1.00; provided, however, that if the HoldCo Consolidated Debt to Capitalization Ratio would exceed 0.65 to 1.00, HoldCo may incur Indebtedness so long as, immediately after giving effect thereto on a pro forma basis, the Notes shall have an Investment Grade Rating and the holders of Notes shall have received updated ratings letters from two Rating Agencies affirming such rating, or (3) own, lease, manage or otherwise operate any properties or assets (including cash (other than cash received in connection with dividends or distributions made by the Company in accordance with Section 10.5 pending application in the manner contemplated by said Section) and cash equivalents) other than the ownership of shares of Capital Stock of the Company."

Section 1.14 Section 20 of the Note Purchase Agreement is hereby amended by inserting the following new paragraph at the end thereof:

"In the event that as a condition to receiving access to information relating to the Company or its Subsidiaries in connection with the transactions contemplated by or otherwise pursuant to this Agreement, any Purchaser, Additional Purchaser or holder of a Note is required to agree to a confidentiality undertaking (whether through IntraLinks, another secure website, a secure virtual workspace or otherwise) which is different from this Section 20, this Section 20 shall not be amended thereby and, as between such Purchaser or such holder and the Company, this Section 20 shall supersede any such other confidentiality undertaking."

*Section 1.15* The definition of "Credit Agreement" contained in Schedule B to the Note Purchase Agreement shall be and is hereby amended in its entirety and restated to read as follows:

"*Credit Agreement*" shall mean the Credit Agreement dated as of August 10, 2011 by and among the Company, the Lenders (as defined therein) from time to time parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, and the other agents party thereto, as amended, restated, joined, supplemented or otherwise modified from time to time, and any renewals, extensions or replacements thereof, and any credit agreement which contains a revolving credit facility of the Company.

Section 1.16 The definition of "GAAP" contained in Schedule B to the Note Purchase Agreement shall be and is hereby amended by deleting the reference to "(as permitted by FAS 159, International Accounting Standard 39 or any similar accounting standard)" and inserting "(as permitted by Financial Accounting Standards Codification Topic No. 825-10-25 – Fair Value Option, International Accounting Standard 39 – Financial Instruments: Recognition and Measurement or any similar accounting standard)" in lieu thereof.

*Section 1.17* The definition of "HoldCo Facility Documentation" contained in Schedule B to the Note Purchase Agreement shall be and is hereby amended in its entirety and restated to read as follows:

*"HoldCo Facility Documentation"* shall mean a credit agreement or other document entered into by HoldCo in connection with HoldCo incurring senior secured Indebtedness or any refinancing thereof (including any incremental facilities or other additional Indebtedness of HoldCo incurred in connection with a Permitted Acquisition), together with all instruments and other agreements entered into by HoldCo in connection therewith; provided, that no HoldCo Facility Documentation shall contain any restrictions on the Company or any of its Subsidiaries which are more restrictive than those contained in the Credit Agreement.

*Section 1.18* The definition of "Required Holders" contained in Schedule B to the Note Purchase Agreement shall be and is hereby amended in its entirety and restated to read as follows:

*"Required Holders"* shall mean, at any time, (1) the holders of more than 50% in principal amount of the Series 2010-A Notes at the time outstanding and (2) the holders of more than 50% in principal amount of each other Series of Notes at the time outstanding (in each case, exclusive of Notes then owned by the Company or any of its Affiliates).

Section 1.19 Schedule B to the Note Purchase Agreement is hereby amended to insert in proper alphabetical order the following new definitions:

"Anti-Corruption Laws" is defined in Section 5.16(d).

"Anti-Money Laundering Laws" is defined in Section 5.16(c).

"Blocked Person" is defined in Section 5.16(a).

"CISADA" is defined in Section 5.16(a).

*"Controlled Entity"* shall mean (i) any of the Subsidiaries of the Company and any of their or the Company's respective Controlled Affiliates and (ii) if the Company has a parent company, such parent company and its Controlled Affiliates. 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.

"Equitable Downgrade Fee" is defined in Section 9.12.

*"Equitable Transaction"* shall mean the transactions contemplated by the Master Purchase Agreement dated as of December 19, 2012 among the Company, EQT Corporation and Distribution Holdco, LLC and the Asset Exchange Agreement dated as of December 19, 2012 between the Company and EQT Corporation.

"Exhibit C-1" is defined in the definition of "PNG Assets".

"Governmental Official" shall mean any governmental official or employee, employee of any government-owned or government-controlled entity, political party, any official of a political party, candidate for political office, official of any public international organization or anyone else acting in an official capacity.

*"HoldCo Consolidated Capitalization"* shall mean, at any date, the sum of (a) HoldCo Consolidated Total Net Worth as at the end of the most recently ended fiscal quarter of HoldCo and (b) HoldCo Consolidated Debt at such date.

*"HoldCo Consolidated Debt"* shall mean, at any date, the aggregate principal amount of all Indebtedness of HoldCo and its Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP; provided that for purposes of calculating the HoldCo Consolidated Debt to Capitalization Ratio, any Working Capital Loans in excess of \$12,500,000 in the aggregate but less than or equal to \$175,000,000 in the aggregate shall not be included as "HoldCo Consolidated Debt."

*"HoldCo Consolidated Debt to Capitalization Ratio"* shall mean, at any time, the ratio of HoldCo Consolidated Debt to HoldCo Consolidated Capitalization at such time.

"HoldCo Consolidated Total Net Worth" shall mean, at any date, all amounts that would, in conformity with GAAP, be included on a consolidated balance sheet of HoldCo and its Subsidiaries under stockholders' equity at such date.

"OFAC" is defined in Section 5.16(a).

"OFAC Listed Person" is defined in Section 5.16(a).

"OFAC Sanctions Program" shall mean any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx.

*"PNG Assets"* shall mean (i) the assets, including pipelines, valves, fittings, regulation, real property interests and associated facility records associated with each of the Gamble Hayden storage facilities, Webster storage facilities, Truittsburg storage facilities and Rager storage facilities, all as more completely described in Exhibit C-1 ("Exhibit C-1") of the Asset Exchange Agreement dated as of December 19, 2012 between the Company and EQT Corporation, (ii) additional assets described in Exhibit C-1, including approximately 200 miles of transmission pipeline, certain interstate pipeline interconnect facilities, certain relay compressor facilities, certain storage compressor facilities and certain information technology and other assets, and (iii) all issued and outstanding membership interests in Rager Mountain.

*"Trigger Event"* shall mean if (i) the Equitable Transaction is financed with Indebtedness other than Notes issued pursuant to Section 2.2 and (ii) the Notes as a result of the financing or announced financing of the Equitable Transaction are downgraded below BBB- by S&P or Fitch or Baa3 by Moody's.

"U.S. Economic Sanctions" is defined in Section 5.16(a).

Section 1.20 Schedule B to the Note Purchase Agreement is hereby amended by deleting the following definitions in their entirety:

"Anti-Terrorism Order"

SECTION 2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

In order to induce the Noteholders to execute and deliver this Amendment (which representations shall survive the execution and delivery of this Amendment), the Company represents and warrants to the Noteholders that:

(a) this Amendment has been duly authorized, executed and delivered by it and this Amendment constitutes the legal, valid and binding obligation, contract and agreement of the Company enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

(b) the execution, delivery and performance by the Company of this Amendment and performance by the Company of the terms of the Note Purchase Agreement, as amended by this Amendment, (i) have been duly authorized by all requisite company action and, if required, member action, (ii) do not require the consent or approval of any governmental or regulatory body or agency, except consents or approvals (A) described in Schedule 5.7 to the Note Purchase Agreement, which have been obtained or made, are in full force and effect and are not subject to appeal or any condition which has not been satisfied or (B) the failure of which to obtain could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (iii) will not (A) violate (1) any provision of law, statute, rule or regulation applicable to the Company or its organizational documents, (2) any order of any court or any rule, regulation or order of any other agency or government binding upon it or (3) any provision of any indenture, agreement or other instrument to which it is a party or by which its properties or assets are or may be bound or (B) result in a breach of, or constitute (alone or with due notice or lapse of time or both) a default under any indenture, agreement or other instrument referred to in clause (iii)(A)(3) of this Section 2(b); and

(c) no Default or Event of Default has occurred and is continuing.

SECTION 3. CONDITIONS TO EFFECTIVENESS OF THIS AMENDMENT.

Upon satisfaction of each of the following conditions, this Second Amendment shall become effective on and as of August 22, 2013:

(a) executed counterparts of this Amendment, duly executed by the Company and the holders of the Notes under the Note Purchase Agreement, shall have been delivered to the Noteholders;

(b) the representations and warranties of the Company set forth in Section 2 hereof are true and correct on and with respect to the date hereof;

(c) each Noteholder shall have received, in immediately available funds, for the account of such Noteholder, an amendment fee in an amount equal to 0.05% of the aggregate outstanding principal amount of Notes held by such Noteholder; and

(d) the Company shall have paid the reasonable fees and expenses of Schiff Hardin LLP, special counsel to the Noteholders, in connection with the negotiation, preparation, approval, execution and delivery of this Amendment.

## SECTION 4. MISCELLANEOUS.

Section 4.1 This Amendment shall be construed in connection with and as part of the Note Purchase Agreement, and except as expressly amended by this Amendment, all terms, conditions and covenants contained in the Note Purchase Agreement, the Notes and each Security Document are hereby ratified and shall be and remain in full force and effect. On and after the date hereof each reference in the Note Purchase Agreement to "this Agreement," "hereof" or words of like import referring to the Note Purchase Agreement, and each reference in each of the Security Documents or Notes to "the Note Purchase Agreement," "thereof" or words of like import referring to the Note Purchase Agreement, shall mean and be a reference to the Note Purchase Agreement as amended by this Amendment.

Section 4.2 The descriptive headings of the various Sections or parts of this Amendment are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

*Section 4.3* This Amendment shall be governed by and construed 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.

\* \* \* \* \* \* \* \*

[Remainder of page intentionally left blank.]

*Section 4.4* The execution hereof by you shall constitute a contract between us for the uses and purposes hereinabove set forth, and this Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but all together only one agreement.

PNG COMPANIES LLC

By: /s/ Preston Poljak

Name: Preston Poljak Title: Vice President and Treasurer

SIGNATURE PAGE TO AMENDMENT TO NOTE PURCHASE AGREEMENT

ING LIFE INSURANCE AND ANNUITY COMPANY ING USA ANNUITY AND LIFE INSURANCE COMPANY RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK

By: ING Investment Management LLC, as Agent

By: /s/ Joshua A. Winchester Name: Joshua A. Winchester Title: Vice President

METROPOLITAN LIFE INSURANCE COMPANY, on behalf of itself and as investment manager to the entities below

METLIFE INVESTORS INSURANCE COMPANY

METLIFE REINSURANCE COMPANY OF VERMONT METLIFE INVESTORS USA INSURANCE COMPANY GENERAL AMERICAN LIFE INSURANCE COMPANY

By: /s/ Nancy Doyle

Name: Nancy Doyle Title: Director

HARTFORD LIFE INSURANCE COMPANY HARTFORD ACCIDENT AND INDEMNITY COMPANY HARTFORD LIFE AND ACCIDENT INSURANCE COMPANY

By: Hartford Investment Management Company, Their agent and attorney-in-fact

By:/s/ William N. Holm, Jr.Name:William N. Holm, Jr.Title:Executive Vice President

THRIVENT FINANCIAL FOR LUTHERANS

By: /s/ Alan D. Onstad

Name: Alan D. Onstad Title: Senior Director

NEW YORK LIFE INSURANCE COMPANY

By:/s/ Michael W. BoydName:Michael W. BoydTitle:Corporate Vice President

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

By: New York Life Investment Management LLC, Its Investment Manager

By: /s/ Michael W. Boyd

Name:Michael W. BoydTitle:Senior Director

# FORETHOUGHT LIFE INSURANCE COMPANY

- By: Prudential Private Placement Investors, L.P. (as Investment Advisor)
- By: Prudential Private Placement Investors, Inc. (as its General Partner)

By: <u>/s/ Brien Davis</u> Vice President

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

By: /s/ Gwendolyn S. Foster Name: Gwendolyn S. Foster

Title: Senior Director

THE GUARDIAN INSURANCE & ANNUITY COMPANY, INC.

By: /s/ Gwendolyn S. Foster

Name: Gwendolyn S. Foster Title: Senior Director

AMERICAN HERITAGE LIFE INSURANCE COMPANY

By: /s/ Michael T. Moran Name: Michael T. Moran

Title: Authorized Signatory

By: /s/ Allen Dick Name: Allen Dick Title: Authorized Signatory

Allstate Life Insurance Company

By:/s/ Michael T. MoranName:Michael T. MoranTitle:Authorized Signatory

By: /s/ Allen Dick Name: Allen Dick Title: Authorized Signatory

ALLSTATE LIFE INSURANCE COMPANY OF NEW YORK

By:/s/ Michael T. MoranName:Michael T. MoranTitle:Authorized Signatory

By: /s/ Allen Dick

Name: Allen Dick Title: Authorized Signatory

PROVIDENT LIFE AND CASUALTY INSURANCE COMPANY

By: Provident Investment Management, LLC Its: Agent

By:/s/ Ben VanceName:Ben VanceTitle:Managing Director

UNUM LIFE INSURANCE COMPANY OF AMERICA

By: Provident Investment Management, LLC Its: Agent

By: /s/ Ben Vance

Name: Ben Vance Title: Managing Director

# MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

By: Babson Capital Management LC as Investment Adviser

By:/s/ John B. WheelerName:John B. WheelerTitle:Managing Director

C.M. LIFE INSURANCE COMPANY

By: Babson Capital Management LLC as Investment Adviser

By: /s/ John B. Wheeler

Name: John B. Wheeler Title: Managing Director

# MASSMUTUAL ASIA LIMITED

By: Babson Capital Management LLC as Investment Adviser

By: /s/ John B. Wheeler

Name: John B. Wheeler

Title: Managing Director

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: /s/ Justin P. Kavan Name: Justin P. Kavan

Title: Vice President

COMPANION LIFE INSURANCE COMPANY

By: /s/ Justin P. Kavan

Name: Justin P. Kavan Title: An Authorized Signer

BANKERS LIFE AND CASUALTY COMPANY COLONIAL PENN LIFE INSURANCE COMPANY CONSECO LIFE INSURANCE COMPANY WASHINGTON NATIONAL INSURANCE COMPANY

By: 40|86 Advisors, Inc. acting as Investment Advisor

By:/s/ Timothy L. PowellName:Timothy L. PowellTitle:Vice President

MODERN WOODMEN OF AMERICA

By:/s/ Douglas A. PannierName:Douglas A. PannierTitle:Private Placements - Group Head

PROTECTIVE LIFE INSURANCE COMPANY

By:/s/ Philip E. PassafiumeName:Philip E. PassafiumeTitle:Director, Fixed Income

SOUTHERN FARM BUREAU LIFE INSURANCE COMPANY

By:/s/ David DivineName:David DivineTitle:Portfolio Manager

CCG TRUST CORPORATION

By: /s/ Steven Blazevic Name: Steven Blazevic

Title: Managing Director

CUNA MUTUAL INSURANCE SOCIETY

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

By: /s/ Allen R. Cantrell

Name: Allen R. Cantrell

Title: Managing Director, Investments

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

By:/s/ Eve HamptonName:Eve HamptonTitle:Vice President, Investments

By:/s/ Paul RunnallsName:Paul RunnallsTitle:Manager, Investments

LIFE INSURANCE COMPANY OF THE SOUTHWEST

By: /s/ R. Scott Higgins

 By:
 Is respectively a second regime

 Name:
 R. Scott Higgins

 Title:
 Senior Vice President

 Sentinel Asset Management

PRIMERICA LIFE INSURANCE COMPANY

By: Conning, Inc., as Investment Manager

By: /s/ Samuel Otchere

Name: Samuel Otchere

Title: Director

SENIOR HEALTH INSURANCE COMPANY OF PENNSYLVANIA

By: Conning, Inc., as Investment Manager

By:/s/ Samuel OtchereName:Samuel OtchereTitle:Director

Exhibit 10.1.3

# EXECUTION VERSION

### PNG COMPANIES LLC

THIRD AMENDMENT Dated as of November 9, 2017 to

NOTE PURCHASE AGREEMENT Dated as of February 26, 2010

As Amended by the

FIRST AMENDMENT Dated as of August 10, 2011

And

SECOND AMENDMENT Dated as of August 22, 2013

Re: \$181,000,000 5.53% Series 2010-A Senior Secured Notes, Tranche 3, due February 26, 2020 \$150,000,000 2.43% Series 2013-A Senior Secured Notes, Tranche 1, due December 19, 2017 \$150,000,000 4.10% Series 2013-A Senior Secured Notes, Tranche 2, due December 19, 2023 \$114,000,000 4.25% Series 2013-A Senior Secured Notes, Tranche 3, due December 19, 2025 \$50,000,000 3.58% Series 2017-A Senior Secured Notes due July 14, 2024 \$50,499,999.95 4.26% Series 2017-B Senior Secured Notes due December 20, 2031

#### THIRD AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS THIRD AMENDMENT dated as of November 9, 2017 (this "Amendment") to the Note Purchase Agreement dated as of February 26, 2010 is between PNG COMPANIES LLC, a Delaware limited liability company (the "Company"), and each of the institutions which is named on the signature pages to this Amendment (collectively, the "Noteholders").

#### **RECITALS:**

A. The Company and each of the Noteholders have heretofore entered into that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by the First Amendment to Note Purchase Agreement dated as of August 10, 2011, the Second Amendment to Note Purchase Agreement dated as of August 22, 2013, that certain First Supplement to the Note Purchase Agreement dated as of December 12, 2013, that certain Second Supplement to the Note Purchase Agreement dated as of September 20, 2017, the "*Note Purchase Agreement*").

B. The Company has heretofore issued (1) \$181,000,000 aggregate principal amount of its 5.53% Series 2010-A Senior Secured Notes, Tranche 3, due February 26, 2020 (the "*Series 2010-A Notes*"), (2)(i) \$150,000,000 aggregate principal amount of its 2.43% Series 2013-A Senior Secured Notes, Tranche 1, due December 19, 2017 (the "*Series 2013-A Tranche 1 Notes*"), (ii) \$150,000,000 aggregate principal amount of its 4.10% Series 2013-A Senior Secured Notes, Tranche 2, due December 19, 2023 (the "*Series 2013-A Tranche 2 Notes*") and (iii) \$114,000,000 aggregate principal amount of its 4.25% Series 2013-A Senior Secured Notes, Tranche 3, due December 19, 2025 (the "*Series 2013-A Tranche 3 Notes*", together with the Series 2013-A Tranche 1 Notes and the Series 2013-A Tranche 2 Notes, collectively, the "*Series 2013-A Notes*"), (3) \$50,000,000 aggregate principal amount of its 4.26% Series 2017-A Senior Secured Notes, due July 14, 2024 (the "*Series 2017-A Notes*"), and (4) \$50,499,999.95 aggregate principal amount of its 4.26% Series 2017-B Senior Secured Notes, due December 20, 2031 (the "*Series 2017-B Notes*" said Series 2017-B Notes together with the Series 2010-A Notes, Series 2013-A Notes and Series 2017-A Notes are hereinafter referred to collectively as the "*Notes*") pursuant to the Note Purchase Agreement. The Noteholders are the holders of 100% of the outstanding principal amount of the Notes.

C. The Company and the Noteholders now desire to amend the Note Purchase Agreement in the respects, but only in the respects, hereinafter set forth.

D. Capitalized terms used herein shall have the respective meanings ascribed thereto in the Note Purchase Agreement unless herein defined or the context shall otherwise require.

E. All requirements of law have been fully complied with and all other acts and things necessary to make this Amendment a valid, legal and binding instrument according to its terms for the purposes herein expressed have been done or performed.

NOW, THEREFORE, upon the full and complete satisfaction of the conditions precedent to the effectiveness of this Amendment set forth in Section 3 hereof, and in consideration of good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Company and the Noteholders do hereby agree as follows:

## SECTION 1. AMENDMENTS.

Section 1.1 Section 2.2(c)(5) of the Note Purchase Agreement shall be amended and restated in its entirety to read as follows:

(5) immediately after giving effect to the issuance of such Additional Notes, the Notes (including such Additional Notes) shall have at least an Investment Grade Rating by at least two Rating Agencies and each holder of Notes shall have received evidence thereof; provided that in the event that, prior to such issuance, any Rating Agency does not have an Investment Grade Rating on the Notes, this condition shall be met in the event the Notes (including such Additional Notes) have at least the same rating as the Notes were rated immediately prior to such issuance by such Rating Agency and each holder of Notes shall have received evidence thereof.

Section 1.2 Section 5.16 of the Note Purchase Agreement shall be amended and restated in its entirety to read as follows:

Section 5.16 Foreign Assets Control Regulations, Etc.

(a) Neither the Company nor any Controlled Entity (i) is a Blocked Person, (ii) has been notified that its name appears or may in the future appear on a State Sanctions List or (iii) is a target of sanctions that have been imposed by the United Nations, Canada or the European Union.

(b) Neither the Company nor any Controlled Entity (i) has violated, been found in violation of, or been charged or convicted under, any applicable U.S. Economic Sanctions Laws, Canadian Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws or (ii) to the Company's knowledge, is under investigation by any Governmental Authority for possible violation of any U.S. Economic Sanctions Laws, Canadian Economic Laws or Anti-Corruption Laws, Canadian Economic Sanctions Laws, Canadian Economic Sanct

(c) No part of the proceeds from the sale of the Notes hereunder:

(1) constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (A) in connection with any investment in, or any transactions or dealings with, any Blocked Person,
(B) for any purpose that would cause any Purchaser to be in violation of any U.S. Economic Sanctions Laws, Canadian Economic Sanctions Laws or (C) otherwise in violation of any U.S. Economic Sanctions Laws;

(2) will be used, directly or indirectly, in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Money Laundering Laws; or

(3) will be used, directly or indirectly, for the purpose of making any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage, in each case which would be in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Corruption Laws.

(d) The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable U.S. Economic Sanctions Laws, Canadian Economic Sanctions Laws, Anti-Money Laundering Laws and Anti-Corruption Laws.

Section 1.3 Section 8.7(h) of the Note Purchase Agreement shall be amended and restated in its entirety to read as follows:

"*Change of Control*" shall mean (1) the Sponsor and its Affiliates shall cease to directly or indirectly own and control 51% of the economic and voting interests in the Company or (2) the Company shall cease to directly own and control 100% of the economic and voting interests in Peoples and each Equitable Company other than the Immaterial PNG Subsidiaries (but only to the extent such Equitable Company has not merged with and into Peoples); provided, that the event specified in clause (1) above shall not constitute a "Change of Control" if subsequent to the announcement of the event giving rise to (1) and prior to the occurrence of such event the Notes have an Investment Grade Rating from at least two Rating Agencies and each holder of Notes shall have received evidence thereof.

Section 1.4 Section 9.11 of the Note Purchase Agreement shall be amended and restated in its entirety to read as follows:

Section 9.11 Maintenance of Ratings. The Company shall continue to use commercially reasonable efforts to (a) maintain a rating of the Notes by at least two Rating Agencies and (b) cause each such rating of the Notes to identify each Series and tranche of Notes by maturity date and CUSIP; provided that no on-going minimum rating shall be required.

Section 1.5 Section 10.3 of the Note Purchase Agreement shall be amended and restated in its entirety to read as follows:

Section 10.3 Limitation on Debt. The Company will not, at any time, permit Subsidiary Debt (including Indebtedness of a Subsidiary under any HGI Facility) to exceed an amount equal to 20% of Consolidated Total Net Worth as of the end of the then most recently ended fiscal quarter of the Company; provided that in no event shall the amount of Subsidiary Debt permitted pursuant to this Section 10.3 at any time exceed the amount of Subsidiary Debt then permitted to be outstanding under the Credit Agreement (without giving effect to any amendment or waiver thereof entered into after the occurrence and during the continuance of a Default or Event of Default). The Company will not at any time, permit the incurrence of any Indebtedness unless (i) the Consolidated Debt to Capitalization Ratio as of the most recently ended fiscal quarter prior to the incurrence of such Indebtedness, calculated on a pro forma basis, after giving effect to such incurrence as if such incurrence had occurred on the first day of such fiscal

quarter, shall be no greater than 0.60 to 1.00, (ii) immediately before and immediately after giving effect to the incurrence of such Indebtedness and the use of the proceeds thereof, no Default or Event of Default shall have occurred and be continuing and (iii) solely in connection with any Indebtedness used to refinance a portion (but less than all) of the Notes, such Indebtedness shall not have terms, other than pricing, more favorable to the providers of such Indebtedness than the terms of this Agreement unless consented to by the Required Holders.

Section 1.6 Section 10.15 of the Note Purchase Agreement shall be amended and restated in its entirety to read as follows:

Section 10.15. Economic Sanctions, Etc. The Company will not, and will not permit any Controlled Entity to (a) become (including by virtue of being owned or controlled by a Blocked Person), own or control a Blocked Person or (b) directly or indirectly have any investment in or engage in any dealing or transaction (including any investment, dealing or transaction involving the proceeds of the Notes) with any Person if such investment, dealing or transaction (i) would cause any holder or any affiliate of such holder to be in violation of, or subject to sanctions under, any law or regulation applicable to such holder, or (ii) is prohibited by or subject to sanctions under any U.S. Economic Sanctions Laws or Canadian Economic Sanctions Laws.

*Section 1.7* Schedule B to the Note Purchase Agreement is hereby amended by adding or amending and restating, as applicable, in the correct alphabetical order the following definitions:

*"Anti-Corruption Laws"* shall mean any law or regulation in a U.S. or any non-U.S. jurisdiction regarding bribery or any other corrupt activity, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010.

"Anti-Money Laundering Laws" shall mean any law or regulation in a U.S. or any non-U.S. jurisdiction regarding money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes, including the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act) and the USA PATRIOT Act.

"Blocked Person" shall mean (a) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by OFAC, (b) a Canadian Blocked Person, (c) a Person, entity, organization, country or regime that is blocked or a target of sanctions that have been imposed under U.S. Economic Sanctions Laws or Canadian Economic Sanctions Laws or (d) a Person that is an agent, department or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, any Person, entity, organization, country or regime described in clause (a), (b) or (c).

*"Canadian Blocked Person"* shall mean (i) a *"terrorist group"* as defined for the purposes of Part II.1 of the Criminal Code (Canada), as amended or (ii) a Person identified in or pursuant to (x) Part II.1 of the Criminal Code (Canada), as amended or (y) regulations or orders promulgated pursuant to the Special Economic Measures Act (Canada), as amended, the United Nations Act (Canada), as amended, or the Freezing Assets of Corrupt Foreign Officials Act (Canada), as amended, in any case pursuant to this clause (ii) as a Person in respect of whose property or benefit a holder of Notes would be prohibited from entering into or facilitating a related financial transaction.

*"Canadian Economic Sanctions Laws"* shall mean those laws, including enabling legislation, orders-in-council or other regulations administered and enforced by Canada or a political subdivision of Canada pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including Part II.1 of the Criminal Code (Canada), as amended, the Special Economic Measures Act (Canada), as amended, the United Nations Act (Canada), as amended, the Export and Import Permits Act (Canada), as amended, and the Freezing Assets of Corrupt Foreign Officials Act (Canada), as amended, and including all regulations promulgated under any of the foregoing, or any other similar sanctions program or action.

"*Control*" shall mean 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; and the terms "Controlled" and "Controlling" shall have meanings correlative to the foregoing.

*"Controlled Entity"* shall mean (a) any of the Subsidiaries of the Company and any of their or the Company's respective Controlled Affiliates and (b) if the Company has a parent company, such parent company and its Controlled Affiliates.

*"EQT Acquisition"* shall mean the acquisition by the Company of all of the stock of the Equitable Companies pursuant to the EQT Acquisition Documentation.

*"EQT Acquisition Documentation"* shall mean the Master Purchase Agreement dated as of December 19, 2012 among the Company, EQT Corporation and Distribution Holdco, LLC and the Asset Exchange Agreement dated as of December 19, 2012 between the Company and EQT Corporation and all schedules, exhibits and annexes thereto and all side letters and agreements affecting the terms thereof or entered into in connection therewith.

*"Equitable Companies"* shall mean Equitable Gas Company, LLC and Equitable Homeworks, LLC; *provided* that after the effectiveness of the EQT Acquisition, the assets and liabilities of the referenced entities may be transferred among such entities and several other wholly-owned Subsidiaries of the Company, in which case, "Equitable Companies" shall mean all such entities.

"Governmental Authority" shall mean

(a) the government of

(1) the United States of America, Canada, any State or province or other political subdivision thereof, or

(2) any other 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.

*"Immaterial PNG Subsidiaries"* shall mean (a) Peoples Gas KY LLC, a Kentucky limited liability company, (but only if it holds no assets or substantially all of its assets consist of the jurisdictional assets located in Kentucky which were acquired in connection with the EQT Acquisition), (b) Peoples Gas WV LLC, a West Virginia limited liability company, (but only if it holds no assets or substantially all of its assets consist of the jurisdictional assets located in were acquired in connection with the EQT Acquisition), (c) Equitable Homeworks, LLC (but only if such entity does not acquire additional material assets after the consummation of the EQT Acquisition), (d) PNG Gathering LLC, a Delaware limited liability company, (but only if it holds no assets consist of the jurisdictional assets located in connection with the EQT Acquisition assets located in Pennsylvania which were acquired in connection with the EQT Acquisition and Tombaugh gathering systems), (e) Peoples Midstream Holdings, LLC, a Pennsylvania limited liability company, (but only if it holds no assets), and (f) Peoples Homeworks, LLC, to the extent Equitable Homeworks, LLC, would constitute an Immaterial PNG Subsidiary pursuant to clause (c) above).

"OFAC" shall mean the Office of Foreign Assets Control of the United States Department of the Treasury.

*"S&P"* shall mean S&P Global Ratings, a division of S&P Global, Inc.

*"State Sanctions List"* shall mean a list that is adopted by any state Governmental Authority within the United States of America pertaining to Persons that engage in investment or other commercial activities in Iran or any other country that is a target of economic sanctions imposed under U.S. Economic Sanctions Laws.

*"U.S. Economic Sanctions Laws"* shall mean those laws, executive orders, enabling legislation or regulations administered and enforced by the United States pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Iran Sanctions Act, the Sudan Accountability and Divestment Act and any other OFAC Sanctions Program.

*Section 1.8* Clause (h) in the definition of Permitted Acquisition in Schedule B to the Note Purchase Agreement is hereby amended and restated in its entirety to read as follows:

(h) after the announcement of the Add-On Acquisition and prior to the completion of the Add-On Acquisition, the Notes will have at least an Investment Grade Rating from two Rating Agencies and each holder of Notes shall have received evidence thereof; provided that in the event that, prior, to the announcement of such Add-On Acquisition, any Rating Agency does not have an Investment Grade Rating on the Notes, this condition shall be met in the event the Notes have at least the same rating as the Notes were rated immediately prior to such announcement by such Rating Agency and each holder of Notes shall have received evidence thereof;

Section 1.9 Schedule B to the Note Purchase Agreement is hereby amended by deleting the following definitions:

#### CISADA

### OFAC Listed Person

#### SECTION 2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

In order to induce the Noteholders to execute and deliver this Amendment (which representations shall survive the execution and delivery of this Amendment), the Company represents and warrants to the Noteholders that:

(a) this Amendment has been duly authorized, executed and delivered by it and this Amendment constitutes the legal, valid and binding obligation, contract and agreement of the Company enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

(b) the execution, delivery and performance by the Company of this Amendment and performance by the Company of the terms of the Note Purchase Agreement, as amended by this Amendment, (i) have been duly authorized by all requisite company action and, if required, member action, (ii) do not require the consent or approval of any governmental or regulatory body or agency, except consents or approvals (A) described in Schedule 5.7 to the Note Purchase Agreement, which have been obtained or made, are in full force and effect and are not subject to appeal or any condition which has not been satisfied or (B) the failure of which to obtain could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (iii) will not (A) violate (1) any provision of law, statute, rule or regulation applicable to the Company or its organizational documents, (2) any order of any court or any rule, regulation or order of any other agency or government binding upon it or (3) any provision of any indenture, agreement or other instrument to which it is a party or by which its properties or assets are or may be bound or (B) result in a breach of, or constitute (alone or with due notice or lapse of time or both) a default under any indenture, agreement or other instrument referred to in clause (iii)(A)(3) of this Section 2(b); and

(c) no Default or Event of Default has occurred and is continuing.

## SECTION 3. CONDITIONS TO EFFECTIVENESS OF THIS AMENDMENT.

Upon satisfaction of each of the following conditions, this Third Amendment shall become effective on and as of November 9, 2017:

(a) executed counterparts of this Amendment, duly executed by the Company and the holders of the Notes under the Note Purchase Agreement, shall have been delivered to the Noteholders;

(b) the representations and warranties of the Company set forth in Section 2 hereof are true and correct on and with respect to the date hereof; and

(c) the Company shall have paid the reasonable fees and expenses of Schiff Hardin LLP, special counsel to the Noteholders, in connection with the negotiation, preparation, approval, execution and delivery of this Amendment.

#### SECTION 4. MISCELLANEOUS.

Section 4.1 This Amendment shall be construed in connection with and as part of the Note Purchase Agreement, and except as expressly amended by this Amendment, all terms, conditions and covenants contained in the Note Purchase Agreement, the Notes and each Security Document are hereby ratified and shall be and remain in full force and effect. On and after the date hereof each reference in the Note Purchase Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring to the Note Purchase Agreement, and each reference in each of the Security Documents or Notes to "the Note Purchase Agreement," "thereof" or words of like import referring to the Note Purchase Agreement, shall mean and be a reference to the Note Purchase Agreement as amended by this Amendment.

Section 4.2 The descriptive headings of the various Sections or parts of this Amendment are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

*Section 4.3* This Amendment shall be governed by and construed 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.

#### \* \* \* \* \* \* \* \* \*

[Remainder of page intentionally left blank.]

The execution hereof by you shall constitute a contract between us for the uses and purposes hereinabove set forth, and this Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but all together only one agreement.

PNG COMPANIES LLC

By: /s/ Preston Poljak

Name: Preston Poljak Title: Senior Vice President and Chief Financial Officer

PRUDENTIAL LEGACY INSURANCE COMPANY OF NEW JERSEY

- By: PGIM, Inc., as investment manager
- By: /s/ BL

Vice President

THE GIBRALTAR LIFE INSURANCE CO., LTD.

- By: Prudential Investment Management Japan Co., Ltd., as Investment Manager
- By: PGIM, Inc., as Sub-Adviser
- By: /s/ BL

Vice President

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/ BL

Vice President

METROPOLITAN LIFE INSURANCE COMPANY

GENERAL AMERICAN LIFE INSURANCE COMPANY

By: Metropolitan Life Insurance Company, its Investment Manager

 By:
 /s/ John A. Wills

 Name:
 John A. Wills

 Title:
 Senior Vice President and Managing Director

 BRIGHTHOUSE LIFE INSURANCE COMPANY OF NY

 By:
 MetLife Investment Advisors, LLC, Its Investment Manager

By: /s/ C. Scott Inglis

Name: C. Scott Inglis

Title: Senior Vice President and Managing Director

VOYA INSURANCE AND ANNUITY COMPANY (f/k/a ING USA Annuity and Life Insurance Company) VOYA RETIREMENT INSURANCE AND ANNUITY COMPANY (f/k/a ING Life Insurance and Annuity Company) SECURITY LIFE OF DENVER INSURANCE COMPANY RELIASTAR LIFE INSURANCE COMPANY RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK

By: Voya Investment Management LLC, as Agent

By:/s/ Fitzhugh L. Wickham IIIName:Fitzhugh L. Wickham IIITitle:Vice President

THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY

By:/s/ Howard SternName:Howard SternTitleManaging Director

BANNER LIFE INSURANCE COMPANY By: Barings LLC as its Investment Adviser

By: /s/ John B. Wheeler Name: John B. Wheeler Its: Managing Director

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY By: Barings LLC as its Investment Adviser

By: /s/ John B. Wheeler Name: John B. Wheeler

Its: Managing Director

C.M. LIFE INSURANCE COMPANY By: Barings LLC as its Investment Adviser

By:/s/ John B. WheelerName:John B. WheelerIts:Managing Director

MASSMUTUAL ASIA LIMITED By: Barings LLC as Investment Adviser

By: /s/ John B. Wheeler

Name: John B. Wheeler Its: Managing Director

# PACIFIC LIFE INSURANCE COMPANY

By:/s/ Violet OsterbergName:Violet OsterbergTitle:Assistant Vice Presesident

By:/s/ Matthew A. LeveneName:Matthew A. LeveneTitle:Assistant Secretary

THRIVENT FINANCIAL FOR LUTHERANS

By: /s/ Christopher Patton

Name: Christopher Patton Title: Managing Director

JACKSON NATIONAL LIFE INSURANCE COMPANY By: PPM America, Inc., as attorney in fact, on behalf of Jackson National Life Insurance Company

By:/s/ Elena S. UngerName:Elena S. UngerTitle:Vice President

THE PRUDENTIAL ASSURANCE COMPANY LIMITED By: PPM America Inc., as attorney in fact, on behalf of The Prudential Assurance Company Limited

By:/s/ Elena S. UngerName:Elena S. UngerTitle:Vice President

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

By:/s/ Gwendolyn S. FosterName:Gwendolyn S. FosterTitle:Senior Director

THE GUARDIAN INSURANCE & ANNUITY COMPANY, INC.

By: /s/ Gwendolyn S. Foster Name: Gwendolyn S. Foster

Title: Senior Director

AXA EQUITABLE LIFE INSURANCE COMPANY

By:/s/ Amy JuddName:Amy JuddTitle:Investment Officer

BAND & CO. AS NOMINEE FOR GERBER LIFE INSURANCE COMPANY

By:/s/ Steven TragerName:Steven TragerTitle:VP / Account ManagerITFC Client Services

MODERN WOODMEN OF AMERICA

By:/s/ Douglas A. PannierName:Douglas A. PannierTitle:Group Head – Private Placements

By:/s/ Christopher M. CramerName:Christopher M. CramerTitle:Manager – Fixed Income

NATIONWIDE MUTUAL INSURANCE COMPANY

By:/s/ Mary Beth CadleName:Mary Beth CadleTitle:Authorized Signatory

# KNIGHTS OF COLUMBUS

By: /s/ Gilles Marchand

Name:Gilles MarchandTitle:VP, Credit Portfolio Manager

UNUM LIFE INSURANCE COMPANY OF AMERICABy:Provident Investment Management, LLCIts:Agent

By:/s/ Ben VanceName:Ben VanceTitle:Vice President, Senior Managing Director

 PROVIDENT LIFE AND CASUALTY INSURANCE COMPANY

 By:
 Provident Investment Management, LLC

 Its:
 Agent

By:	/s/ Ben Vance
Name:	Ben Vance
Title:	Vice President, Senior Managing Director

HARTFORD LIFE AND ACCIDENT INSURANCE COMPANY HARTFORD LIFE INSURANCE COMPANY

By: Hartford Investment Management Company, Their Agent and Attorney-in-Fact

By:/s/ DAWN BRUNEAUName:DAWN BRUNEAUTitle:VICE PRESIDENT

AMERICAN UNITED LIFE INSURANCE COMPANY

By:/s/ Michael I. BullockName:Michael I. BullockTitle:Vice President, Private Placements

 THE STATE LIFE INSURANCE COMPANY

 By:
 American United Life Insurance Company

 Its:
 Agent

By:/s/ Michael I. BullockName:Michael I. BullockTitle:Vice President, Private PlacementsUNITED FARM FAMILY LIFE INSURANCE COMPANYBy:American United Life Insurance CompanyIts:Agent

By:/s/ Michael I. BullockName:Michael I. BullockTitle:Vice President, Private Placements

PRINCIPAL LIFE INSURANCE COMPANY

- By: Principal Global Investors, LLC a Delaware limited liability company, its authorized signatory
- By: /s/ Colin Pennycooke Colin Pennycooke, Counsel
- By: /s/ Eldwin A. Nichols Eldwin A. Nichols Counsel

PRINCIPAL LIFE INSURANCE COMPANY, ON BEHALF OF ONE OR MORE SEPARATE ACCOUNTS

- By: Principal Global Investors, LLC a Delaware limited liability company, its authorized signatory
- By: /s/ Colin Pennycooke Colin Pennycooke, Counsel
- By: /s/ Eldwin A. Nichols

Eldwin A. Nichols Counsel

BANKERS LIFE AND CASUALTY COMPANY
WASHINGTON NATIONAL INSURANCE COMPANY
COLONIAL PENN LIFE INSURANCE COMPANY
By: 40|86 Advisors, Inc., Acting as Investment Advisor

By:/s/ Jesse E. HorsfallName:Jesse E. HorsfallTitle:SVP

LIFE INSURANCE COMPANY OF THE SOUTHWEST

By: /s/ Andrew Ebersole

Name: Andrew Ebersole Title: Head of Private Placements Sentinel Asset Management, Inc.

THE PHOENIX INSURANCE COMPANY

By: /s/ Michael P. Kroening

Name: Michael P. Kroening Title: Senior Vice President

PROTECTIVE LIFE INSURANCE COMPANY

By:/s/ Philip E. PassafiumeName:Philip E. PassafiumeTitle:Director, Fixed Income

SUN LIFE ASSURANCE COMPANY OF CANADA, ACTING THROUGH ITS U.S. BRANCH

 By:
 /s/ Usman Bajwa

 Name:
 Usman Bajwa

 Title:
 Senior Director

 Private Fixed Income

By: /s/ Stephen Kicinski

Name: Stephen Kicinski Title: Senior Managing Director Private Fixed Income

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: /s/ Lee R. Martin

Lee R. Martin Vice President

UNITED WORLD LIFE INSURANCE COMPANY

By: /s/ Lee R. Martin

Lee R. Martin An Authorized Signer

MUTUAL OF OMAHA INSURANCE COMPANY

By: /s/ Lee R. Martin

Lee R. Martin Vice President

SOUTHERN FARM BUREAU LIFE INSURANCE COMPANY

By:/s/ David DivineName:David DivineTitle:Senior Portfolio Manager

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

By: NYL Investors LLC, its Investment Manager

By: /s/ Jessica L. Maizel

Name: Jessica L. Maizel Title: Senior Director

NEW YORK LIFE INSURANCE COMPANY

By:/s/ Jessica L. MaizelName:Jessica L. MaizelTitle:Corporate Vice President

# GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

By:/s/ Eve HamptonName:Eve HamptonTitle:Vice President, Investments

By: /s/ Tad Anderson

Name: Tad Anderson Title: Assistant Vice President, Investments

PRIMERICA LIFE INSURANCE COMPANY By: Conning, Inc., as Investment Manager

By: /s/ Samuel Otchere Name: Samuel Otchere Title: Director

SENIOR HEALTH INSURANCE COMPANY OF PENNSYLVANIA By: Conning, Inc., as Investment Manager

By: /s/ Samuel Otchere Name: Samuel Otchere Title: Director

CMFG LIFE INSURANCE COMPANY (f/k/a CUNA Mutual Insurance Society) By: MEMBERS Capital Advisors, Inc. acting as Investment Advisor

By:/s/ Anne M. FinucaneName:Anne M. FinucaneTitle:Managing Director, Investments

UNITEDHEALTHCARE INSURANCE COMPANY WESTERN FRATERNAL LIFE ASSOCIATION Advantus Capital Management, Inc. By:

/s/ Theodore R. Hoxmeler By:

Name: Theodore R. Hoxmeler Title: Vice President

WILCO LIFE INSURANCE COMPANY By: Guggenheim Partners Investment Management, LLC, as Advisor

By: /s/ Kevin M. Robinson

Name: Kevin M. Robinson Title: Attorney-in-Fact

PNG COMPANIES LLC

FIRST SUPPLEMENT TO NOTE PURCHASE AGREEMENT

Dated as of December 12, 2013

Re: \$150,000,000 2.43% Series 2013-A Senior Secured Notes, Tranche 1, due December 19, 2017

\$150,000,000 4.10% Series 2013-A Senior Secured Notes, Tranche 2, due December 19, 2023

\$114,000,000 4.25% Series 2013-A Senior Secured Notes, Tranche 3, due December 19, 2025

Dated as of December 12, 2013

To the Purchasers listed in the attached Schedule A hereto

### Ladies and Gentlemen:

This First Supplement to Note Purchase Agreement (this "*First Supplement*") is between PNG COMPANIES LLC, a Delaware limited liability company (the "*Company*"), and the institutional investors named on Schedule A attached hereto (the "*Purchasers*").

Reference is hereby made to that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011 and that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013, the "*Note Purchase Agreement*") between the Company and the purchasers listed on Schedule A thereto. All capitalized terms not otherwise defined herein shall have the same meaning as specified in the Note Purchase Agreement. Reference is further made to Section 2.2(c)(2) of the Note Purchase Agreement which requires that, prior to the delivery of any Additional Notes, the Company and each Additional Purchaser shall execute and deliver a Supplement.

#### The Company hereby agrees with the Purchasers as follows:

1. The Company has authorized the issue and sale of \$414,000,000 aggregate principal amount of its Series 2013-A Senior Secured Notes consisting of (a) \$150,000,000 aggregate principal amount of its 2.43% Series 2013-A Senior Secured Notes, Tranche 1, due December 19, 2017 (the *"Series 2013-A Tranche 1 Notes"*), (b) \$150,000,000 aggregate principal amount of its 4.10% Series 2013-A Senior Secured Notes, Tranche 2, due December 19, 2023 (the *"Series 2013-A Tranche 2 Notes"*) and (c) \$114,000,000 aggregate principal amount of its 4.25% Series 2013-A Senior Secured Notes, Tranche 3, due December 19, 2025 (the *"Series 2013-A Tranche 3 Notes"*). The Series 2013-A Tranche 1 Notes, the Series 2013-A Tranche 2 Notes and the Series 2013-A Tranche 3 Notes are collectively referred to as the *"Series 2013-A Notes."* The Series 2013-A Notes, together with the Series 2010-A Notes initially issued pursuant to the Note Purchase Agreement and each series of Additional Notes which may from time to time hereafter be issued pursuant to the provisions of Section 2.2 of the Note Purchase Agreement, are collectively referred to as the *"Notes"* (such term shall also include any such notes issued in substitution therefor pursuant to

Section 13 of the Note Purchase Agreement). The Series 2013-A Tranche 1 Notes, the Series 2013-A Tranche 2 Notes and the Series 2013-A Tranche 3 Notes shall be substantially in the form set out in Exhibit 1(a), Exhibit 1(b) and Exhibit 1(c) hereto, respectively, with such changes therefrom, if any, as may be approved by the Purchasers and the Company.

2. Subject to the terms and conditions hereof and as set forth in the Note Purchase Agreement and on the basis of the representations and warranties hereinafter set forth, the Company will issue and sell to each Purchaser, at the Closing provided for in Section 3, and each Purchaser will purchase from the Company, Series 2013-A Notes of the tranche and in the principal amount specified opposite such Purchaser's name in Schedule A hereto at a price of 100% of the principal amount thereof. The obligations of each Purchaser hereunder are several and not joint obligations and no Purchaser shall have any obligation or any liability to any Person for the performance or nonperformance by any other Purchaser hereunder.

3. The execution and delivery of this First Supplement shall occur on December 12, 2013 (the "*Execution Date*"). The sale and purchase of the Series 2013-A Notes to be purchased by each Purchaser shall occur at the offices of Schiff Hardin LLP, 666 Fifth Avenue, 17th Floor, New York, New York 10103 at 11:00 a.m. New York, New York time, at a closing (the "*Closing*") on December 19, 2013 or on such other Business Day thereafter on or prior to February 7, 2014 as may be agreed upon by the Company and the Purchasers (the "*Closing Date*"). At the Closing, the Company will deliver to each Purchaser the Series 2013-A Notes of each tranche to be purchased by such Purchaser in the form of a single Series 2013-A Note of such tranche (or such greater number of Series 2013-A Notes of such tranche in denominations of at least \$100,000 as such Purchaser may request) dated the date of the Closing and registered in such Purchaser's name (or in the name of such Purchaser's nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account designated by the Company in accordance with the funding instructions described in Section 4(m). If, at the Closing, the Company shall fail to tender such Series 2013-A Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to any Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this First Supplement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

4. The obligation of each Purchaser to purchase and pay for the Series 2013-A Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to the Closing, of the following conditions:

(a) Except as deemed modified or substituted and replaced by the representations and warranties set forth in Exhibit A hereto, each of the representations and warranties of the Company set forth in Section 5 of the Note Purchase Agreement shall be true and correct as of the Execution Date and as of the Closing Date.

(b) The Company shall have performed and complied with all agreements and conditions contained in the Note Purchase Agreement as supplemented by the First Supplement and the Security Documents required to be performed or complied with by it prior to or on the Closing Date and from the date of the First Supplement to the Closing

-2-

Date, and after giving effect to the issue and sale of the Series 2013-A Notes (and the application of the proceeds thereof as contemplated by Section 5.14 of Exhibit A hereto), no Default or Event of Default shall have occurred and be continuing and no waiver of Default or Event of Default shall be in effect.

(c) The Company shall have delivered to such Purchaser:

(i) an Officer's Certificate, dated the Closing Date, certifying that the conditions specified in Sections 4(a), (b) and (l) have been fulfilled;

(ii) an Officer's Certificate executed by a duly authorized Senior Financial Officer stating that such officer has reviewed the provisions of the Note Purchase Agreement (including this First Supplement) and setting forth the information and computations (in sufficient detail) required to establish whether after giving effect to the issuance of the Series 2013-A Notes and after giving effect to the application of the proceeds thereof, the Company will be in compliance with the requirements of Sections 10.1, 10.2 and 10.3 of the Note Purchase Agreement on such date; and

(iii) a certificate of its Secretary, Assistant Secretary or other officer, dated the Closing Date, certifying as to the resolutions attached thereto and other limited liability company proceedings relating to the authorization, execution and delivery of the Series 2013-A Notes and this First Supplement.

(d) Each Security Document shall be in full force and effect and such Purchaser shall have received a duly executed copy thereof. The Company shall have delivered any certificates representing the issued and outstanding Capital Stock pledged under the Security Documents and instruments of assignment executed in blank to the Collateral Agent. Pursuant to the Security Documents, the Collateral Agent, for the equal and ratable benefit of the Purchasers, the other holders of Notes and the Lenders, shall have a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted to be prior pursuant to Section 10.4 of the Note Purchase Agreement). Such Purchaser shall have received the results of a recent Lien search with respect to the Company, and such search shall reveal no Liens on any of the assets of the Company except for Liens permitted by Section 10.4 of the Note Purchase Agreement or discharged on or prior to the Closing Date pursuant to documentation satisfactory to such Purchaser.

(e) Each Purchaser shall have become a party to the Intercreditor Agreement pursuant to a Joinder to Intercreditor Agreement in the form attached thereto.

(f) Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the Closing Date (i) from O'Melveny & Myers LLP, counsel for the Company, covering the matters set forth in Exhibit 4(f)(i) to this First Supplement and covering such other matters incident to the transactions contemplated hereby as such Purchaser or special counsel to the Purchasers may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to such Purchaser),

-3-

(ii) from Post & Schell P.C., special Pennsylvania counsel for the Company, covering the matters set forth in Exhibit 4(f)(ii) to this First Supplement and covering such other matters incident to the transactions contemplated hereby as such Purchaser or special counsel to the Purchasers may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to such Purchaser) and (iii) from Schiff Hardin LLP, special counsel to the Purchasers in connection with such transactions, substantially in the form set forth in Exhibit 4(f)(iii) to this First Supplement and covering such other matters incident to such transactions as such Purchaser may reasonably request.

(g) On the Closing Date, such Purchaser's purchase of Series 2013-A Notes shall (i) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is 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 T, U or X of the Board of Governors of the Federal Reserve System) and (iii) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation. If requested by any Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

(h) Contemporaneously with the Closing, the Company shall sell to each other Purchaser and each other Purchaser shall purchase the Series 2013-A Notes to be purchased by it at the Closing as specified in Schedule A to this First Supplement.

(i) Without limiting the provisions of Section 15.1 of the Note Purchase Agreement, the Company shall have paid on or before the Closing the reasonable fees, charges and disbursements of special counsel to the Purchasers referred to in Section 4(f)(iii) to the extent reflected in a statement of such counsel rendered to the Company at least two Business Days prior to the date of the Closing.

(j) A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for each tranche of the Series 2013-A Notes.

(k) All consents, authorizations and approvals (including, without limitation, shareholders' consents) from, and all declarations, filings and registrations with, all Governmental Authorities or third parties that are necessary in connection with the Equitable Transaction and the issuance and sale of the Series 2013-A Notes and the other transactions contemplated hereby shall have been obtained, or made, and remain in full force and effect, free of any term, condition, restriction, imposed liability that is or any other provisions that are materially adverse to the operations and business of Peoples. Such Purchaser shall have received copies of any such consents, authorizations, declarations, filings and registrations issued by federal, Commonwealth of Pennsylvania, State of West Virginia and Commonwealth of Kentucky Governmental Authorities.

-4-

(1) The Company shall not have changed its jurisdiction of formation or organization, as applicable, or, except for the Equitable Transaction, been a party to any merger or consolidation or 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 referred to in Schedule 5.5 to this First Supplement.

(m) At least three Business Days prior to the date of Closing, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company directing the manner of the payment of funds and setting forth (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number, (iii) the account name and number into which the purchase price for the Series 2013-A Notes is to be deposited and (iv) the name and telephone number of the account representative responsible for verifying receipt of such funds.

(n) Such Purchaser shall have received a copy of (i) a ratings letter from at least one Rating Agency assigning the Series 2013-A Notes an Investment Grade Rating and (ii) letters from at least two Rating Agencies reaffirming that, immediately after giving effect to the issuance of the Series 2013-A Notes, the Notes (including the Series 2013-A Notes) shall be rated at least the same rating as the Notes were rated immediately prior to such issuance.

(o) The Note Purchase Agreement shall not have been amended, waived or otherwise modified subsequent to the date of the Memorandum except for amendments, waivers or modifications which are reasonably acceptable to such Purchaser.

(p) The Equitable Transaction shall have been consummated (prior to or simultaneously with the purchase and sale of the Series 2013-A Notes hereunder) in all material respects in accordance with the terms of the Equitable Acquisition Documentation after giving effect to any modifications, amendments, consents or waivers thereto reasonably acceptable to such Purchaser. Such Purchaser shall have received a copy of the Equitable Acquisition Documentation, including all amendments or supplements thereto, certified by an officer of the Company to be true and correct and in full force and effect as of the date of the Closing.

(q) All limited liability company and other proceedings in connection with the transactions contemplated by this First Supplement and all documents and instruments incident to such transactions shall be reasonably satisfactory to such Purchaser and special counsel to the Purchasers, and such Purchaser and special counsel to the Purchasers shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or special counsel to the Purchasers may reasonably request.

(r) The Company shall have delivered to each holder of Series 2010-A Notes (i) a copy of the Officer's Certificate referenced in clause (c) (ii) above and (ii) the ratings reaffirmation letters referenced in clause (n)(ii) above.

-5-

## 5. The following provisions shall apply to the Series 2013-A Notes:

(a) Pre-funding of Purchase Price of Series 2013-A Notes. Subject to the provisions of this Section 5(a), upon written notice from the Company to each Purchaser made at least three Business Days prior to the required funding date as further described under clause (3) below, each Purchaser agrees to fund the purchase price of the Series 2013-A Notes to be purchased by such Purchaser to the Escrow Account (as defined below) up to two Business Days prior to the anticipated closing date of the Equitable Transaction. Such notice shall state: (1) that such notice is being given by the Company in accordance with this Section 5(a), (2) the expected closing date of the Equitable Transaction, (3) the date the Purchasers are to deposit the purchase price of the Series 2013-A Notes into the Escrow Account which shall be a Business Day no more than two Business Days prior to the date specified in clause (2) above, (4) the wire instructions for funding such amounts which shall include: (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number, (iii) the account name and number into which the purchase price for the Series 2013-A Notes is to be deposited and (iv) the name and telephone number of the account representative responsible for verifying receipt of such funds and (5) in connection with such election, the Company agrees (i) to pay a fee on all amounts deposited in the Escrow Account equal to the interest that would have accrued on such amounts (at the rate applicable to the Series 2013-A Notes which are scheduled to be purchased by such Purchaser with such amounts) from the date such amounts are deposited into the Escrow Account until the earlier of (x) the date the conditions to the issuance and sale of the Series 2013-A Notes set forth in Section 4 of this First Supplement have been satisfied and the issuance and sale of the Series 2013-A Notes occurs and (y) the date the amounts deposited are returned to the Purchasers and (ii) solely in the event the amounts deposited into the Escrow Account are returned to the Purchasers, to pay each Purchaser an additional fee equal to 1.00% of the amount which such Purchaser deposited into the Escrow Account. Any amounts payable by the Company pursuant to clause (5) of the preceding sentence shall be paid (a) in the event the conditions to the issuance and sale of the Series 2013-A Notes are satisfied and the issuance and sale of the Series 2013-A Notes occurs, on the first interest payment date for the Series 2013-A Notes and (b) in the event the amounts deposited in the Escrow Account are returned to the Purchasers, within five Business Days of the date such amounts are returned.

For purposes of this Section 5(a), the following terms shall have the following meanings:

*"Escrow Account"* shall mean an escrow account established for the sole benefit of the Purchasers with an escrow agent (the *"Escrow Agent"*) acceptable to the Purchasers pursuant to the Escrow Agreement.

*"Escrow Agreement"* shall mean an escrow agreement in form and substance acceptable to the Purchasers which shall provide, among other things, that (1) the Escrow Account shall be for the sole benefit of the Purchasers of the Series 2013-A Notes, (2) amounts on deposit in the Escrow Account may only be used to either (i) pay the purchase price of the Series 2013-A Notes upon satisfaction of the conditions set forth in Section 4 of this First Supplement or (ii) if the conditions to the issuance and sale of the Series 2013-A Notes are not satisfied within 10 Business Days from the date such amounts were deposited in the Escrow Account, returned to the applicable Purchaser and (3) the costs and expenses of the Escrow Agent, the Escrow Agreement and the Escrow Account shall be paid by the Company.

-6-

(b) *Required Prepayments for the Series 2013-A Notes.* As provided therein, the Series 2013-A Notes shall not be subject to any required prepayments and the entire unpaid principal amount of each Series 2013-A Note shall be due and payable on the stated maturity date thereof.

(c) *Default Rate for the Series 2013-A Notes.* "*Default Rate*" shall mean, with respect to any Series 2013-A Note, that rate of interest that is the greater of (1) 2.00% per annum above the rate of interest stated in clause (a) of the first paragraph of such Series 2013-A Note or (2) 2.00% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A., in New York, New York as its "base" or "prime" rate.

(d) *Make-Whole Amount and Modified Make-Whole Amount for the Series 2013-A Notes.* The terms "*Make-Whole Amount*" and "*Modified Make-Whole Amount*" shall mean, with respect to any Series 2013-A 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 Series 2013-A Note over the amount of such Called Principal, *provided* that neither the Make-Whole Amount nor the Modified Make-Whole Amount may in any event be less than zero. For the purposes of determining the Make-Whole Amount and Modified Make-Whole Amount, the following terms have the following meanings:

"*Applicable Percentage*" in the case of a computation of the Modified Make-Whole Amount for purposes of Section 8.8 of the Note Purchase Agreement shall mean 1.00% (100 basis points), and in the case of a computation of the Make-Whole Amount for any other purpose shall mean 0.50% (50 basis points).

*"Called Principal"* shall mean, with respect to any Series 2013-A Note, the principal of such Series 2013-A Note that is to be prepaid pursuant to Section 8.2 or Section 8.8 of the Note Purchase Agreement or has become or is declared to be immediately due and payable pursuant to Section 12.1 of the Note Purchase Agreement, as the context requires.

"Discounted Value" shall mean, with respect to the Called Principal of any Series 2013-A 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 such Series 2013-A Note is payable) equal to the Reinvestment Yield with respect to such Called Principal.

-7-

*"Reinvestment Yield"* shall mean, with respect to the Called Principal of any Series 2013-A Note, the Applicable Percentage over the yield to maturity implied by (a) the yields reported as of 10:00 a.m. (New York, New York 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 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 (b) 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 (or any comparable successor publication) for U.S. Treasury Securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date.

In the case of each determination under clause (a) or clause (b), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (1) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (2) interpolating linearly between (i) the applicable actively traded on the run U.S. Treasury Security with the maturity closest to and greater than such Remaining Average Life and (ii) the applicable actively traded on the run 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 such Series 2013-A Note.

*"Remaining Average Life"* shall mean, with respect to any Called Principal of any Series 2013-A Note, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (a) such Called Principal into (b) the sum of the products obtained by multiplying (1) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (2) 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"* shall mean, with respect to the Called Principal of any Series 2013-A 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 Series 2013-A 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, Section 8.8 or Section 12.1 of the Note Purchase Agreement.

-8-

*"Settlement Date"* shall mean, with respect to the Called Principal of any Series 2013-A Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or Section 8.8 of the Note Purchase Agreement or has become or is declared to be immediately due and payable pursuant to Section 12.1 of the Note Purchase Agreement, as the context requires.

(e) *Financial Statements of the Equitable Companies.* So long as any Series 2013-A Note remains outstanding, notwithstanding anything contained in Section 7.1 of the Note Purchase Agreement, if as of the last day of any fiscal quarter or fiscal year of the Company the Equitable Companies have not been merged into Peoples, then, within the respective periods provided in Section 7.1(a) and (b) of the Note Purchase Agreement, the Company shall deliver to each holder of Notes that is an Institutional Investor, financial statements of the character and for the dates and periods as in said Sections 7.1(a) and (b) of the Note Purchase Agreement for such fiscal quarter or fiscal year, as applicable, covering the Equitable Companies other than the Immaterial PNG Subsidiaries (but only to the extent such Equitable Company has not merged with and into Peoples) (on a consolidated basis), together with a consolidating statement reflecting eliminations or adjustments required to reconcile the financial statements of the Equitable Companies to the financial statements delivered pursuant to Sections 7.1(a) and (b) of the Note Purchase Agreement.

(f) Addition to the Definition of "Change of Control". So long as any Series 2013-A Note remains outstanding, it shall constitute a Change of Control under the Note Purchase Agreement if Peoples shall cease to directly own and control 100% of the economic and voting interests of each Equitable Company other than the Immaterial PNG Subsidiaries (but only to the extent such Equitable Company has not merged with and into Peoples).

#### (g) Additional Definitions.

*"EQT Acquisition"* shall mean the acquisition by the Company of all of the stock of the Equitable Companies pursuant to the EQT Acquisition Documentation.

*"Equitable Acquisition Documentation"* shall mean the Master Purchase Agreement dated as of December 19, 2012 among the Company, EQT Corporation and Distribution Holdco, LLC and the Asset Exchange Agreement dated as of December 19, 2012 between the Company and EQT Corporation and all schedules, exhibits and annexes thereto and all side letters and agreements affecting the terms thereof or entered into in connection therewith.

*"Equitable Companies"* shall mean Equitable Gas Company, LLC and Equitable Homeworks, LLC; *provided* that after the effectiveness of the EQT Acquisition, the assets and liabilities of the referenced entities may be transferred among such entities and several other wholly-owned Subsidiaries of the Company, in which case, "Equitable Companies" shall mean all such entities.

-9-

*"Immaterial PNG Subsidiaries"* shall mean (a) Peoples Gas KY LLC, a Kentucky limited liability company, (but only if it holds no assets or substantially all of its assets consist of the jurisdictional assets located in Kentucky which were acquired in connection with the EQT Acquisition), (b) Peoples Gas WV LLC, a West Virginia limited liability company, (but only if it holds no assets or substantially all of its assets consist of the jurisdictional assets located in West Virginia which were acquired in connection with the EQT Acquisition), (c) Equitable Homeworks, LLC (but only if such entity does not acquire additional material assets after the consummation of the EQT Acquisition), (d) PNG Gathering LLC, a Delaware limited liability company, (but only if it holds no assets or substantially all of its assets consist of the jurisdictional assets located in Pennsylvania which were acquired in connection with the EQT Acquisition and solely relate to the Goodwin and Tombaugh gathering systems), (e) Peoples Midstream Holdings, LLC, a Pennsylvania limited liability company, (but only if it holds no assets), and (f) Peoples Homeworks LLC, a Delaware limited liability company, (but only if it holds no assets or substantially all of its assets consist of the assets consist of the assets of Equitable Homeworks, LLC, to the extent Equitable Homeworks, LLC, would constitute an Immaterial PNG Subsidiary pursuant to clause (c) above).

(h) Amendments to Note Purchase Agreement after Payment of Series 2010-A Notes. The Note Purchase Agreement is hereby amended as follows, and such amendments shall become effective automatically upon the payment in full of the Series 2010-A Notes:

(i) Section 2.2(c)(1) of the Note Purchase Agreement shall be amended by deleting the reference to "10.1," contained therein.

(ii) Section 7.2(a) of the Note Purchase Agreement shall be amended by deleting the reference to "Section 10.1 through Section 10.3, inclusive," contained therein and inserting "Section 10.2, Section 10.3" in lieu thereof.

(iii) Section 10.1 of the Note Purchase Agreement shall be deleted in its entirety and the following shall be inserted in lieu thereof:

"Section 10.1 [Reserved]."

(iv) Section 10.5(b) of the Note Purchase Agreement shall be amended and restated in its entirety to read as follows:

(b) so long as no Default or Event of Default shall have occurred and be continuing and the Company shall be in pro forma compliance with the provisions of Sections 10.2 and 10.3 both immediately before and immediately after giving effect thereto, the Company may pay dividends (or otherwise effectuate distributions) to HoldCo; and

-10-

(v) The definition of "Consolidated Debt" contained in Schedule B to the Note Purchase Agreement shall be amended and restated in its entirety to read as follows:

"*Consolidated Debt*" shall mean, at any date, the aggregate principal amount of all Indebtedness of the Company and its Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP; *provided* that for purposes of calculating compliance with the financial covenant set forth in Section 10.2, any Working Capital Loans in excess of \$12,500,000 in the aggregate but less than or equal to \$225,000,000 (or such other amount of Working Capital Loans that is then excluded as Indebtedness for purposes of determining compliance with any leverage ratio financial covenant under the Credit Agreement at such time) in the aggregate shall not be included as "Consolidated Debt."

(vi) The definition of "HoldCo Consolidated Debt" contained in Schedule B to the Note Purchase Agreement shall be amended and restated in its entirety to read as follows:

*"HoldCo Consolidated Debt"* shall mean, at any date, the aggregate principal amount of all Indebtedness of HoldCo and its Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP; provided that for purposes of calculating the HoldCo Consolidated Debt to Capitalization Ratio, any Working Capital Loans in excess of \$12,500,000 in the aggregate but less than or equal to \$225,000,000 (or such other amount of Working Capital Loans that is then excluded as Indebtedness for purposes of determining compliance with any leverage ratio financial covenant under the Credit Agreement at such time) in the aggregate shall not be included as "HoldCo Consolidated Debt."

(vii) Clause (j) of the definition of "Permitted Acquisition" contained in Schedule B to the Note Purchase Agreement shall be amended and restated in its entirety to read as follows:

(j) the Company shall be in pro forma compliance with the provisions of Sections 10.2 and 10.3 both immediately before and immediately after giving effect thereto.

(viii) Schedule B to the Note Purchase Agreement shall be amended by deleting the definition of "Consolidated Interest Expense" in its entirety.

6. Each Purchaser represents and warrants that the representations and warranties set forth in Section 6 of the Note Purchase Agreement are true and correct as of the Execution Date and as of the Closing Date with respect to the purchase of the Series 2013-A Notes by such Purchaser with the same force and effect as if each reference to "Series 2010-A Notes" contained therein was modified to refer to the "Series 2013-A Notes".

-11-

7. The Company and each Purchaser agree to be bound by and comply with the terms and provisions of the Note Purchase Agreement as supplemented by this First Supplement as fully and completely as if such Purchaser were an original signatory to the Note Purchase Agreement.

8. All references in the Note Purchase Agreement and all other instruments, documents and agreements relating to, or entered into in connection with the foregoing documents and agreements, to the Note Purchase Agreement shall be deemed to refer to the Note Purchase Agreement, as supplemented by this First Supplement.

9. Except as expressly supplemented by this First Supplement, all terms and provisions of the Note Purchase Agreement remain unchanged and continue, unabated, in full force and effect and the Company hereby reaffirms its obligations and liabilities under the Note Purchase Agreement.

10. This First Supplement 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 permit the application of the laws of a jurisdiction other than such State.

11. Any provision of this First Supplement 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 full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

12. All covenants and other agreements contained in this First Supplement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

13. This First Supplement 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.

-12-

The execution hereof shall constitute a contract between the Company and the Purchasers for the uses and purposes hereinabove set forth.

PNG COMPANIES LLC

By /s/ Preston Poljak

Name:Preston PoljakTitle:Vice President and Treasurer

Signature Page to First Supplement to Note Purchase Agreement

THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY

By /s/ David A. Barras

Name:David A. BarrasTitle:Authorized Representative

METLIFE INSURANCE COMPANY OF CONNECTICUT By: Metropolitan Life Insurance Company, its Investment Manager

METROPOLITAN LIFE INSURANCE COMPANY

By: /s/ C. Scott Inglis

Name: C. Scott Inglis Title: Managing Director

PACIFIC LIFE INSURANCE COMPANY

By:	/s/ Diane W. Dales
Name:	Diane W. Dales
Title:	Assistant Secretary
By:	/s/ Cathy L. Schwartz

Name: Cathy L. Schwartz Title: Assistant Secretary

ING LIFE INSURANCE AND ANNUITY COMPANY ING USA ANNUITY AND LIFE INSURANCE COMPANY RELIASTAR LIFE INSURANCE COMPANY RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK

SECURITY LIFE OF DENVER INSURANCE COMPANY By: ING Investment Management LLC, as Agent

By /s/ Paul Aronson

Name: Paul Aronson Title: Senior Vice President

THE PRUDENTIAL ASSURANCE COMPANY LIMITED JACKSON NATIONAL LIFE INSURANCE COMPANY By: PPM America, Inc., as attorney in fact

By: /s/ Elena Unger

Name: Elena Unger Title: Assistant Vice President

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY MASSMUTUAL ASIA LIMITED BANNER LIFE INSURANCE COMPANY

By: Babson Capital Management LLC as Investment Adviser

By /s/ John B. Wheeler

Name:John B. WheelerTitle:Managing Director

# AXA EQUITABLE LIFE INSURANCE COMPANY

By:/s/ Amy JuddName:Amy JuddTitle:Investment Officer

GERBER LIFE INSURANCE COMPANY

By: AllianceBernstein LP as Investment Adviser

By:/s/ Amy JuddName:Amy JuddTitle:Senior Vice President

## NATIONWIDE MUTUAL INSURANCE COMPANY

By/s/ Mary Beth CadleName:Mary Beth Cadle

Title: Authorized Signatory

# KNIGHTS OF COLUMBUS

/s/ Charles E. Maurer, Jr. By

Title: Supreme Secretary

Name: Charles E. Maurer, Jr.

## GENWORTH LIFE AND ANNUITY INSURANCE COMPANY

By /s/ Stuart Shepetin

Name: Stuart Shepetin Title: Investment Officer

# AMERICAN UNITED LIFE INSURANCE COMPANY

By:	/s/ David M. Weisenburger
Name:	David M. Weisenburger
Title:	VP, Fixed Income Securities
THE ST	ATE LIFE INSURANCE COMPANY
By:	American United Life Insurance Company
Its:	Agent
5	10/ David M Maisonhunger
0	/s/ David M. Weisenburger
Name:	David M. Weisenburger
Title:	VP, Fixed Income Securities
UNITE	) FARM FAMILY LIFE INSURANCE COMPANY
5	American United Life Insurance Company
Its:	Agent
By:	/s/ David M. Weisenburger
5	David M. Weisenburger
	Name: Title: THE ST By: Its: By: Name: Title: UNITEI By: Its: By:

Title: VP, Fixed Income Securities

## PRINCIPAL LIFE INSURANCE COMPANY

By: Principal Global Investors, LLC a Delaware limited liability company, its authorized signatory

By:/s/ Alan P. KressName:Alan P. KressTitle:Counsel

By: /s/ Adrienne L. McFarland

Name: Adrienne L. McFarland Title: Counsel

PRINCIPAL LIFE INSURANCE COMPANY, ON BEHALF OF ONE OR MORE SEPARATE ACCOUNTS

By: Principal Global Investors, LLC a Delaware limited liability company, its authorized signatory

By: /s/ Alan P. Kress

Name:	Alan P. Kress
Title:	Counsel

By: /s/ Adrienne L. McFarland

Name: Adrienne L. McFarland Title: Counsel

## THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

By/s/ Gwendolyn S. FosterName:Gwendolyn S. FosterTitle:Senior Director

THE GUARDIAN LIFE INSURANCE & ANNUITY COMPANY, INC.

By /s/ Gwendolyn S. Foster

Name: Gwendolyn S. Foster Title: Senior Director

MODERN WOODMAN OF AMERICA

By <u>/s/ D. P. Prior</u>

Name:D. P. PriorTitle:National Secretary

LIFE INSURANCE COMPANY OF THE SOUTHWEST

By /s/ Chris P. Gudmastad

Name: Chris P. Gudmastad Title: Assistant Vice President Sentinel Asset Management

THE PHOENIX INSURANCE COMPANY

By: /s/ Annette M. Masterson

Name:Annette M. MastersonTitle:Vice President

MUTUAL OF OMAHA INSURANCE COMPANY

BY: /s/ Justin P. Kavan NAME: JUSTIN P. KAVAN TITLE: VICE PRESIDENT

UNITED OF OMAHA LIFE INSURANCE COMPANY

BY: /s/ Justin P. Kavan

NAME: JUSTIN P. KAVAN TITLE: VICE PRESIDENT

UNITED WORLD LIFE INSURANCE COMPANY

BY: /s/ Justin P. Kavan NAME: JUSTIN P. KAVAN TITLE: AN AUTHORIZED SIGNER

SBLI USA MUTUAL LIFE INSURANCE COMPANY, INC.

UNITEDHEALTHCARE INSURANCE COMPANY WESTERN FRATERNAL LIFE ASSOICATION

By: Advantus Capital Management, Inc.

By/s/ Gregory OrtquistName:Gregory OrtquistTitle:Vice President

SOUTHERN FARM BUREAU LIFE INSURANCE COMPANY

By:/s/ David DivineName:David DivineTitle:Portfolio Manager

## GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

By:	/s/ Eve Hampton
Name:	Eve Hampton
Title:	Vice President, Investments
By:	/s/ Paul Runnalls

By: /s/ Paul Runnalls Name: Paul Runnalls

Title: Manager, Investments

# INFORMATION RELATING TO PURCHASERS

Intentionally left blank

SCHEDULE A (to First Supplement to Note Purchase Agreement)

# Subsidiaries

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
Peoples Natural Gas	Pennsylvania	100%	Directors:
Company LLC			1. Morgan O'Brien
			2. Christopher Kinney
			3. Dennis Mahoney
			4. John McGuire
			5. James Mahoney
			6. Victor Roque
			Senior Officers:
			1. Morgan O'Brien,
			President
			2. Preston Poljak, Vice
			President and
			Treasurer
			3. Kenneth Johnston,
			Senior Vice President

Officer 5. Joseph A. Gregorini, Vice President, Rates and Regulatory Affairs

and Chief Operations

Ruth DeLost, Senior

Vice President and Chief Information

Officer

4.

- 6. Carolyn B. Mckinney, Vice President, Human Resources
- 7. Gregory A. Sciullo, Vice President and Controller
- 8. Jon H. Skoog, Vice President, Gas Supply William H. Robert II, Secretary

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
Rager Mountain Storage Company LLC	Delaware	100%	Senior Officers:1.Christopher P. Kinney, Chairman and CEO2.Michael Cyrus, President and COO3.Kenneth Pereira, Vio President and Treasurer4.Clifford Losh, Vice President and Secretary5.Jason Francl, Vice President
Peoples Gas KY LLC	Kentucky		<ol> <li>Senior Officers:         <ol> <li>Morgan O'Brien, President</li> <li>Preston Poljak, Vice President and Treasurer</li> <li>Kenneth Johnston, Senior Vice Preside and Chief Operation Officer</li> <li>Ruth DeLost, Senio Vice President and Chief Information Officer</li> <li>Joseph A. Gregorint Vice President, Rata and Regulatory Affairs</li> <li>Carolyn B. Mckinne Vice President, Human Resources</li> <li>Gregory A. Sciullo, Vice President and Controller</li> <li>Jon H. Skoog, Vice President, Gas Supply</li> <li>William H. Robert I Secretary</li> </ol> </li> </ol>

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
Peoples Gas WV LLC	West Virginia	100%	Senior Officers:         1.       Morgan O'Brien, President         2.       Preston Poljak, Vice President and Treasurer         3.       Kenneth Johnston, Senior Vice President and Chief Operations Officer         4.       Ruth DeLost, Senior Vice President and Chief Information Officer         5.       Joseph A. Gregorini, Vice President, Rates and Regulatory Affairs         6.       Carolyn B. Mckinney, Vice President, Human Resources         7.       Gregory A. Sciullo, Vice President and Controller         8.       Jon H. Skoog, Vice President, Gas Supply         9.       William H. Robert II,
PNG Gathering LLC	Delaware	100%	Secretary <u>Senior Officers</u> : 1. Morgan O'Brien, President 2. Preston Poljak, Vice President and Treasurer 3. Kenneth Johnston, Senior Vice President and Chief Operations Officer

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
			4. Ruth DeLost, Senio Vice President and Chief Information Officer
			5. Joseph A. Gregorin Vice President, Rat and Regulatory Affairs
			6. Carolyn B. Mckinne Vice President, Human Resources
			7. Gregory A. Sciullo, Vice President and
			Controller 8. Jon H. Skoog, Vice President, Gas Supply
			9. William H. Robert I Secretary
Peoples Midstream	Pennsylvania	100%	Senior Officers:
Holdings, LLC			1. Morgan O'Brien, President
			2. Preston Poljak, Vice President and Treasurer
			<ol> <li>Kenneth Johnston, Senior Vice Preside and Chief Operatio Officer</li> </ol>
			4. Ruth DeLost, Senic Vice President and Chief Information Officer
			5. Joseph A. Gregorin Vice President, Rat and Regulatory Affairs
			<ol> <li>Carolyn B. Mckinn Vice President,</li> </ol>

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
			<ol> <li>Gregory A. Sciullo, Vice President and Controller</li> <li>Jon H. Skoog, Vice President, Gas Supply</li> <li>William H. Robert II, Secretary</li> </ol>
Peoples Homeworks LLC	Delaware	100%	<ul> <li>Senior Officers: <ol> <li>Morgan O'Brien, President</li> <li>Preston Poljak, Vice President and Treasurer</li> <li>Kenneth Johnston, Senior Vice President and Chief Operations Officer</li> <li>Ruth DeLost, Senior Vice President and Chief Information Officer</li> <li>Joseph A. Gregorini, Vice President, Rates and Regulatory Affairs</li> <li>Carolyn B. Mckinney, Vice President, Human Resources</li> <li>Gregory A. Sciullo, Vice President and Controller</li> <li>Jon H. Skoog, Vice President, Gas Supply</li> <li>William H. Robert II, Secretary</li> </ol></li></ul>

# <u>Schedule 5.5</u> Financial Statements

- 1. Audited financial statements of the Company for the fiscal years ended (i) December 31, 2012 and (ii) December 31, 2011.
- 2. Audited financial statements of the Company for the period from February 1, 2010 to December 31, 2010.
- 3. Unaudited financial statement of the Company for the quarter ended September 30, 2013.

#### Schedule 5.15 Indebtedness

- 1. The Company is obligated to make certain loan principal and interest payments pursuant to the Amended and Restated Credit Agreement, dated as of August 22, 2013, among the Company, the several banks and financial institutions parties thereto, Union Bank, N.A. and PNC Bank, National Association, as syndication agents, and JPMorgan Chase Bank, N.A., as administrative agent.
  - a. <u>Principal Amount Outstanding</u>: \$94,000,000 as of December 9, 2013
  - b. <u>Collateral</u>: All collateral described in that certain Amended and Restated Security and Pledge Agreement, dated as of February 26, 2010 by and between the Company and JPMorgan Chase Bank, N.A., as successor collateral agent, as amended by Amendment No. 1, dated as of August 10, 2011.
- 2. Note Purchase Agreement, dated as of February 26, 2010, between the Company and the Purchasers, as amended by Amendment No. 1, dated August 10, 2011 and Amendment No. 2, dated August 23, 2013.
  - a. Principal Amount Outstanding: \$411,000,000
  - b. <u>Collateral</u>: All collateral described in that certain Amended and Restated Security and Pledge Agreement, dated as of February 26, 2010 by and between the Company and JPMorgan Chase Bank, N.A., as successor collateral agent, as amended by Amendment No. 1, dated as of August 10, 2011.

#### SUPPLEMENTAL REPRESENTATIONS

The Company represents and warrants to each Purchaser that, except as hereinafter deemed modified or substituted and replaced pursuant to this Exhibit A, each of the representations and warranties set forth in Section 5 of the Note Purchase Agreement is true and correct as of the Execution Date and as of the Closing Date. For purposes of the representation and warranty set forth above, (a) each reference to "Series 2010-A Notes" set forth in Section 5 of the Note Purchase Agreement shall be deemed modified to refer to "Series 2013-A Notes," each reference to "this Agreement" set forth in Section 5 of the Note Purchase Agreement shall be deemed modified to refer to "the Note Purchase Agreement as supplemented by the First Supplement" and each reference to "the Purchasers" set forth in Section 5 of the Note Purchase Agreement shall be deemed modified to refer to "the Note Purchase Agreement shall be deemed modified to refer to "the Note Purchase Agreement as supplemented by the First Supplement" and each reference to "the Purchasers" set forth in Section 5 of the Note Purchase Agreement shall be deemed modified to refer to "Schedule 5.4" in Sections 5.4(b), 5.4(c) and 5.4(d) of the Note Purchase Agreement shall be deemed modified to refer to "Schedule 5.4" to the First Supplement" and (c) the corresponding sections of Section 5 of the Note Purchase Agreement are hereby substituted and replaced by the following:

Section 5.3 Disclosure. The Company, through its lead agents, Mitsubishi UFJ Securities (USA), Inc. and RBC Capital Markets, LLC, has delivered to each Purchaser a copy of a Private Placement Memorandum, dated October 2013 (the "Memorandum"), relating to the transactions contemplated by the First Supplement. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries. This Agreement, the Memorandum and the documents, certificates or other writings delivered to the Purchasers and the financial statements listed in Schedule 5.5 to the First Supplement, delivered to the Purchasers by or on behalf of the Company (this Agreement, the Memorandum and such documents, certificates or other writings, the First Supplement and such financial statements delivered to each Purchaser prior to November 6, 2013 being referred to, collectively, as 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. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Company to be reasonable at the time made, it being recognized by the holders of Notes that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. Except as disclosed in the Disclosure Documents, since December 31, 2012, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents.

> EXHIBIT A (to First Supplement to Note Purchase Agreement)

Section 5.4 Organization and Ownership of Shares of Subsidiaries. (a) Schedule 5.4 to the First Supplement contains (except as noted therein) complete and correct lists (1) of 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 outstanding owned by the Company and each other Subsidiary and (2) of Company's directors and senior officers.

Section 5.5 Financial Statements; Material Liabilities. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5 to the First Supplement. All of said financial statements (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 in such Schedule 5.5 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.

#### Section 5.12 Compliance with ERISA.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multi-employer Plans), determined as of the end of such Plan's most recently ended plan year in such Plan's most recent actuarial valuation report on the basis of the actuarial assumptions specified for funding purposes in such report, did not exceed the aggregate value of the assets of such Plan as reflected in such Plan's most recent actuarial valuation report allocable to such benefit liabilities as reflected in such Plan's most recent actuarial valuation report by more than \$50,000,000 in the aggregate for all Plans. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms "current value" and "present value" have the meanings specified in Section 3 of ERISA.

Section 5.13 Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Series 2013-A 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 the Purchasers and not more than 50 other Institutional Investors of the type described in clause (c) of the definition thereof, each of which has been offered the Series 2013-A 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 Series 2013-A 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.

*Section 5.14 Use of Proceeds; Margin Regulations.* The Company will apply the proceeds of the sale of the Series 2013-A Notes to finance or refinance a portion of the acquisition consideration of the Equitable Transaction and for other general limited liability company purposes. No part of the proceeds from the sale of the Series 2013-A Notes hereunder 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

E-A-2

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 25% 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 25% 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.

#### Section 5.15 Existing Debt; Future Liens.

(a) Except as described therein, Schedule 5.15 to the First Supplement sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of December 9, 2013 (including a description of the obligors and obligees, principal amount outstanding and collateral therefor, if any, and Guarantee Obligations relating thereto, if any), since which date 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. 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 such 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 to the First Supplement, 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 10.4.

Section 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, or the ICC Termination Act of 1995, as amended. Neither the Company nor any Subsidiary is subject to regulation under federal or state law as a public utility except that Peoples and the Equitable Companies are subject to regulation as a public utility under Pennsylvania law, Kentucky law and West Virginia law. Peoples has complied and is in compliance with (a) all applicable state utility laws, regulations and orders and (b) any other federal or state laws, regulations and orders applicable to it as a public utility or gas utility, except in each case for instances of noncompliance that, individually and in the aggregate, have not had, and could not reasonably be expected to have, a Material Adverse Effect.

*Section 5.21 Solvency*. The Company is, and after giving effect to the Equitable Transaction and the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith will be and will continue to be, Solvent.

E-A-3

#### FORM OF SERIES 2013-A NOTE, TRANCHE 1 PNG COMPANIES LLC

2.43% Series 2013-A Senior Secured Note, Tranche 1, due December 19, 2017

No. R2013-A-1-\_\_\_\_\_\$

\_\_\_\_\_, 20\_\_\_\_ PPN 73020\* AD5

FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (herein called the "*Company*"), hereby promises to pay to \_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_\_ DOLLARS (or so much thereof as shall not have been prepaid) on December 19, 2017, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 2.43% per annum from the date hereof, payable semiannually, on the 19th day of June and December in each year, commencing with the June 19 or December 19 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 (1) 4.43% or (2) 2.00% 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices 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 the Series 2013-A Senior Secured Notes, Tranche 1 (herein called the "*Notes*") issued pursuant to the First Supplement dated as of December \_\_\_, 2013 (the "*Supplement*") which supplements that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011 and that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013, and as from time to time further amended, supplemented or otherwise modified, the "*Note Purchase Agreement*"), originally between the Company and the respective Purchasers named therein and is entitled to the benefits of the Note Purchase Agreement. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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.

EXHIBIT 1(a) (to First Supplement to 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 not subject to regularly scheduled prepayments of principal. 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 Supplement and/or 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.

PNG COMPANIES LLC

By		
	Name:	
	Title:	

E-1(a)-2

# FORM OF SERIES 2013-A NOTE, TRANCHE 2

#### PNG COMPANIES LLC

4.10% Series 2013-A Senior Secured Note, Tranche 2, due December 19, 2023

No. R2013-A-2-\_\_\_\_\_\$

\_\_\_\_\_, 20\_\_\_ PPN 73020\* AE3

FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (herein called the "*Company*"), hereby promises to pay to \_\_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_\_ DOLLARS (or so much thereof as shall not have been prepaid) on December 19, 2023, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 4.10% per annum from the date hereof, payable semiannually, on the 19th day of June and December in each year, commencing with the June 19 or December 19 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 (1) 6.10% or (2) 2.00% 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices 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 the Series 2013-A Senior Secured Notes, Tranche 2 (herein called the "*Notes*") issued pursuant to the First Supplement dated as of December \_\_\_\_, 2013 (the "*Supplement*") which supplements that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011 and that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013, and as from time to time further amended, supplemented or otherwise modified, the "*Note Purchase Agreement*"), originally between the Company and the respective Purchasers named therein and is entitled to the benefits of the Note Purchase Agreement. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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.

EXHIBIT 1(b) (to First Supplement to 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 not subject to regularly scheduled prepayments of principal. 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 Supplement and/or 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.

PNG COMPANIES LLC

By		
	Name:	
	Title:	

E-1(b)-2

# FORM OF SERIES 2013-A NOTE, TRANCHE 3

#### PNG COMPANIES LLC

#### 4.25% Series 2013-A Senior Secured Note, Tranche 3, due December 19, 2025

No. R2013-A-3-\_\_\_\_\_\$

\_\_\_\_\_, 20\_\_\_\_ PPN 73020\* AF0

FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (herein called the "*Company*"), hereby promises to pay to \_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_\_DOLLARS (or so much thereof as shall not have been prepaid) on December 19, 2025, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 4.25% per annum from the date hereof, payable semiannually, on the 19th day of June and December in each year, commencing with the June 19 or December 19 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 (1) 6.25% or (2) 2.00% 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices 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 the Series 2013-A Senior Secured Notes, Tranche 3 (herein called the "*Notes*") issued pursuant to the First Supplement dated as of December \_\_\_\_, 2013 (the "*Supplement*") which supplements that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011 and that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013, and as from time to time further amended, supplemented or otherwise modified, the "*Note Purchase Agreement*"), originally between the Company and the respective Purchasers named therein and is entitled to the benefits of the Note Purchase Agreement. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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.

EXHIBIT 1(c) (to First Supplement to 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 not subject to regularly scheduled prepayments of principal. 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 Supplement and/or 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.

PNG COMPANIES LLC

By		
	Name:	
	Title:	

E-1(c)-2

# Form of Opinion of Special Counsel to the Company

To be provided to the Purchasers only.

EXHIBIT 4(f)(i) (to First Supplement to Note Purchase Agreement)

# FORM OF OPINION OF SPECIAL PENNSYLVANIA COUNSEL TO THE COMPANY

To be provided to the Purchasers only.

EXHIBIT 4(f)(ii) (to First Supplement to Note Purchase Agreement)

## Form of Opinion of Special Counsel to the Purchasers

To be provided to the Purchasers only.

EXHIBIT 4(f)(iii) (to First Supplement to Note Purchase Agreement)

### Exhibit 10.1.5

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EXECUTION VERSION 

PNG COMPANIES LLC

SECOND SUPPLEMENT TO NOTE PURCHASE AGREEMENT

Dated as of July 14, 2017

Re: \$50,000,000 3.58% Series 2017-A Senior Secured Notes due July 14, 2024

Dated as of July 14, 2017

To the Purchasers listed in the attached Schedule A hereto

### Ladies and Gentlemen:

This Second Supplement to Note Purchase Agreement (this "Second Supplement") is between PNG COMPANIES LLC, a Delaware limited liability company (the "Company"), and the institutional investors named on Schedule A attached hereto (the "Purchasers").

Reference is hereby made to that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011, that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013 and that certain First Supplement to the Note Purchase Agreement dated as of December 12, 2013 the *"Note Purchase Agreement"*) between the Company and the purchasers party thereto. All capitalized terms not otherwise defined herein shall have the same meaning as specified in the Note Purchase Agreement. Reference is further made to Section 2.2(c)(2) of the Note Purchase Agreement which requires that, prior to the delivery of any Additional Notes, the Company and each Additional Purchaser shall execute and deliver a Supplement.

The Company hereby agrees with the Purchasers as follows:

1. The Company has authorized the issue and sale of \$50,000,000 aggregate principal amount of its 3.58% Series 2017-A Senior Secured Notes due July 14, 2024 (the *"Series 2017-A Notes"*). The Series 2017-A Notes, together with the Series 2010-A Notes initially issued pursuant to the Note Purchase Agreement and the Series 2013-A Notes issued pursuant to the First Supplement to the Note Purchase Agreement dated as of December 12, 2013, and each series of Additional Notes which may from time to time hereafter be issued pursuant to the provisions of Section 2.2 of the Note Purchase Agreement, are collectively referred to as the "Notes" (such term shall also include any such notes issued in substitution therefor pursuant to Section 13 of the Note Purchase Agreement). The Series 2017-A Notes shall be substantially in the form set out in Exhibit 1(a) hereto with such changes therefrom, if any, as may be approved by the Purchasers and the Company.

2. Subject to the terms and conditions hereof and as set forth in the Note Purchase Agreement and on the basis of the representations and warranties hereinafter set forth, the Company will issue and sell to each Purchaser, at the Closing provided for in Section 3, and each Purchaser will purchase from the Company, Series 2017-A Notes in the principal amount specified opposite such Purchaser's name in Schedule A hereto at a price of 100% of the principal amount thereof. The obligations of each Purchaser hereunder are several and not joint obligations and no Purchaser shall have any obligation or any liability to any Person for the performance or nonperformance by any other Purchaser hereunder.

3. The sale and purchase of the Series 2017-A Notes to be purchased by each Purchaser shall occur at the offices of Schiff Hardin LLP, 666 Fifth Avenue, 17th Floor, New York, New York 10103 at 11:00 a.m. New York, New York time, at a closing (the "*Closing*") on July 14, 2017 (the "*Closing Date*"). At the Closing, the Company will deliver to each Purchaser of the Series 2017-A Notes to be purchased by such Purchaser in the form of a single Series 2017-A Note (or such greater number of Series 2017-A Notes in denominations of at least \$100,000 as such Purchaser may request) dated the date of Closing and registered in such Purchaser's name (or in the name of such Purchaser's nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account designated by the Company in accordance with the funding instructions described in Section 4(m). If, at the Closing, the Company shall fail to tender such Series 2017-A Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to any Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Second Supplement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

4. The obligation of each Purchaser to purchase and pay for the Series 2017-A Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to the Closing, of the following conditions:

(a) Except as deemed modified or substituted and replaced by the representations and warranties set forth in Exhibit A hereto, each of the representations and warranties of the Company set forth in Section 5 of the Note Purchase Agreement shall be true and correct as of the Closing Date.

(b) The Company shall have performed and complied with all agreements and conditions contained in the Note Purchase Agreement as supplemented by the Second Supplement and the Security Documents required to be performed or complied with by it prior to or on the Closing Date, and after giving effect to the issue and sale of the Series 2017-A Notes (and the application of the proceeds thereof as contemplated by Section 5.14 of Exhibit A hereto), no Default or Event of Default shall have occurred and be continuing and no waiver of Default or Event of Default shall be in effect.

-2-

(c) The Company shall have delivered to such Purchaser:

(i) an Officer's Certificate, dated the Closing Date, certifying that the conditions specified in Sections 4(a), (b) and (l) have been fulfilled;

(ii) an Officer's Certificate executed by a duly authorized Senior Financial Officer stating that such officer has reviewed the provisions of the Note Purchase Agreement (including this Second Supplement) and setting forth the information and computations (in sufficient detail) required to establish whether after giving effect to the issuance of the Series 2017-A Notes and after giving effect to the application of the proceeds thereof, the Company will be in compliance with the requirements of Sections 10.1, 10.2 and 10.3 of the Note Purchase Agreement on such date; and

(iii) a certificate of its Secretary, Assistant Secretary or other officer, dated the Closing Date, certifying as to the resolutions attached thereto and other limited liability company proceedings relating to the authorization, execution and delivery of the Series 2017-A Notes and this Second Supplement.

(d) Each Security Document shall be in full force and effect and such Purchaser shall have received a duly executed copy thereof. The Company shall have delivered any certificates representing the issued and outstanding Capital Stock pledged under the Security Documents and instruments of assignment executed in blank to the Collateral Agent. Pursuant to the Security Documents, the Collateral Agent, for the equal and ratable benefit of the Purchasers, the other holders of Notes and the Lenders, shall have a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted to be prior pursuant to Section 10.4 of the Note Purchase Agreement). Such Purchaser shall have received the results of a recent Lien search with respect to the Company, and such search shall reveal no Liens on any of the assets of the Company except for Liens permitted by Section 10.4 of the Note Purchase Agreement or discharged on or prior to the Closing Date pursuant to documentation satisfactory to such Purchaser.

(e) Each Purchaser shall have become a party to the Intercreditor Agreement pursuant to a Joinder to Intercreditor Agreement in the form attached thereto.

(f) Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the Closing Date (i) from O'Melveny & Myers LLP, counsel for the Company, covering the matters set forth in Exhibit 4(f)(i) to this Second Supplement and covering such other matters incident to the transactions contemplated hereby as such Purchaser or special counsel to the Purchasers may reasonably request (and the Company, covering the matters set forth in Exhibit 4(f)(ii) from Post & Schell P.C., special Pennsylvania counsel for the Company, covering the matters set forth in Exhibit 4(f)(ii) to this Second Supplement and covering such other matters incident to the transactions contemplated hereby as such Purchaser or special counsel to the Purchasers may reasonably request (and the Company, covering the matters set forth in Exhibit 4(f)(ii) to this Second Supplement and covering such other matters incident to the transactions contemplated hereby as such Purchaser or special counsel to the Purchasers may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to such Purchaser), and (iii) from Schiff Hardin LLP, special counsel to the Purchasers in connection with such transactions, substantially in the form set forth in Exhibit 4(f)(iii) to this Second Supplement and covering such other matters incident to such transactions as such Purchaser may reasonably request.

-3-

(g) On the Closing Date, such Purchaser's purchase of the Series 2017-A Notes shall (i) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is 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 T, U or X of the Board of Governors of the Federal Reserve System) and (iii) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation. If requested by any Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

(h) Contemporaneously with the Closing, the Company shall sell to each other Purchaser and each other Purchaser shall purchase the Series 2017-A Notes to be purchased by it at the Closing as specified in Schedule A to this Second Supplement.

(i) Without limiting the provisions of Section 15.1 of the Note Purchase Agreement, the Company shall have paid on or before the Closing the reasonable fees, charges and disbursements of special counsel to the Purchasers referred to in Section 4(f)(iii) to the extent reflected in a statement of such counsel rendered to the Company at least two Business Days prior to the date of the Closing.

(j) A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for the Series 2017-A Notes.

(k) All consents, authorizations and approvals (including, without limitation, shareholders' consents) from, and all declarations, filings and registrations with, all Governmental Authorities or third parties that are necessary in connection with the issuance and sale of the Series 2017-A Notes and the other transactions contemplated hereby shall have been obtained, or made, and remain in full force and effect and final and all periods for appeal and rehearing by third parties have expired and all conditions contained therein which are to be fulfilled prior to the issuance and sale of the Series 2017-A Notes have been fulfilled, free of any term, condition, restriction, imposed liability that is or any other provisions that are materially adverse to the operations and business of the Company or any of its Subsidiaries. Such Purchaser shall have received copies of any such consents, authorizations, declarations, filings and registrations referenced to in the preceding sentence, including without limitation, those issued by federal, Commonwealth of Pennsylvania and State of West Virginia Governmental Authorities.

(1) The Company shall not have changed its jurisdiction of formation or organization, as applicable, or been a party to any merger or consolidation or 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 referred to in Schedule 5.5 to this Second Supplement.

-4-

(m) At least three Business Days prior to the date of Closing, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company directing the manner of the payment of funds and setting forth (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number, (iii) the account name and number into which the purchase price for the Series 2017-A Notes is to be deposited and (iv) the name and telephone number of the account representative responsible for verifying receipt of such funds.

(n) Such Purchaser shall have received a copy of letters from at least two Rating Agencies reaffirming that, immediately after giving effect to the issuance of the Series 2017-A Notes, the Notes (including the Series 2017-A Notes) shall be rated at least the same rating as the Notes were rated immediately prior to such issuance.

(o) The Note Purchase Agreement shall not have been amended, waived or otherwise modified subsequent to December 12, 2013 except for amendments, waivers or modifications which are reasonably acceptable to such Purchaser.

(p) The Company shall have delivered to each holder of Series 2010-A Notes and each holder of Series 2013-A Notes (i) a copy of the Officer's Certificate referenced in clause (c)(ii) above and (ii) the ratings reaffirmation letters referenced in clause (n) above.

5. The following provisions shall apply to the Series 2017-A Notes:

(a) *Required Prepayments for the Series 2017-A Notes.* As provided therein, the Series 2017-A Notes shall not be subject to any required prepayments and the entire unpaid principal amount of each Series 2017-A Note shall be due and payable on the stated maturity date thereof.

(b) *Default Rate for the Series 2017-A Notes. "Default Rate"* shall mean, with respect to any Series 2017-A Note, that rate of interest that is the greater of (1) 2.00% per annum above the rate of interest stated in clause (a) of the first paragraph of such Series 2017-A Note or (2) 2.00% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A., in New York, New York as its "base" or "prime" rate.

(c) *Make-Whole Amount and Modified Make-Whole Amount for the Series 2017-A Notes.* The terms "*Make-Whole Amount*" and "*Modified Make-Whole Amount*" shall mean, with respect to any Series 2017-A 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 Series 2017-A Note over the amount of such Called Principal, *provided* that neither the Make-Whole Amount nor the Modified Make-Whole Amount may in any event be less than zero. For the purposes of determining the Make-Whole Amount and Modified Make-Whole Amount, the following terms have the following meanings:

-5-

*"Applicable Percentage"* in the case of a computation of the Modified Make-Whole Amount for purposes of Section 8.8 of the Note Purchase Agreement shall mean 1.00% (100 basis points), and in the case of a computation of the Make-Whole Amount for any other purpose shall mean 0.50% (50 basis points).

"*Called Principal*" shall mean, with respect to any Series 2017-A Note, the principal of such Series 2017-A Note that is to be prepaid pursuant to Section 8.2 or Section 8.8 of the Note Purchase Agreement or has become or is declared to be immediately due and payable pursuant to Section 12.1 of the Note Purchase Agreement, as the context requires.

"Discounted Value" shall mean, with respect to the Called Principal of any Series 2017-A 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 such Series 2017-A Note is payable) equal to the Reinvestment Yield with respect to such Called Principal.

*"Reinvestment Yield"* shall mean, with respect to the Called Principal of any Series 2017-A Note, the Applicable Percentage over the yield to maturity implied by (a) the "Ask-Side(s)" yields reported as of 10:00 a.m. (New York, New York 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 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 (b) 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 (or any comparable successor publication) for U.S. Treasury Securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date.

In the case of each determination under clause (a) or clause (b), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (1) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (2) interpolating linearly between (i) the applicable actively traded on the run U.S. Treasury Security with the maturity closest to and greater than such Remaining Average Life and (ii) the applicable actively traded on the run 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 such Series 2017-A Note.

-6-

*"Remaining Average Life"* shall mean, with respect to any Called Principal of any Series 2017-A Note, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (a) such Called Principal into (b) the sum of the products obtained by multiplying (1) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (2) 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"* shall mean, with respect to the Called Principal of any Series 2017-A 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 Series 2017-A 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, Section 8.8 or Section 12.1 of the Note Purchase Agreement.

*"Settlement Date"* shall mean, with respect to the Called Principal of any Series 2017-A Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or Section 8.8 of the Note Purchase Agreement or has become or is declared to be immediately due and payable pursuant to Section 12.1 of the Note Purchase Agreement, as the context requires.

6. Each Purchaser represents and warrants that the representations and warranties set forth in Section 6 of the Note Purchase Agreement are true and correct as of the Closing Date with respect to the purchase of the Series 2017-A Notes by such Purchaser with the same force and effect as if each reference to "Series 2010-A Notes" contained therein was modified to refer to the "Series 2017-A Notes".

7. The Company and each Purchaser agree to be bound by and comply with the terms and provisions of the Note Purchase Agreement as supplemented by this Second Supplement as fully and completely as if such Purchaser were an original signatory to the Note Purchase Agreement.

8. All references in the Note Purchase Agreement and all other instruments, documents and agreements relating to, or entered into in connection with the foregoing documents and agreements, to the Note Purchase Agreement shall be deemed to refer to the Note Purchase Agreement, as supplemented by this Second Supplement.

9. Except as expressly supplemented by this Second Supplement, all terms and provisions of the Note Purchase Agreement remain unchanged and continue, unabated, in full force and effect and the Company hereby reaffirms its obligations and liabilities under the Note Purchase Agreement.

-7-

10. This Second Supplement 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 permit the application of the laws of a jurisdiction other than such State.

11. Any provision of this Second Supplement 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 full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

12. All covenants and other agreements contained in this Second Supplement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

13. This Second Supplement 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.

-8-

The execution hereof shall constitute a contract between the Company and the Purchasers for the uses and purposes hereinabove set forth.

## PNG COMPANIES LLC

By /s/ Preston Poljak

Name: Preston Poljak Title: Senior Vice President and Chief Financial Officer

## PRUDENTIAL LEGACY INSURANCE COMPANY OF NEW JERSEY

By: PGIM, Inc., as investment manager

By: /s/ BL

Vice President

## THE GIBRALTAR LIFE INSURANCE CO., LTD.

- By: Prudential Investment Management Japan Co., Ltd., as Investment Manager
- By: PGIM, Inc., as Sub-Adviser

By: /s/ BL Vice President

# THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/ BL

Vice President

## PURCHASER SCHEDULE PNG Companies LLC 3.58% Series 2017-A Senior Secured Notes due 2024

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Purchaser Schedules (to Second Supplement to Note Purchase Agreement)

# Subsidiaries

		Bubblalarieb		
Name	Jurisdiction	Percentage Owned by the Company		Directors and Senior Officers
Peoples Natural Gas Company	Pennsylvania	100%	Director	<u>rs:</u>
LLC			1.	Morgan O'Brien
			2.	Christopher Kinney
			3.	Dennis Mahoney
			4.	John McGuire
			5.	James Mahoney
			6.	Victor Roque
			Senior (	Officers:
			1.	Morgan O'Brien, President and Chief Executive Officer
			2.	Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Office
			3.	Joseph A. Gregorini, Senior Vice President & Chief Operating Officer
			4.	Preston D. Poljak, Senior Vice President and Chief Financial Officer
			5.	John J. Luke, Vice President, General Counsel & Secretary
			6.	Paul Becker, Vice President, Construction
			7.	Edward Palumbo, Vice President, Reliability
			8.	Judi Stemmler, Vice President, Human Resources

SCHEDULE 5.4 (to Second Supplement to Note Purchase Agreement)

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
			9. Lynda Petrichevich, Vice President Rates & Regulatory Affairs
			10. Thomas Butler, Vice President, Strategic Planning
			11. Luke Ravenstahl, Vice President, Business Development
Peoples Gas KY LLC	Kentucky	100%	Senior Officers:
			1. Morgan O'Brien, President and Chief Executive Officer
			2. Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Officer
			3. Joseph A. Gregorini, Senior Vice President & Chief Operating Officer
			4. Preston D. Poljak, Senior Vice President and Chief Financial Officer
			5. John J. Luke, Vice President, General Counsel & Secretary
			6. Paul Becker, Vice President, Construction
			7. Edward Palumbo, Vice President, Reliability
			8. Judi Stemmler, Vice President, Human Resources

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
			9. Lynda Petrichevich, Vice President Rates & Regulatory Affairs
			10. Thomas Butler, Vice President, Strategic Planning
			11. Luke Ravenstahl, Vice President, Business Development
Peoples Gas WV LLC	West Virginia	100%	Senior Officers:
			1. Morgan O'Brien, President and Chief Executive Officer
			2. Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Officer
			3. Joseph A. Gregorini, Senior Vice President & Chief Operating Officer
			4. Preston D. Poljak, Senior Vice President and Chief Financial Officer
			5. John J. Luke, Vice President, General Counsel & Secretary
			6. Paul Becker, Vice President, Construction
			7. Edward Palumbo, Vice President, Reliability
			8. Judi Stemmler, Vice President, Human Resources

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
			9. Lynda Petrichevich, Vice President Rates & Regulatory Affairs
			10. Thomas Butler, Vice President, Strategic Planning
			11. Luke Ravenstahl, Vice President, Business Development
PNG Gathering LLC	Delaware	100%	Senior Officers:
			1. Morgan O'Brien, President and Chief Executive Officer
			2. Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Officer
			<ol> <li>Joseph A. Gregorini, Senior Vice President &amp; Chief Operating Officer</li> </ol>
			4. Preston D. Poljak, Senior Vice President and Chief Financial Officer
			5. John J. Luke, Vice President, General Counsel & Secretary
			6. Paul Becker, Vice President, Construction
			7. Edward Palumbo, Vice President, Reliability
			8. Judi Stemmler, Vice President, Human Resources

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
			9. Lynda Petrichevich, Vice President Rates & Regulatory Affairs
			10. Thomas Butler, Vice President, Strategic Planning
			11. Luke Ravenstahl, Vice President, Business Development
Peoples Homeworks LLC	Delaware	100%	Senior Officers:
			1. Morgan O'Brien, President and Chief Executive Officer
			2. Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Officer
			3. Joseph A. Gregorini, Senior Vice President & Chief Operating Officer
			4. Preston D. Poljak, Senior Vice President and Chief Financial Officer
			5. John J. Luke, Vice President, General Counsel & Secretary
			6. Paul Becker, Vice President, Construction
			7. Edward Palumbo, Vice President, Reliability
			8. Judi Stemmler, Vice President, Human Resources

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
			9. Lynda Petrichevich, Vice President Rates & Regulatory Affairs
			10. Thomas Butler, Vice President, Strategic Planning
			11. Luke Ravenstahl, Vice President, Business Development
		S-5.4 - 6	

## SCHEDULE 5.5

Financial Statements

- 1. Audited financial statements of the Company for the fiscal years ended (i) December 31, 2015 and (ii) December 31, 2016.
- 2. Unaudited financial statement of the Company for the quarter ended March 31, 2017.

SCHEDULE 5.5 (to Second Supplement to Note Purchase Agreement)

### SCHEDULE 5.15 Indebtedness

- 1. The Company is obligated to make certain loan principal and interest payments pursuant to the Credit Agreement, dated as of February 19, 2015, among the several lenders from time to time parties thereto and JPMorgan Chase Bank, N.A, as administrative agent, as amended by that certain First Amendment dated as of June 27, 2017.
  - a. <u>Principal Amount Outstanding</u>: \$125,000,000
  - <u>Collateral:</u> All collateral described in that certain Amended and Restated Security and Pledge Agreement, dated as of February 26, 2010 by and between the Company and JPMorgan Chase Bank, N.A., as successor collateral agent, as amended by Amendment No. 1, dated as of August 10, 2011.
- 2. The Company is obligated to make certain loan principal and interest payments pursuant to the Credit Agreement, dated as of February 23, 2017, among the several lenders from time to time parties thereto and JPMorgan Chase Bank, N.A, as administrative agent, as amended by that certain First Amendment dated as of June 27, 2017.
  - a. Principal Amount Outstanding: \$105,000,000
  - b. <u>Collateral:</u> All collateral described in that certain Amended and Restated Security and Pledge Agreement, dated as of February 26, 2010 by and between the Company and JPMorgan Chase Bank, N.A., as successor collateral agent, as amended by Amendment No. 1, dated as of August 10, 2011.
- 3. The Company is obligated to make certain loan principal and interest payments pursuant to the Second Amended and Restated Credit Agreement, dated as of June 8, 2017, among the Company, the several banks and financial institutions parties thereto, PNC Bank, National Association, MUFG Union Bank, N.A. and Wells Fargo Bank, National Association, as syndication agents, JPMorgan Chase Bank, N.A., PNC Capital Markets LLC, MUFG and Wells Fargo Securities, LLC, as joint lead arrangers and joint bookrunners and JPMorgan Chase Bank, N.A., as administrative agent.
  - a. <u>Principal Amount Outstanding</u>: \$49,000,000 as of July 12, 2017
  - <u>Collateral</u>: All collateral described in that certain Amended and Restated Security and Pledge Agreement, dated as of February 26, 2010 by and between the Company and JPMorgan Chase Bank, N.A., as successor collateral agent, as amended by Amendment No. 1, dated as of August 10, 2011.
  - c. <u>Letters of Credit Outstanding</u>: Those certain letters of credit listed on Appendix A.
- 4. Note Purchase Agreement, dated as of February 26, 2010, between the Company and the Purchasers, as amended by Amendment No. 1, dated August 10, 2011 and Amendment No. 2, dated August 23, 2013, as supplemented by that First Supplement dated as of December 12, 2013 and the outstanding notes issued thereunder.
  - a. <u>Principal Amount Outstanding</u>: \$595,000,000
  - <u>Collateral</u>: All collateral described in that certain Amended and Restated Security and Pledge Agreement, dated as of February 26, 2010 by and between the Company and JPMorgan Chase Bank, N.A., as successor collateral agent, as amended by Amendment No. 1, dated as of August 10, 2011.

SCHEDULE 5.15 (to Second Supplement to Note Purchase Agreement)

- 5. The Company has certain obligations with respect to (i) that certain Commercial Surety General Indemnity Agreements, dated as of August, 2011, between the Company, as Principal, and RLI Insurance Company, as Surety, and (ii) the surety bonds listed on Appendix B.
  - a. <u>Principal Amount Outstanding: N/A</u>
  - b. <u>Collateral</u>: None.
- 6. Second Amended and Restated Credit Agreement, dated as of June 8, 2017, among LDC Holdings LLC, as the borrower, the several banks and other financial institutions or entities from time to time parties thereto as lenders, PNC Bank, National Association, MUFG Union Bank, N.A. and Wells Fargo Bank, National Association, as syndication agents and JPMorgan Chase Bank, N.A., as administrative agent.
- 7. Amended and Restated Limited Liability Company Agreement of the Company, dated as of January 27, 2010, as amended by the First Amendment to the Amended Restated Limited Liability Company Agreement of PNG Companies LLC, dated as of August 10, 2011.

## <u>Appendix A</u>

LOC <u>Number</u>	Obligor	Issuer	Beneficiary	Issue Date	Expiration Date	Amount	Auto-renewal?	Cancellation Notice
CPCS-946065			Zurich American					
	PNG Companies	JPMorganChase	Insurance Company	8/10/2011	8/10/2017	\$1,545,020.00	Yes - 1 year	30 days
CPCS-381130			Zurich American					
	PNG Companies	JPMorganChase	Insurance Company	10/23/2012	10/19/2017	\$ 191,242.00	Yes - 1 year	30 days
CPCS-770103			Liberty Mutual					
	PNG Companies	JPMorganChase	Insurance Company	10/9/2013	10/8/2017	\$ 318,000.00	Yes - 1 year	30 days
CPCS-827524			Brickstreet					
			Mutual Insurance					
	PNG Companies	JPMorganChase	Company	1/15/2014	1/10/2018	\$1,402,200.00	Yes - 1 year	30 days
Total						\$3,456,462.00		

Peoples Natural Gas Company LLC			As of 3/31/2017	
Bond No. 1ST QUARTER	Entity January 1, 2017 to March 31, 2017	Bond Amount	Туре	Obligee
CMS261748	Peoples Natural Gas		License Or Permit	Westmont Borough, PA
	Company LLC	\$ 10,000.00	Bond	
CMS261747	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Parks Township, PA
CMS0279447	Peoples Natural Gas Company LLC	\$ 5,000.00	Street Opening Bond	Borough of Baldwin
CMS0279448	Peoples Natural Gas Company LLC	\$ 20,000.00	Road Opening Permit	North Huntingdon Township
CMS0279449	Peoples Natural Gas Company LLC	\$ 50,000.00	Street Opening Bond	City of Lower Burrell, PA
CMS0279450	Peoples Natural Gas Company LLC	\$ 25,000.00	Road Opening Bond	Town of McCandless
CMS0279451	Peoples Natural Gas Company LLC	\$ 2,000.00	Street Opening Bond	Borough of Bridgeville, PA
CMS0279452	Peoples Natural Gas Company LLC	\$ 5,000.00	Street Opening Bond	Borough of Ben Avon, PA
CMS0279454	Peoples Natural Gas Company LLC	\$ 10,000.00	Street Opening Bond	Collier Township, PA
CMS261749	Peoples Natural Gas Company LLC	\$ 1,000.00	License Or Permit Bond	Township of Harrison, PA
CMS261751	Peoples Natural Gas Company LLC	\$ 35,000.00	Street Opening Bond	Borough of Wilkinsburg, PA
CMS0268598	Peoples Gas WV LLC	\$ 75,000.00	License Or Permit Bond	State of West Virginia
CMS261750	Peoples Natural Gas Company LLC	\$ 10,000.00	Street Opening Bond	Richland Township, PA
CMS0268601	Peoples Natural Gas Company LLC	\$ 1,000.00	Street Opening Bond	Borough of McKeesport, PA
CMS261754	Peoples Natural Gas Company LLC	\$ 10,000.00	Performance Bond	Ross Township, PA

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CMS261753 Peoples Nat	tural Gas		Gas Storage Lease	Commonwealth of Pennsylvania
Company	y LLC \$	100,000.00	Bond	
CMS261759 Peoples Nat	tural Gas		License Or Permit	City of Aliquippa, PA
Company		3,000.00	Bond	
CMS261771 Peoples Nat			License Or Permit	City of New Kensington, PA
Company		5,000.00	Bond	
CMS261760 Peoples Nat		,	License Or Permit	Borough of Wilkinsburg, PA
Company		10,000.00	Bond	0 0,
CMS261761 Peoples Nat		-,	License Or Permit	Township of Shaler, PA
Company		2,000.00	Bond	r · · · · · · · · · · · · · · · · · · ·
CMS261762 Peoples Nat		,	License Or Permit	Borough of Fox Chapel, PA
Company		5,000.00	Bond	5
CMS261763 Peoples Nat		-,	License Or Permit	Township of Penn, PA
Company		2,500.00	Bond	
CMS261764 Peoples Na		_,000.00	License Or Permit	The Borough of Irwin, PA
Company		2,500.00	Bond	
CMS261765 Peoples Nat		_,000100	License Or Permit	The Borough of Edgewood, PA
Company		1,000.00	Bond	
CMS261766 Peoples Nat		1,000.00	License Or Permit	City of Lower Burrell, PA
Company		5,000.00	Bond	City of 2000 Patient, 111
CMS261767 Peoples Nat		5,000100	License Or Permit	Township of Hampton, PA
Company		25,000.00	Bond	
CMS261770 Peoples Na		20,000100	License Or Permit	Evans City Borough, PA
Company		10,000.00	Bond	
CMS261768 Peoples Nat		,	License Or Permit	Township of Moon, PA
Company		5,000.00	Bond	F
CMS261769 Peoples Nat		-,	License Or Permit	Township of Wilkins, PA
Company		5,000.00	Bond	
CMS0283536 Peoples Na		5,000.00	Street Opening	Municipality of Murrysville, PA
Company		3,000.00	Bond	
CMS0283542 Peoples Gas		2,000.00	Oil & Gas Bond for	Well #47-049-00435
	\$	5,000.00	Well	
CMS0283543 Peoples Gas		5,000.00	Oil & Gas Bond for	Well #47-049-00439
respice dus	\$	5,000.00	Well	
CMS0323686 Peoples Na		2,000.00	Restoration Permit	Borough of Geistown
		22,550.00		
Company	, ψ	,000.00		
Company CMS0323688 Peoples National Company			Blanket Bond	Avonmore Boroligh
CMS0323688 Peoples Na	tural Gas	75.000.00	Blanket Bond	Avonmore Borough
CMS0323688 Peoples Na Company	tural Gas y LLC \$	75,000.00		-
CMS0323688 Peoples Na	tural Gas y LLC \$ tural Gas	75,000.00 75,000.00	Permit Bond	Avonmore Borough North Irwin Borough

2ND QUARTER	April 1, 2016 to June 30, 2016			
CMS261778	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Municipality of Monroeville, PA
CMS261779	Peoples Natural Gas Company LLC	\$ 10,000.00	Performance Bond	Commonwealth of PA, DOT
CMS261786	Peoples Natural Gas Company LLC	\$ 40,000.00	License Or Permit Bond	Borough of Edgewood
CMS261781	Peoples Natural Gas Company LLC	\$ 25,000.00	License Or Permit Bond	Washington Township, PA
CMS261782	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Borough of Manor, PA
CMS261783	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Boro of Ford Cliff, PA
CMS261789	Peoples Natural Gas Company LLC	\$ 12,500.00	Road Opening Bond	The Borough of Plum, PA
CMS0268616	Peoples Natural Gas Company LLC	\$ 3,000.00	Streep Opening Bond	The Borough of East Pittsburgh, PA
CMS261788	Peoples Natural Gas Company LLC	\$ 50,000.00	License Or Permit Bond	Hempfield Township, PA
CMS261790	Peoples Natural Gas Company LLC	\$ 25,000.00	License Or Permit Bond	Township of McCandless, PA
CMS0264997	Peoples Natural Gas Company LLC	\$ 5,000.00	Streep Opening Bond	Borough of Fox Chapel
CMS261791	Peoples Natural Gas Company LLC	\$ 75,000.00	License Or Permit Bond	City of Pittsburgh, PA
CMS0268619	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Borough of Oakmont, PA
CMS261792	Peoples Natural Gas Company LLC	\$ 10,000.00	Performance Bond	Commonwealth of PA, DOT
CMS0283539	Peoples Natural Gas Company LLC	\$ 5,000.00	Streep Opening Bond	Borough of Bradford Woods

CMS0283538	Peoples Natural Gas Company LLC	\$ 10,000.00	Streep Opening Bond	Borough of Versailles
CMS0283555	Peoples Natural Gas Company LLC	\$ 5,000.00	Streep Opening Bond	City of Grafton WV
CMS0283549	Peoples Natural Gas Company LLC	\$ 25,000.00	Road Opening Bond	Borough of Ben Avon Heights
CMS0283553	Peoples Natural Gas Company LLC	\$ 25,000.00	Permit Bond	Jackson Township
CMS0283556	Peoples Natural Gas Company LLC	\$ 10,000.00	Permit Bond	Borough of Braddock Hills
CMS0283557	Peoples Natural Gas Company LLC	\$ 35,000.00	Streep Opening Bond	Borough of Crafton
CMS0283558	Peoples Natural Gas Company LLC	\$ 25,000.00	Road Opening Bond	Borough of East Pittsburgh
CMS0283566	Peoples Natural Gas Company LLC	\$ 20,000.00	Streep Opening Bond	Borough of New Stanton
CMS0283550	Peoples Natural Gas Company LLC	\$ 5,000.00	Streep Opening Bond	Borough of Homestead
CMS0283554	Peoples Natural Gas Company LLC	\$ 10,000.00	Road Opening Bond	Township of Washington
CMS0283567	Peoples Natural Gas Company LLC	\$ 2,500.00	Fuel Tax Bond	Pennsylvania Dept of Revenue
CMS02869661	Peoples Natural Gas Company LLC	\$ 2,500.00	Alt Fuel Tax Bond	Pennsylvania Dept of Revenue
CMS0289672	Peoples Gas WV LLC	\$ 75,000.00	District 7 Maintenance	State of West Virginia
CMS0289671	Peoples Gas WV LLC	\$ 75,000.00	District 6 Maintenance	State of West Virginia
		\$ 610,500.00		

	July 1, 2016 to				
<b>3RD QUARTER</b>	September 30, 2016				
CMS0264954	Peoples Natural Gas Company LLC	\$	10,000.00	Road Use Bond	Township of North Fayette, PA
CMS241837	Peoples Natural Gas			Workers'	Commonwealth of PA, Dept of Labor
	Company LLC			Compensation	
		\$	3,500,000.00	Bond	
CMS0264955	Peoples Natural Gas			Performance Bond	Borough of Zelienople, PA
	Company LLC	\$	5,000.00		
CMS0264956	Peoples Natural Gas			License Or Permit	Swissvale Borough, PA
	Company LLC	\$	5,000.00	Bond	
CMS261717	Peoples Natural Gas			License Or Permit	Municipality of Penn Hills, PA
	Company LLC	\$	20,000.00	Bond	
CMS261706	Peoples Natural Gas			License Or Permit	South Park Township, PA
	Company LLC	\$	50,000.00	Bond	
CMS261707	Peoples Natural Gas			License Or Permit	South Park Township, PA
	Company LLC	\$	2,000.00	Bond	
CMS261708	Peoples Natural Gas			License Or Permit	Ohioville Township, PA
	Company LLC	\$	10,000.00	Bond	
CMS261710	Peoples Natural Gas			Highway	Commonwealth of PA, DOT
	Company LLC			Restoration and	
		\$	500,000.00	Maintenance Bond	
CMS0268621	Peoples Natural Gas			Permit Bond	Elizabeth Township
	Company LLC	\$	2,000.00	(Street Opening)	
CMS0279425	Peoples Natural Gas			Permit Bond	Borough of Canonsburg
	Company LLC	\$	25,000.00	(Street Opening)	
CMS0279426	Peoples Natural Gas			Street Openings	Municipality of Mt. Lebanon
	Company LLC	\$	2,000.00	Bond	
CMS0279427	Peoples Natural Gas			Street Openings	Borough of Sharpsburg
	Company LLC	\$	10,000.00	Bond	
CMS0279428	Peoples Natural Gas	*		Street Openings	Swickly Hills Borough
	Company LLC	\$	15,000.00	Bond	
CMS0279429	Peoples Natural Gas	¢	00.000.05	Street Openings	Borough of Carnegie
	Company LLC	\$	20,000.00	Bond	
CMS0279430	Peoples Natural Gas	¢	10,000,00	Road Opening	Borough of Port Vue
	Company LLC	\$	10,000.00	Permit	
CMS0279431	Peoples Natural Gas	¢	10,000,00	Street Openings	Borough of Tarentum
	Company LLC	\$	10,000.00	Bond	
CMS0279432	Peoples Natural Gas	¢	E 000.00	Street Openings	City of Fairmont
CM(C0070400	Company LLC	\$	5,000.00	Bond	
CMS0279433	Peoples Natural Gas	¢	E 000 00	Street Openings	Franklin Township
	Company LLC	\$	5,000.00	Bond	
CMS0279434	Peoples Natural Gas	¢	100 000 00	Street Obstruction	Township of Robinson
	Company LLC	\$	100,000.00	Bond	

CMS0279435	Peoples Natural Gas Company LLC	\$	3,000.00	Street Obstruction Bond	Stowe Township
CMS0279436	Peoples Natural Gas Company LLC	\$	10,000.00	Street Openings Bond	Borough of Rosslyn
CMS0279437	Peoples Natural Gas Company LLC	\$	2,000.00	Street Openings Bond	Borough of Whitaker
CMS0285591	Peoples Natural Gas Company LLC	\$	15,375.00	Road Bond	Jefferson Township
CMS0285580	Peoples Natural Gas Company LLC	\$	100,000.00	Street Opening Bond	Borough of Bellevue
CMS0283551	Peoples Natural Gas Company LLC	\$	10,000.00	Street Opening Bond	Township of Kilbuck
CMS285581	Peoples Natural Gas Company LLC			License Bond for Registration and Gas Lince	South Park Township
CMS0285582	Peoples Natural Gas	\$	5,000.00	Excavation Street Opening	Borough of Greentree
CMS0285583	Company LLC Peoples Natural Gas Company LLC	\$ \$	50,000.00 5.000.00	Bond Street Opening Bond	City of New Kensington
CMS0285584	Peoples Natural Gas Company LLC	\$	10,000.00	Street Opening Bond	Borough of Trafford
CMS0285585	Peoples Natural Gas Company LLC	\$	5,000.00	Street Opening Bond	Borough of Etna
CMS0285587	Peoples Natural Gas Company LLC	\$	5,000.00	Street Opening Bond	Borough of Springdale
CMS0285586	Peoples Natural Gas Company LLC	\$	25,000.00	Street Opening Bond	Borough of Pleasant Hills
CMS0289688	Peoples Natural Gas Company LLC	\$	35,000.00	Performance Bond	Peters Township
CMS0289689	Peoples Natural Gas Company LLC	\$	5,000.00	Permit Bond (Street Opening)	North Apollo Borough
CMS0289692	Peoples Natural Gas Company LLC	\$	74,900.00	Permit Bond (Street Opening)	Center Township
		\$	4,666,275.00		

4TH QUARTER	October 1, 2016 to December 31, 2016			
CMS261723	Peoples Natural Gas		Road Bond	Vandergrift Borough
	Company LLC	\$ 50,000.00		0 0
CMS0264976	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Harmar Township
CMS0279422	Peoples Natural Gas Company LLC	\$ 6,000.00	License Or Permit Bond	Carroll Township
CMS0279455	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Borough of Brackenridge
CMS0279456	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Borough of Munhall
CMS0279457	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Municipality of Monroeville
CMS261725	Peoples Natural Gas Company LLC	\$ 25,000.00	License Or Permit Bond	Forest Hills Borough, PA
CMS261724	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Borough of North Belle Vernon, PA
CMS261744	Peoples Natural Gas Company LLC	\$ 1,500.00	Street Opening Bond	Hopewell Township, PA
CMS261741	Peoples Natural Gas Company LLC	\$ 50,000.00	License Or Permit Bond	Ford City Borough, PA
CMS261740	Peoples Natural Gas Company LLC	\$ 10,000.00	Performance Bond	Rostraver Township, PA
CMS0279445	Peoples Natural Gas Company LLC	\$ 1,250.00	Road Restoration Bond	North Fayette Township
CMS0283541	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-033-01669
CMS0283544	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-049-00444
CMS0283545	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-049-00445
CMS0283546	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-049-00632
CMS0283547	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-061-00429
CMS0285606	Peoples Natural Gas Company LLC	\$ 50,000.00	Performance Bond	PennDot

CMS261742	Peoples Natural Gas		Road Opening	City of Greensburg, PA
	Company LLC	\$ 50,000.00	Permit Bond	
CMS0323680	Peoples Natural Gas		Condemnation	Commonwealth of PA
	Company LLC	\$ 50,000.00	Bond	
CMS0323679	Peoples Natural Gas		Road Maitenance	Harmar Township
	Company LLC	\$ 4,000.00		
		\$ 367,750.00		
	Grand Total 2016	\$ 6,280,075.00		

### SUPPLEMENTAL REPRESENTATIONS

The Company represents and warrants to each Purchaser that, except as hereinafter deemed modified or substituted and replaced pursuant to this Exhibit A, each of the representations and warranties set forth in Section 5 of the Note Purchase Agreement is true and correct as of the Closing Date. For purposes of the representation and warranty set forth above, (a) each reference to "Series 2010-A Notes" set forth in Section 5 of the Note Purchase Agreement shall be deemed modified to refer to "Series 2017-A Notes," each reference to "this Agreement" set forth in Section 5 of the Note Purchase Agreement shall be deemed modified to refer to "the Note Purchase Agreement as supplemented by the Second Supplement" and each reference to "the Purchasers" set forth in Section 5 of the Note Purchase Agreement shall be deemed modified to refer to "Schedule 5.4" in Sections 5.4(b), 5.4(c) and 5.4(d) of the Note Purchase Agreement shall be deemed modified to refer to "Schedule 5.4 to the Second Supplement" and (c) the corresponding sections of Section 5 of the Note Purchase Agreement are hereby substituted and replaced by the following:

*Section 5.3 Disclosure*. This Agreement and the documents, certificates or other writings delivered to the Purchasers and the financial statements listed in Schedule 5.5 to the Second Supplement, delivered to the Purchasers by or on behalf of the Company (this Agreement, and such documents, certificates or other writings, the Second Supplement and such financial statements delivered to each Purchaser prior to May 15, 2017 being referred to, collectively, as 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. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Company to be reasonable at the time made, it being recognized by the holders of Notes that such financial information may differ from the projected results set forth therein by a material amount. Except as disclosed in the Disclosure Documents, since December 31, 2016, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents.

Section 5.4 Organization and Ownership of Shares of Subsidiaries. (a) Schedule 5.4 to the Second Supplement contains (except as noted therein) complete and correct lists (1) of 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 outstanding owned by the Company and each other Subsidiary and (2) of Company's directors and senior officers.

EXHIBIT A (to Second Supplement to Note Purchase Agreement) Section 5.5 Financial Statements; Material Liabilities. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5 to the Second Supplement. All of said financial statements (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 in such Schedule 5.5 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.

### Section 5.12 Compliance with ERISA.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multi-employer Plans), determined as of the end of such Plan's most recently ended plan year in such Plan's most recent actuarial valuation report on the basis of the actuarial assumptions specified for funding purposes in such report, did not exceed the aggregate value of the assets of such Plan as reflected in such Plan's most recent actuarial valuation report allocable to such benefit liabilities as reflected in such Plan's most recent actuarial valuation report by more than \$50,000,000 in the aggregate for all Plans. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms "current value" and "present value" have the meanings specified in Section 3 of ERISA.

Section 5.13 Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Series 2017-A 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 the Purchasers. 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 Series 2017-A 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.

*Section 5.14 Use of Proceeds; Margin Regulations.* The Company will apply the proceeds of the sale of the Series 2017-A Notes to refinance existing Indebtedness and for other general limited liability company purposes. No part of the proceeds from the sale of the Series 2017-A Notes hereunder 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 25% 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 25% 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.

### Section 5.15 Existing Debt; Future Liens.

(a) Except as described therein, Schedule 5.15 to the Second Supplement sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of July 12, 2017 (including a description of the obligors and obligees, principal amount outstanding and collateral therefor, if any, and Guarantee Obligations relating thereto, if any), since which date 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. 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 such 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 to the Second Supplement, 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 10.4.

#### Section 5.16 Foreign Assets Control Regulations, Etc.

(a) Neither the Company nor any Controlled Entity (i) is a Blocked Person, (ii) has been notified that its name appears or may in the future appear on a State Sanctions List or (iii) is a target of sanctions that have been imposed by the United Nations or the European Union.

(b) Neither the Company nor any Controlled Entity (i) has violated, been found in violation of, or been charged or convicted under, any applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws or (ii) to the Company's knowledge, is under investigation by any Governmental Authority for possible violation of any U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws.

(c) No part of the proceeds from the sale of the Notes hereunder:

(i) constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (A) in connection with any investment in, or any transactions or dealings with, any Blocked Person, (B) for any purpose that would cause any Purchaser to be in violation of any U.S. Economic Sanctions Laws or (C) otherwise in violation of any U.S. Economic Sanctions Laws;

(ii) will be used, directly or indirectly, in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Money Laundering Laws; or

(iii) will be used, directly or indirectly, for the purpose of making any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage, in each case which would be in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Corruption Laws.

(d) The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws and Anti-Corruption Laws.

As used in this Section 5.16, the following terms shall be defined as follows:

*"Anti-Corruption Laws"* shall mean any law or regulation in a U.S. or any non-U.S. jurisdiction regarding bribery or any other corrupt activity, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010.

"*Anti-Money Laundering Laws*" shall mean any law or regulation in a U.S. or any non-U.S. jurisdiction regarding money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes, including the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act) and the USA PATRIOT Act.

*"Blocked Person"* shall mean (a) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by OFAC, (b) a Person, entity, organization, country or regime that is blocked or a target of sanctions that have been imposed under U.S. Economic Sanctions Laws or (c) a Person that is an agent, department or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, any Person, entity, organization, country or regime described in clause (a) or (b).

"*Control*" shall mean 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; and the terms "Controlled" and "Controlling" shall have meanings correlative to the foregoing.

*"Controlled Entity"* shall mean (a) any of the Subsidiaries of the Company and any of their or the Company's respective Controlled Affiliates and (b) if the Company has a parent company, such parent company and its Controlled Affiliates.

"OFAC" shall mean the Office of Foreign Assets Control of the United States Department of the Treasury.

*"State Sanctions List"* shall mean a list that is adopted by any state Governmental Authority within the United States of America pertaining to Persons that engage in investment or other commercial activities in Iran or any other country that is a target of economic sanctions imposed under U.S. Economic Sanctions Laws.

"U.S. *Economic Sanctions Laws*" shall mean those laws, executive orders, enabling legislation or regulations administered and enforced by the United States pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Iran Sanctions Act, the Sudan Accountability and Divestment Act and any other OFAC Sanctions Program.

Section 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, or the ICC Termination Act of 1995, as amended. Neither the Company nor any Subsidiary is subject to regulation under federal or state law as a public utility except that (i) Peoples is subject to regulation as a public utility under Pennsylvania law and by the Pennsylvania Public Service Commission, (ii) Peoples KY LLC, a Kentucky limited liability company, is subject to regulation by the Kentucky Public Service Commission and (iii) Peoples WV LLC, a West Virginia limited liability company, is subject to regulation by the Public Service Commission of West Virginia. The Company and its Subsidiaries have complied and are in compliance with (a) all applicable state utility laws, regulations and orders and (b) any other federal or state laws, regulations and orders applicable to it as a public utility or gas utility, except in each case for instances of noncompliance that, individually and in the aggregate, have not had, and could not reasonably be expected to have, a Material Adverse Effect.

*Section 5.21 Solvency*. The Company is, and after giving effect to the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith will be and will continue to be, Solvent.

#### FORM OF SERIES 2017-A NOTE

#### PNG COMPANIES LLC

#### 3.58% Series 2017-A Senior Secured Note due July 14, 2024

July 14, 2017 PPN 73020\* AG8

FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (herein called the "*Company*"), hereby promises to pay to \_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_ DOLLARS (or so much thereof as shall not have been prepaid) on July 14, 2024, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 3.58% per annum from the date hereof, payable semiannually, on the 14th day of July and January in each year, commencing with the July 14 or January 14 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 (1) 5.58% or (2) 2.00% 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices 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 the Series 2017-A Senior Secured Notes (herein called the "*Notes*") issued pursuant to the Second Supplement dated as of July 14, 2017 (the "*Supplement*") which supplements that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011, that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013 and that certain First Supplement dated as of December 12, 2013 and as from time to time further amended, supplemented or otherwise modified, the "*Note Purchase Agreement*"), originally between the Company and the respective Purchasers named therein and is entitled to the benefits of the Note Purchase Agreement. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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.

EXHIBIT 1(a) (to Second Supplement to 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 not subject to regularly scheduled prepayments of principal. 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 Supplement and/or 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.

PNG COMPANIES LLC

By

Name: Title:

E-1(a)-2

### Form of Opinion of Special Counsel to the Company

To be provided to the Purchasers only.

EXHIBIT 4(f)(i) (to Second Supplement to Note Purchase Agreement)

# Form of Opinion of Special Pennsylvania Counsel to the Company

To be provided to the Purchasers only.

EXHIBIT 4(f)(ii) (to Second Supplement to Note Purchase Agreement)

### FORM OF OPINION OF SPECIAL COUNSEL TO THE PURCHASERS

To be provided to the Purchasers only.

EXHIBIT 4(f)(iii) (to Second Supplement to Note Purchase Agreement) PNG COMPANIES LLC

THIRD SUPPLEMENT TO NOTE PURCHASE AGREEMENT

Dated as of September 20, 2017

Re: \$50,499,999.95 4.26% Series 2017-B Senior Secured Notes due December 20, 2031

Dated as of September 20, 2017

To the Purchasers listed in the attached Schedule A hereto

#### Ladies and Gentlemen:

This Third Supplement to Note Purchase Agreement (this "*Third Supplement*") is between PNG COMPANIES LLC, a Delaware limited liability company (the "*Company*"), and the institutional investors named on Schedule A attached hereto (the "*Purchasers*").

Reference is hereby made to that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011, that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013, that certain First Supplement to the Note Purchase Agreement dated as of December 12, 2013 and that certain Second Supplement to the Note Purchase Agreement ") between the Company and the purchasers party thereto. All capitalized terms not otherwise defined herein shall have the same meaning as specified in the Note Purchase Agreement. Reference is further made to Section 2.2(c)(2) of the Note Purchase Agreement which requires that, prior to the delivery of any Additional Notes, the Company and each Additional Purchaser shall execute and deliver a Supplement.

The Company intends to effect a Permitted Acquisition (as defined in the Note Purchase Agreement) pursuant to that certain Agreement and Plan of Merger dated as of February 20, 2017 by and among the Company, Delta Natural Gas Company, Inc., a Kentucky corporation ("*Delta*"), and Drake Merger Sub Inc., a Kentucky corporation ("*Merger Sub*") and a wholly-owned subsidiary of the Company pursuant to which Merger Sub will be merged with and into Delta and Delta will be the surviving corporation in the merger (the "*Delta Acquisition*"). To refinance Delta's 4.26% Senior Notes, Series A, due December 20, 2031 (the "*Existing Delta Notes*") which are held by certain of the Purchasers, the Company will issue the Series 2017-B Notes (as defined below) in exchange for such Existing Delta Notes (such issuance and exchange hereafter referred to as the "*Note Exchange*").

#### The Company hereby agrees with the Purchasers as follows:

1. The Company has authorized the issue and exchange of \$50,499,999.95 aggregate principal amount of its 4.26% Series 2017-B Senior Secured Notes due December 20, 2031 (the "*Series 2017-B Notes*"). The *Series 2017-B Notes*, together with the Series 2010-A Notes initially issued pursuant to the Note Purchase Agreement and the Series 2013-A Notes issued pursuant to the First Supplement to the Note Purchase Agreement dated as of December 12, 2013 and the Series 2017-A Notes issued pursuant to the Second Supplement dated as of July 14, 2017, and each series of Additional Notes which may from time to time hereafter be issued pursuant to the provisions of Section 2.2 of the Note Purchase Agreement, are collectively referred to as the "Notes" (such term shall also include any such notes issued in substitution therefor pursuant to Section 13 of the Note Purchase Agreement). The Series 2017-B Notes shall be substantially in the form set out in Exhibit 1(a) hereto with such changes therefrom, if any, as may be approved by the Purchasers and the Company.

2. Subject to the terms and conditions hereof and as set forth in the Note Purchase Agreement and on the basis of the representations and warranties hereinafter set forth, the Company will issue to each Purchaser, at the Closing provided for in Section 3, and each Purchaser will receive from the Company, Series 2017-B Notes in consideration for the exchange of the Existing Delta Notes in the principal amount specified opposite such Purchaser's name in Schedule A hereto. The obligations of each Purchaser hereunder are several and not joint obligations and no Purchaser shall have any obligation or any liability to any Person for the performance or nonperformance by any other Purchaser hereunder.

3. The Note Exchange shall occur concurrently with the consummation of the Delta Acquisition at the offices of Schiff Hardin LLP, 666 Fifth Avenue, 17th Floor, New York, New York 10103 at 11:59 p.m. New York, New York time, at a closing (the "*Closing*") on September 20, 2017 (the "*Closing Date*"). At the Closing, the Company will deliver to each Purchaser of the Series 2017-B Notes to be exchanged for such Purchaser's Existing Delta Note as specified opposite such Purchaser's name in Schedule A attached hereto in the form of a single Series 2017-B Note (or such greater number of Series 2017-B Notes in denominations of at least \$100,000 as such Purchaser may request) dated the date of Closing and registered in such Purchaser's name (or in the name of such Purchaser's nominee). If, at the Closing, the Company shall fail to tender such Series 2017-B Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to any Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Third Supplement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment. Promptly after the Closing the Purchasers holding Existing Delta Notes agree to deliver such Existing Delta Notes to the Company for cancellation.

4. The obligation of each Purchaser to exchange the Existing Delta Notes for the Series 2017-B Notes at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to the Closing, of the following conditions:

(a) Except as deemed modified or substituted and replaced by the representations and warranties set forth in Exhibit A hereto, each of the representations and warranties of the Company set forth in Section 5 of the Note Purchase Agreement shall be true and correct as of the Closing Date.

-2-

(b) The Company shall have performed and complied with all agreements and conditions contained in the Note Purchase Agreement as supplemented by the Third Supplement and the Security Documents required to be performed or complied with by it prior to or on the Closing Date, and after giving effect to the Note Exchange (and the application of the proceeds thereof as contemplated by Section 5.14 of Exhibit A hereto), no Default or Event of Default shall have occurred and be continuing and no waiver of Default or Event of Default shall be in effect.

(c) The Company shall have delivered to such Purchaser:

(i) an Officer's Certificate, dated the Closing Date, certifying that the conditions specified in Sections 4(a), (b) and (l) have been fulfilled;

(ii) an Officer's Certificate executed by a duly authorized Senior Financial Officer stating that such officer has reviewed the provisions of the Note Purchase Agreement (including this Third Supplement) and setting forth the information and computations (in sufficient detail) required to establish whether after giving effect to the issuance of the Series 2017-B Notes and after giving effect to the application of the proceeds thereof, the Company will be in compliance with the requirements of Sections 10.1, 10.2 and 10.3 of the Note Purchase Agreement on such date; and

(iii) a certificate of its Secretary, Assistant Secretary or other officer, dated the Closing Date, certifying as to the resolutions attached thereto and other limited liability company proceedings relating to the authorization, execution and delivery of the Series 2017-B Notes and this Third Supplement.

(d) Each Security Document shall be in full force and effect and such Purchaser shall have received a duly executed copy thereof. The Company shall have delivered any certificates representing the issued and outstanding Capital Stock pledged under the Security Documents and instruments of assignment executed in blank to the Collateral Agent. Pursuant to the Security Documents, the Collateral Agent, for the equal and ratable benefit of the Purchasers, the other holders of Notes and the Lenders, shall have a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted to be prior pursuant to Section 10.4 of the Note Purchase Agreement). Such Purchaser shall have received the results of a recent Lien search with respect to the Company, and such search shall reveal no Liens on any of the assets of the Company except for Liens permitted by Section 10.4 of the Note Purchase Agreement or discharged on or prior to the Closing Date pursuant to documentation satisfactory to such Purchaser.

(e) Each Purchaser shall have become a party to the Intercreditor Agreement pursuant to a Joinder to Intercreditor Agreement in the form attached thereto.

(f) Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the Closing Date (i) from O'Melveny & Myers LLP, counsel for the Company, covering the matters set forth in Exhibit 4(f)(i) to this Third Supplement and covering such other matters incident to the transactions contemplated hereby as such Purchaser or special counsel to the Purchasers may reasonably request

-3-

(and the Company hereby instructs its counsel to deliver such opinion to such Purchaser), (ii) from Post & Schell P.C., special Pennsylvania counsel for the Company, covering the matters set forth in Exhibit 4(f)(ii) to this Third Supplement and covering such other matters incident to the transactions contemplated hereby as such Purchaser or special counsel to the Purchasers may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to such Purchaser), (iii) from Wyatt, Tarrant & Combs LLP, special Kentucky counsel for the Company, covering the matters set forth in Exhibit 4(f)(iii) to this Third Supplement and covering such other matters incident to the transactions contemplated hereby as such Purchaser or special counsel to the Purchasers may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to such Purchaser), (iii) from Wyatt, Tarrant & Combs LLP, special Kentucky counsel for the Company, covering the matters set forth in Exhibit 4(f)(iii) to this Third Supplement and covering such other matters incident to the transactions contemplated hereby as such Purchaser or special counsel to the Purchasers may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to such Purchaser), and (iv) from Schiff Hardin LLP, special counsel to the Purchasers in connection with such transactions, substantially in the form set forth in Exhibit 4(f)(iv) to this Third Supplement and covering such other matters incident to such transactions as such Purchaser may reasonably request.

(g) On the Closing Date, such Purchaser's participation in the Note Exchange shall (i) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is 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 T, U or X of the Board of Governors of the Federal Reserve System) and (iii) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation. If requested by any Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such participation in the Note Exchange is so permitted.

(h) Contemporaneously with the Closing, the Company shall issue to each other Purchaser and each other Purchaser shall exchange its Existing Delta Notes for the Series 2017-B Notes to be received by it at the Closing as specified in Schedule A to this Third Supplement.

(i) Without limiting the provisions of Section 15.1 of the Note Purchase Agreement, the Company shall have paid on or before the Closing the reasonable fees, charges and disbursements of special counsel to the Purchasers referred to in Section 4(f)(iv) to the extent reflected in a statement of such counsel rendered to the Company at least two Business Days prior to the date of the Closing.

(j) A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for the Series 2017-B Notes.

(k) All consents, authorizations and approvals (including, without limitation, shareholders' consents) from, and all declarations, filings and registrations with, all Governmental Authorities or third parties that are necessary in connection with the Delta Acquisition, the Note Exchange and the other transactions contemplated hereby shall

-4-

have been obtained, or made, and remain in full force and effect and final and all periods for appeal and rehearing by third parties have expired and all conditions contained therein which are to be fulfilled prior to the Note Exchange have been fulfilled, free of any term, condition, restriction, imposed liability that is or any other provisions that are materially adverse to the operations and business of the Company or any of its Subsidiaries. Such Purchaser shall have received copies of any such consents, authorizations, declarations, filings and registrations referenced to in the preceding sentence, including without limitation, those issued by federal, Commonwealth of Pennsylvania, State of West Virginia and Commonwealth of Kentucky Governmental Authorities.

(1) The Company shall not have changed its jurisdiction of formation or organization, as applicable, or, except for the Delta Acquisition, been a party to any merger or consolidation or 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 referred to in Schedule 5.5 to this Third Supplement.

(m) Such Purchaser shall have received a copy of letters from at least two Rating Agencies reaffirming that, immediately after giving effect to the issuance of the Series 2017-B Notes and the Delta Acquisition, the Notes (including the Series 2017-B Notes) shall be rated at least the same rating as the Notes were rated immediately prior to such issuance and the Delta Acquisition.

(n) The Note Purchase Agreement shall not have been amended, waived or otherwise modified subsequent to July 14, 2017 except for amendments, waivers or modifications which are reasonably acceptable to such Purchaser.

(o) The Delta Acquisition (i) shall have been consummated (prior to or simultaneously with the Note Exchange hereunder) in all material respects in accordance with the terms of the Delta Acquisition Documentation after giving effect to any modifications, amendments, consents or waivers thereto, other than those modifications, amendments, consents or waivers that are materially adverse to the interests of any Purchaser, which shall not be made without the prior written consent of such Purchaser and (ii) shall constitute a Permitted Acquisition. Such Purchaser shall have received a copy of the Delta Acquisition Documentation, including all amendments or supplements thereto, certified by an officer of the Company to be true and correct and in full force and effect as of the date of the Closing.

(p) The Company shall have delivered to each holder of Series 2010-A Notes, each holder of Series 2013-A Notes and each holder of the Series 2017-A Notes (i) a copy of the Officer's Certificate referenced in clause (c)(ii) above and (ii) the ratings reaffirmation letters referenced in clause (m) above.

(q) The Company shall have paid and the Purchasers shall have received payment in cash of all accrued and unpaid interest on the Existing Delta Notes as of the Closing Date as set forth on Schedule 4(q) attached hereto.

-5-

(r) After giving effect to the exchange of the Existing Delta Notes for the Series 2017-B Notes as contemplated hereby, all obligations of Delta under the Note Purchase and Private Shelf Agreement dated as of December 8, 2011 between Delta, on the one hand, and PGIM, Inc. (formerly known as Prudential Investment Management, Inc.), the Purchasers listed in Schedule A attached thereto and each other Prudential Affiliate (as defined therein) party thereto, on the other, (the *"Existing Delta Note Agreement"*), and all notes issued thereunder shall have been discharged, such Existing Delta Note Agreement shall have been terminated and such Purchaser shall have received such evidence as it may reasonably request to demonstrate the satisfaction of the foregoing.

#### 5. The following provisions shall apply to the Series 2017-B Notes:

(a) *Required Prepayments for the Series 2017-B Notes.* As provided therein, the entire unpaid principal balance of the Series 2017-B Notes shall be due and payable on the stated maturity date thereof. Additionally, on December 20, 2017 and on each December 20 thereafter to and including December 20, 2030, the Company will prepay \$1,500,000 principal amount (or such lesser principal amount as shall then be outstanding) of the Series 2017-B Notes at par and without payment of the Make-Whole Amount or any premium.

(b) *Default Rate for the Series 2017-B Notes. "Default Rate"* shall mean, with respect to any Series 2017-B Note, that rate of interest that is the greater of (1) 2.00% per annum above the rate of interest stated in clause (a) of the first paragraph of such Series 2017-B Note or (2) 2.00% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A., in New York, New York as its "base" or "prime" rate.

(c) *Make-Whole Amount and Modified Make-Whole Amount for the Series 2017-B Notes.* The terms "*Make-Whole Amount*" and "*Modified Make-Whole Amount*" shall mean, with respect to any Series 2017-B 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 Series 2017-B Note over the amount of such Called Principal, *provided* that neither the Make-Whole Amount nor the Modified Make-Whole Amount may in any event be less than zero. For the purposes of determining the Make-Whole Amount and Modified Make-Whole Amount, the following terms have the following meanings:

"*Applicable Percentage*" in the case of a computation of the Modified Make-Whole Amount for purposes of Section 8.8 of the Note Purchase Agreement shall mean 1.00% (100 basis points), and in the case of a computation of the Make-Whole Amount for any other purpose shall mean 0.50% (50 basis points).

*"Called Principal"* shall mean, with respect to any Series 2017-B Note, the principal of such Series 2017-B Note that is to be prepaid pursuant to Section 8.2 or Section 8.8 of the Note Purchase Agreement or has become or is declared to be immediately due and payable pursuant to Section 12.1 of the Note Purchase Agreement, as the context requires.

-6-

"Discounted Value" shall mean, with respect to the Called Principal of any Series 2017-B 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 such Series 2017-B Note is payable) equal to the Reinvestment Yield with respect to such Called Principal.

*"Reinvestment Yield"* shall mean, with respect to the Called Principal of any Series 2017-B Note, the Applicable Percentage over the yield to maturity implied by (a) the "Ask-Side(s)" yields reported as of 10:00 a.m. (New York, New York 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 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 (b) 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 (or any comparable successor publication) for U.S. Treasury Securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date.

In the case of each determination under clause (a) or clause (b), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (1) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (2) interpolating linearly between (i) the applicable actively traded on the run U.S. Treasury Security with the maturity closest to and greater than such Remaining Average Life and (ii) the applicable actively traded on the run 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 such Series 2017-B Note.

*"Remaining Average Life"* shall mean, with respect to any Called Principal of any Series 2017-B Note, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (a) such Called Principal into (b) the sum of the products obtained by multiplying (1) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (2) 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.

-7-

*"Remaining Scheduled Payments"* shall mean, with respect to the Called Principal of any Series 2017-B 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 Series 2017-B 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, Section 8.8 or Section 12.1 of the Note Purchase Agreement.

*"Settlement Date"* shall mean, with respect to the Called Principal of any Series 2017-B Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or Section 8.8 of the Note Purchase Agreement or has become or is declared to be immediately due and payable pursuant to Section 12.1 of the Note Purchase Agreement, as the context requires.

### (d) Additional Definitions.

"Delta" shall mean Delta Natural Gas Company, Inc., a Kentucky corporation.

"*Delta Acquisition*" shall mean the transactions contemplated by the Delta Acquisition Agreement pursuant to which Drake Merger Sub Inc. will be merged with and into Delta and Delta will be the surviving corporation in the merger and a Wholly-Owned Subsidiary of the Company.

*"Delta Acquisition Agreement"* shall mean the Agreement and Plan of Merger dated as of February 20, 2017 among the Company, Delta and Drake Merger Sub Inc., a Kentucky corporation and a direct, Wholly-Owned Subsidiary of the Company and all schedules, exhibits and annexes thereto.

*"Delta Acquisition Documentation"* shall mean the Delta Acquisition Agreement and all schedules, exhibits and annexes thereto and all side letters and agreements affecting the terms thereof or entered into in connection therewith.

6. Each Purchaser represents and warrants that the representations and warranties set forth in Section 6 of the Note Purchase Agreement are true and correct as of the Closing Date with respect to the participation in the Note Exchange by such Purchaser with the same force and effect as if each reference to "Series 2010-A Notes" contained therein was modified to refer to the "Series 2017-B Notes".

7. The Company and each Purchaser agree to be bound by and comply with the terms and provisions of the Note Purchase Agreement as supplemented by this Third Supplement as fully and completely as if such Purchaser were an original signatory to the Note Purchase Agreement.

-8-

8. All references in the Note Purchase Agreement and all other instruments, documents and agreements relating to, or entered into in connection with the foregoing documents and agreements, to the Note Purchase Agreement shall be deemed to refer to the Note Purchase Agreement, as supplemented by this Third Supplement.

9. Except as expressly supplemented by this Third Supplement, all terms and provisions of the Note Purchase Agreement remain unchanged and continue, unabated, in full force and effect and the Company hereby reaffirms its obligations and liabilities under the Note Purchase Agreement.

10. This Third Supplement 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 permit the application of the laws of a jurisdiction other than such State.

11. Any provision of this Third Supplement 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 full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

12. All covenants and other agreements contained in this Third Supplement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

13. This Third Supplement 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.

-9-

The execution hereof shall constitute a contract between the Company and the Purchasers for the uses and purposes hereinabove set forth.

## PNG COMPANIES LLC

By /s/ Preston Poljak

Name: Preston Poljak Title: Senior Vice President and Chief Financial Officer

# THE GIBRALTAR LIFE INSURANCE CO., LTD.

By: Prudential Investment Management Japan Co., Ltd., as Investment Manager

By: PGIM, Inc., as Sub-Adviser

By: <u>/s/ BL</u>

Vice President

## THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: <u>/s/ BL</u>

Vice President

# PURCHASER SCHEDULE PNG Companies LLC 4.26% Series 2017-B Senior Secured Notes due 2031

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# <u>Schedule 4(q)</u>

## Interest on Existing Delta Notes

Existing Delta Notes	Aggregate Outstanding Principal Amount	iterest through tember 20, 2017	Per Diem
RA-3	Total of		
RA-5	\$47,530,948.25	\$ 506,204.60	\$5,624.50
RA-4	\$2,969,051.70	\$ 31,620.40	\$351.34

## Schedule 5.4

## Subsidiaries

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
Peoples Natural Gas	Pennsylvania	100%	Directors:
Company LLC			1. Morgan O'Brien
			2. Christopher Kinney
			3. Dennis Mahoney
			4. John McGuire
			5. James Mahoney
			6. Victor Roque
			Senior Officers:
			1. Morgan O'Brien, President and Chief Executive
			Officer
			2. Ruth A. DeLost- Wylie, Senior Vice President an
			Chief Administrative Officer
			3. Joseph A. Gregorini, Senior Vice President &
			Chief Operating Officer
			4. Preston D. Poljak, Senior Vice President and
			Chief Financial Officer
			5. John J. Luke, Vice President, General Counsel &
			Secretary

Name	Jurisdiction	Percentage Owned by the Company		Directors and Senior Officers
			6.	Paul Becker, Vice President, Construction
			7.	Edward Palumbo, Vice President, Reliability
			8.	Judi Stemmler, Vice President, Human
				Resources
			9.	Lynda Petrichevich, Vice President Rates &
				Regulatory Affairs
			10.	Thomas Butler, Vice President, Strategic
				Planning
			11.	Luke Ravenstahl, Vice President, Business
				Development
Peoples Gas KY LLC	Kentucky	100%	<u>Senior</u>	Officers:
			1.	Morgan O'Brien, President and Chief Executive
				Officer
			2.	Ruth A. DeLost- Wylie, Senior Vice President
				and Chief Administrative Officer
			3.	Joseph A. Gregorini, Senior Vice President &
				Chief Operating Officer
			4.	Preston D. Poljak, Senior Vice President and
				Chief Financial Officer

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
			5. John J. Luke, Vice President, General
			Counsel & Secretary
			6. Paul Becker, Vice President, Construction
			7. Edward Palumbo, Vice President, Reliability
			8. Judi Stemmler, Vice President, Human
			Resources
			9. Lynda Petrichevich, Vice President Rates &
			Regulatory Affairs
			10. Thomas Butler, Vice President, Strategic
			Planning
			11. Luke Ravenstahl, Vice President, Business
			Development
Peoples Gas WV LLC	West Virginia	100%	Senior Officers:
			1. Morgan O'Brien, President and Chief Executive
			Officer
			2. Ruth A. DeLost- Wylie, Senior Vice President and Chief Administrative Officer
			and Giner Administrative Officer

Name	Jurisdiction	Percentage Owned by the Company		Directors and Senior Officers
			3.	Joseph A. Gregorini, Senior Vice President &
				Chief Operating Officer
			4.	Preston D. Poljak, Senior Vice President and
				Chief Financial Officer
			5.	John J. Luke, Vice President, General
				Counsel & Secretary
			6.	Paul Becker, Vice President, Construction
			7.	Edward Palumbo, Vice President, Reliability
			8.	Judi Stemmler, Vice President, Human
				Resources
			9.	Lynda Petrichevich, Vice President Rates &
				Regulatory Affairs
			10.	Thomas Butler, Vice President, Strategic
				Planning
			11.	Luke Ravenstahl, Vice President, Business
				Development
		S-5.4-4		

<u>Name</u>	Jurisdiction	Percentage Owned by the Company		Directors and Senior Officers
PNG Gathering LLC	Delaware	100%	Senior	<u>Officers</u> :
			1.	Morgan O'Brien, President and Chief Executive Officer
			2.	Ruth A. DeLost- Wylie, Senior Vice President and Chief Administrative Officer
			3.	Joseph A. Gregorini, Senior Vice President & Chief Operating Officer
			4.	Preston D. Poljak, Senior Vice President and Chief Financial Officer
			5.	John J. Luke, Vice President, General Counsel & Secretary
			6.	Paul Becker, Vice President, Construction
			7.	Edward Palumbo, Vice President, Reliability
			8.	Judi Stemmler, Vice President, Human Resources
			9.	Lynda Petrichevich, Vice President Rates & Regulatory Affairs
			10.	Thomas Butler, Vice President, Strategic Planning
		S-5.4-5		

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
			11. Luke Ravenstahl, Vice President, Business
			Development
Peoples Homeworks LLC	Delaware	100%	Senior Officers:
			1. Morgan O'Brien, President and Chief Executive
			Officer
			2. Ruth A. DeLost- Wylie, Senior Vice President
			and Chief Administrative Officer
			3. Joseph A. Gregorini, Senior Vice President &
			Chief Operating Officer
			4. Preston D. Poljak, Senior Vice President and
			Chief Financial Officer
			5. John J. Luke, Vice President, General
			Counsel & Secretary
			6. Paul Becker, Vice President, Construction
			7. Edward Palumbo, Vice President, Reliability
			8. Judi Stemmler, Vice President, Human
			Resources
		S-5.4-6	

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
			9. Lynda Petrichevich, Vice President Rates &
			Regulatory Affairs
			10. Thomas Butler, Vice President, Strategic
			Planning
			11. Luke Ravenstahl, Vice President, Business
			Development
Delta Natural Gas			
Company, Inc.	Kentucky	100%	Directors:
			1. John McGuire
			2. Morgan O'Brien
			3. Preston D. Poljak
			4. Joseph A. Gregorini
			5. Ruth A. DeLost- Wylie
			6. Rodney Short
			7. Glenn Jennings
			Senior Officers:
			1. Glen Jennings, Chief Executive Officer
			2. John Brown, President, Treasurer, and Secret
			3. Preston D. Poljak, Chief Financial Officer
			4. Johnny Caudill, Vice President
		S-5.4-7	

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
			5. Brian Ramsey, Vice President
			6. Matt Wesolosky, Vice President
Delgasco, LLC	Kentucky	100%	Senior Officers:
			1. Glen Jennings, Chief Executive Officer
			2. John Brown, President, Treasurer, and Secretary
			3. Preston Poljak, Chief Financial Officer
			4. Johnny Caudill, Vice President
			5. Brian Ramsey, Vice President
			6. Matt Wesolosky, Vice President
Delta Resources, LLC	Kentucky	100%	Senior Officers:
			1. Glen Jennings, Chief Executive Officer
			2. John Brown, President, Treasurer, and Secretary
			3. Preston Poljak, Chief Financial Officer
			4. Johnny Caudill, Vice President
			5. Brian Ramsey, Vice President
			6. Matt Wesolosky, Vice President

Name	Jurisdiction	Percentage Owned by the Company		Directors and Senior Officers
<u>Name</u> Enpro, LLC	Kentucky	100%	Senio	r <u>Officers</u> :
			1.	Glen Jennings, Chief Executive Officer
			2.	John Brown, President, Treasurer, and Secretary
			3.	Preston Poljak, Chief Financial Officer
			4.	Johnny Caudill, Vice President
			5.	Brian Ramsey, Vice President
			6.	Matt Wesolosky, Vice President

## Schedule 5.5

### Financial Statements

- 1. Audited financial statements of the Company for the fiscal years ended (i) December 31, 2015 and (ii) December 31, 2016.
- 2. Unaudited financial statement of the Company for the quarter ended March 31, 2017.

### Schedule 5.15

#### Indebtedness

- 1. The Company is obligated to make certain loan principal and interest payments pursuant to the Credit Agreement, dated as of February 19, 2015, among the several lenders from time to time parties thereto and JPMorgan Chase Bank, N.A, as administrative agent, as amended by that certain First Amendment dated as of June 27, 2017.
  - a. Principal Amount Outstanding: \$125,000,000
  - b. <u>Collateral:</u> All collateral described in that certain Amended and Restated Security and Pledge Agreement, dated as of February 26, 2010 by and between the Company and JPMorgan Chase Bank, N.A., as successor collateral agent, as amended by Amendment No. 1, dated as of August 10, 2011.
- 2. The Company is obligated to make certain loan principal and interest payments pursuant to the Credit Agreement, dated as of February 23, 2017, among the several lenders from time to time parties thereto and JPMorgan Chase Bank, N.A, as administrative agent, as amended by that certain First Amendment dated as of June 27, 2017.
  - a. Principal Amount Outstanding: \$105,000,000
  - <u>Collateral:</u> All collateral described in that certain Amended and Restated Security and Pledge Agreement, dated as of February 26, 2010 by and between the Company and JPMorgan Chase Bank, N.A., as successor collateral agent, as amended by Amendment No. 1, dated as of August 10, 2011.
- 3. The Company is obligated to make certain loan principal and interest payments pursuant to the Second Amended and Restated Credit Agreement, dated as of June 8, 2017, among the Company, the several banks and financial institutions parties thereto, PNC Bank, National Association, MUFG Union Bank, N.A. and Wells Fargo Bank, National Association, as syndication agents, JPMorgan Chase Bank, N.A., PNC Capital Markets LLC, MUFG and Wells Fargo Securities, LLC, as joint lead arrangers and joint bookrunners and JPMorgan Chase Bank, N.A., as administrative agent.
  - a. <u>Principal Amount Outstanding</u>: \$31,000,000 as of September, 12 2017
  - <u>Collateral</u>: All collateral described in that certain Amended and Restated Security and Pledge Agreement, dated as of February 26, 2010 by and between the Company and JPMorgan Chase Bank, N.A., as successor collateral agent, as amended by Amendment No. 1, dated as of August 10, 2011.
  - c. <u>Letters of Credit Outstanding</u>: Those certain letters of credit listed on Appendix A.
- 4. Note Purchase Agreement, dated as of February 26, 2010, between the Company and the Purchasers, as amended by Amendment No. 1, dated August 10, 2011 and Amendment

No. 2, dated August 23, 2013, as supplemented by that certain First Supplement dated as of December 12, 2013 and that certain Second Supplement dated as of July 14, 2017 and the outstanding notes issued thereunder.

- a. <u>Principal Amount Outstanding</u>: \$645,000,000
- <u>Collateral</u>: All collateral described in that certain Amended and Restated Security and Pledge Agreement, dated as of February 26, 2010 by and between the Company and JPMorgan Chase Bank, N.A., as successor collateral agent, as amended by Amendment No. 1, dated as of August 10, 2011.
- 5. The Company has certain obligations with respect to (i) that certain Commercial Surety General Indemnity Agreements, dated as of August, 2011, between the Company, as Principal, and RLI Insurance Company, as Surety, and (ii) the surety bonds listed on Appendix B.
  - a. <u>Principal Amount Outstanding</u>: N/A
  - b. <u>Collateral</u>: None.
- 6. Second Amended and Restated Credit Agreement, dated as of June 8, 2017, among LDC Holdings LLC, as the borrower, the several banks and other financial institutions or entities from time to time parties thereto as lenders, PNC Bank, National Association, MUFG Union Bank, N.A. and Wells Fargo Bank, National Association, as syndication agents and JPMorgan Chase Bank, N.A., as administrative agent.
- 7. Amended and Restated Limited Liability Company Agreement of the Company, dated as of January 27, 2010, as amended by the First Amendment to the Amended Restated Limited Liability Company Agreement of PNG Companies LLC, dated as of August 10, 2011

# <u>Appendix A</u>

LOC <u>Number</u>	Obligor	Issuer	Beneficiary	Issue Date	Expiration Date	Amount	Auto- renewal?	Cancellation Notice
			Zurich					
			American					
CPCS-	PNG		Insurance				Yes - 1	
946065	Companies	JPMorganChase	Company	8/10/2011	8/10/2017	\$ 1,545,020.00	year	30 days
			Zurich					
			American					
CPCS-	PNG		Insurance				Yes - 1	
381130	Companies	JPMorganChase	Company	10/23/2012	10/19/2017	\$ 191,242.00	year	30 days
			Liberty Mutual					
CPCS-	PNG		Insurance				Yes - 1	
770103	Companies	JPMorganChase	Company	10/9/2013	10/8/2017	\$ 318,000.00	year	30 days
			Brickstreet					
			Mutual					
CPCS-	PNG		Insurance				Yes - 1	
827524	Companies	JPMorganChase	Company	1/15/2014	1/10/2018	\$ 1,402,200.00	year	30 days
Total						\$ 3,456,462.00		_

<u>Peoples Natural Gas</u>	<u>Company LLC</u>		<u>As of</u> <u>6/30/2017</u>	
Bond No.	Entity	Bond Amount	Туре	Obligee
1ST QUARTER				
CMS261748	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Westmont Borough, PA
CMS261747	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Parks Township, PA
CMS0279447	Peoples Natural Gas Company LLC	\$ 5,000.00	Street Opening Bond	Borough of Baldwin
CMS0279448	Peoples Natural Gas Company LLC	\$ 20,000.00	Road Opening Permit	North Huntingdon Township
CMS0279449	Peoples Natural Gas Company LLC	\$ 50,000.00	Street Opening Bond	City of Lower Burrell, PA
CMS0279450	Peoples Natural Gas Company LLC	\$ 25,000.00	Road Opening Bond	Town of McCandless
CMS0279451	Peoples Natural Gas Company LLC	\$ 2,000.00	Street Opening Bond	Borough of Bridgeville, PA
CMS0279452	Peoples Natural Gas Company LLC	\$ 5,000.00	Street Opening Bond	Borough of Ben Avon, PA
CMS0279454	Peoples Natural Gas Company LLC	\$ 10,000.00	Street Opening Bond	Collier Township, PA
CMS261749	Peoples Natural Gas Company LLC	\$ 1,000.00	License Or Permit Bond	Township of Harrison, PA
CMS261751	Peoples Natural Gas Company LLC	\$ 35,000.00	Street Opening Bond	Borough of Wilkinsburg, PA
CMS0268598	Peoples Gas WV LLC	\$ 75,000.00	License Or Permit Bond	State of West Virginia

CMS261750	Peoples Natural Gas Company LLC	\$ 10,000.00	Street Opening Bond	Richland Township, PA
CMS0268601	Peoples Natural Gas Company LLC	\$ 1,000.00	Street Opening Bond	Borough of McKeesport, PA
CMS261754	Peoples Natural Gas Company LLC	\$ 10,000.00	Performance Bond	Ross Township, PA
CMS261753	Peoples Natural Gas Company LLC	\$100,000.00	Gas Storage Lease Bond	Commonwealth of Pennsylvania
CMS261759	Peoples Natural Gas Company LLC	\$ 3,000.00	License Or Permit Bond	City of Aliquippa, PA
CMS261771	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	City of New Kensington, PA
CMS261760	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Borough of Wilkinsburg, PA
CMS261761	Peoples Natural Gas Company LLC	\$ 2,000.00	License Or Permit Bond	Township of Shaler, PA
CMS261762	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Borough of Fox Chapel, PA
CMS261763	Peoples Natural Gas Company LLC	\$ 2,500.00	License Or Permit Bond	Township of Penn, PA
CMS261764	Peoples Natural Gas Company LLC	\$ 2,500.00	License Or Permit Bond	The Borough of Irwin, PA
CMS261765	Peoples Natural Gas Company LLC	\$ 1,000.00	License Or Permit Bond	The Borough of Edgewood, PA
CMS261766	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	City of Lower Burrell, PA
CMS261767	Peoples Natural Gas Company LLC	\$ 25,000.00	License Or Permit Bond	Township of Hampton, PA
CMS261770	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Evans City Borough, PA
CMS261768	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Township of Moon, PA

CMS261769	Peoples Natural Gas		License Or	
	Company LLC	\$ 5,000.00	Permit Bond	Township of Wilkins, PA
CMS0283536	Peoples Natural Gas		Street	
	Company LLC	\$ 3,000.00	Opening Bond	Municipality of Murrysville, PA
CMS0283542	Peoples Gas WV		Oil & Gas	
	LLC	\$ 5,000.00	Bond for Well	Well #47-049-00435
CMS0283543	Peoples Gas WV		Oil & Gas	
	LLC	\$ 5,000.00	Bond for Well	Well #47-049-00439
CMS0323686	Peoples Natural Gas	<b>*</b> •• <b>•</b> • • • • •	Restoration	
	Company LLC	\$ 22,550.00	Permit	Borough of Geistown
CMS0323688	Peoples Natural Gas	¢ == 000.00		
C) (C) 20000C0	Company LLC	\$ 75,000.00	Blanket Bond	Avonmore Borough
CMS0323687	Peoples Natural Gas	¢ 75 000 00	Den l'Ora d	N. d. L. 's D
	Company LLC	\$ 75,000.00	Permit Bond	North Irwin Borough
		\$635,550.00		
2ND				
QUARTER				
CM6261770	Decales Natural Cas		L'anna Or	
CMS261778	Peoples Natural Gas	\$ 5.000.00	License Or Permit Bond	
CM8261770	Company LLC Peoples Natural Gas	\$ 5,000.00	Performance	Municipality of Monroeville, PA
CMS261779	Company LLC	\$ 10,000.00	Bond	Commonwealth of PA, DOT
CMS261786	Peoples Natural Gas	\$ 10,000.00	License Or	Commonweatur of PA, DOT
CINIS201/80	Company LLC	\$ 40,000.00	Permit Bond	Borough of Edgewood
CMS261781	Peoples Natural Gas	φ 40,000.00	License Or	Dorough of Edgewood
0110201/01	Company LLC	\$ 25,000.00	Permit Bond	Washington Township, PA
CMS261782	Peoples Natural Gas	\$ 20,000.00	License Or	
	Company LLC	\$ 25,000.00	Permit Bond	Borough of Manor, PA
CMS261783	Peoples Natural Gas	÷ =0,000.00	License Or	
	Company LLC	\$ 5,000.00	Permit Bond	Boro of Ford Cliff, PA

CMS261789	Peoples Natural Gas	¢12 500 00	Road Opening Bond	
	Company LLC	\$12,500.00		The Borough of Plum, PA
CMS0268616	Peoples Natural Gas	¢ 2,000,00	Streep	
2146261700	Company LLC	\$ 3,000.00	Opening Bond	The Borough of East Pittsburgh, PA
CMS261788	Peoples Natural Gas	¢ = 0 000 00	License Or	
2146261700	Company LLC	\$50,000.00	Permit Bond	Hempfield Township, PA
CMS261790	Peoples Natural Gas	# > = 000 00	License Or	
	Company LLC	\$25,000.00	Permit Bond	Township of McCandless, PA
CMS0264997	Peoples Natural Gas	¢ = 000.00	Streep	
21 (2261 201	Company LLC	\$ 5,000.00	Opening Bond	Borough of Fox Chapel
CMS261791	Peoples Natural Gas		License Or	
	Company LLC	\$75,000.00	Permit Bond	City of Pittsburgh, PA
CMS0268619	Peoples Natural Gas		License Or	
	Company LLC	\$10,000.00	Permit Bond	Borough of Oakmont, PA
CMS261792	Peoples Natural Gas		Performance	
	Company LLC	\$10,000.00	Bond	Commonwealth of PA, DOT
CMS0283539	Peoples Natural Gas		Streep	
	Company LLC	\$ 5,000.00	Opening Bond	Borough of Bradford Woods
CMS0283538	Peoples Natural Gas		Streep	
	Company LLC	\$10,000.00	Opening Bond	Borough of Versailles
CMS0283555	Peoples Natural Gas		Streep	
	Company LLC	\$50,000.00	Opening Bond	City of Grafton WV
CMS0283549	Peoples Natural Gas		Road Opening	
	Company LLC	\$25,000.00	Bond	Borough of Ben Avon Heights
CMS0283553	Peoples Natural Gas			
	Company LLC	\$25,000.00	Permit Bond	Jackson Township
CMS0283556	Peoples Natural Gas			
	Company LLC	\$10,000.00	Permit Bond	Borough of Braddock Hills
CMS0283557	Peoples Natural Gas		Streep	
	Company LLC	\$35,000.00	Opening Bond	Borough of Crafton
CMS0283558	Peoples Natural Gas		Road Opening	
	Company LLC	\$25,000.00	Bond	Borough of East Pittsburgh
CMS0283566	Peoples Natural Gas		Streep Opening	

CMS0283550	Peoples Natural Gas			Streep	
	Company LLC	\$	5,000.00	Opening Bond	Borough of Homestead
CMS0283554	Peoples Natural Gas Company LLC	\$	10,000.00	Road Opening Bond	Township of Washington
CMS0283567	Peoples Natural Gas	Ψ	10,000.00	Fuel Tax	Township of washington
CIVI30203307	Company LLC	\$	2,500.00	Bond	Pennsylvania Dept of Revenue
CMS02869661	Peoples Natural Gas	-	_,	Alt Fuel Tax	
	Company LLC	\$	2,500.00	Bond	Pennsylvania Dept of Revenue
CMS0289672	Peoples Gas WV			District 7	
	LLC	\$	75,000.00	Maintenance	State of West Virginia
	Peoples Gas WV			District 6	
CMS0289671	LLC	\$	75,000.00	Maintenance	State of West Virginia
		\$	675,500.00		
3RD QUARTER					
CMS0264954	Peoples Natural Gas Company LLC	\$	10,000.00	Road Use Bond	Township of North Fayette, PA
CMS241837		Ŷ	10,000100	Workers'	
0	Peoples Natural Gas	¢ 0		Compensation Bond	
	Company LLC	\$3	,500,000.00		Commonwealth of PA, Dept of Labor
CMS0264955	Peoples Natural Gas Company LLC	\$	5,000.00	Performance Bond	Borough of Zelienople, PA
CMS0264956		¢	5,000.00	License Or	bolough of Zenenopie, PA
CIVI30204950	Peoples Natural Gas Company LLC	\$	5,000.00	Permit Bond	Swissvale Borough, PA
			, -		0 ×

CMS261706

Peoples Natural Gas

Company LLC

Peoples Natural Gas

Company LLC

\$

\$

20,000.00

50,000.00

CMS261717

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License Or

Permit Bond

License Or

Permit Bond

Municipality of Penn Hills, PA

South Park Township, PA

CMS261707	Peoples Natural Gas		License Or	
	Company LLC	\$ 2,000.00	Permit Bond	South Park Township, PA
CMS261708	Peoples Natural Gas		License Or	
	Company LLC	\$ 10,000.00	Permit Bond	Ohioville Township, PA
CMS261710			Highway	
	Peoples Natural Gas		Restoration and	
	Company LLC	\$500,000.00	Maintenance Bond	Commonwealth of PA, DOT
CMS0268621	L U		Permit Bond	
	Peoples Natural Gas		(Street	
	Company LLC	\$ 2,000.00	Opening)	Elizabeth Township
CMS0279425	Company LLC	\$ 2,000.00	Permit Bond	Enzabeth Township
CW1302/9425	Deeples Natural Cas		(Street	
	Peoples Natural Gas	¢ 05 000 00	<b>x</b>	
	Company LLC	\$ 25,000.00	Opening)	Borough of Canonsburg
CMS0279426			Street	
	Peoples Natural Gas		Openings	
	Company LLC	\$ 2,000.00	Bond	Municipality of Mt. Lebanon
CMS0279427			Street	
	Peoples Natural Gas		Openings	
	Company LLC	\$ 10,000.00	Bond	Borough of Sharpsburg
CMS0279428		,	Street	5 1 5
	Peoples Natural Gas		Openings	
	Company LLC	\$ 15,000.00	Bond	Swickly Hills Borough
CMS0279429		\$ 15,000.00	Street	Swickly Tillis Dolough
CW130275425	Peoples Natural Gas		Openings	
		¢ 20.000.00	Bond	Deve shaf Courses
	Company LLC	\$ 20,000.00		Borough of Carnegie
CMS0279430	Peoples Natural Gas	<b>.</b>	Road Opening	
	Company LLC	\$ 10,000.00	Permit	Borough of Port Vue
CMS0279431			Street	
	Peoples Natural Gas		Openings	
	Company LLC	\$ 10,000.00	Bond	Borough of Tarentum
CMS0279432	Peoples Natural Gas		Street Openings	
	Company LLC	\$ 5,000.00	Bond	City of Fairmont
	* v			

CMS0279433			Street	
	Peoples Natural Gas		Openings	
	Company LLC	\$ 5,000.00	Bond	Franklin Township
CMS0279434	Peoples Natural Gas		Street Obstruction	
	Company LLC	\$100,000.00	Bond	Township of Robinson
CMS0279435			Street	
	Peoples Natural Gas		Obstruction	
	Company LLC	\$ 3,000.00	Bond	Stowe Township
CMS0279436	Deeples Natural Cas		Street Openings	
	Peoples Natural Gas Company LLC	\$ 10,000.00	Bond	Borough of Rosslyn
CMS0279437	Company LLC	\$ 10,000.00	Street	Bolougii of Kossiyii
CIVID02/040/	Peoples Natural Gas		Openings	
	Company LLC	\$ 2,000.00	Bond	Borough of Whitaker
CMS0285591	Peoples Natural Gas	,		
	Company LLC	\$ 15,375.00	Road Bond	Jefferson Township
CMS0285580	Peoples Natural Gas		Street	
	Company LLC	\$100,000.00	Opening Bond	Borough of Bellevue
CMS0283551	Peoples Natural Gas		Street	
0.0005504	Company LLC	\$ 10,000.00	Opening Bond	Township of Kilbuck
CMS285581			License Bond for Registration	
	Peoples Natural Gas		and Gas Lince	
	Company LLC	\$ 5,000.00	Excavation	South Park Township
CMS0285582	Peoples Natural Gas	\$ 5,000,000	Street	ooddi rani rownonip
	Company LLC	\$ 50,000.00	Opening Bond	Borough of Greentree
CMS0285583	Peoples Natural Gas		Street	
	Company LLC	\$ 5,000.00	Opening Bond	City of New Kensington
CMS0285584	Peoples Natural Gas		Street	
	Company LLC	\$ 10,000.00	Opening Bond	Borough of Trafford

CMS0285585	Peoples Natural Gas			Street	
	Company LLC	\$	5,000.00	Opening Bond	Borough of Etna
CMS0285587	Peoples Natural Gas Company LLC	\$	5,000.00	Street Opening Bond	Borough of Springdale
CMS0285586	Peoples Natural Gas Company LLC	\$	25,000.00	Street Opening Bond	Borough of Pleasant Hills
CMS0289688	Peoples Natural Gas Company LLC	\$	35,000.00	Performance Bond	Peters Township
CMS0289689	Peoples Natural Gas Company LLC	\$	5,000.00	Permit Bond (Street Opening)	North Apollo Borough
CMS0289692	Peoples Natural Gas Company LLC	\$	74,900.00	Permit Bond (Street Opening)	Center Township
		\$4	,666,275.00		
4TH QUARTER					
CMS261723	Peoples Natural Gas Company LLC	\$	50,000.00	Road Bond	Vandergrift Borough
CMS0264976	Peoples Natural Gas Company LLC	\$	10,000.00	License Or Permit Bond	Harmar Township
CMS0279422	Peoples Natural Gas Company LLC	\$	6,000.00	License Or Permit Bond	Carroll Township
CMS0279455	Peoples Natural Gas Company LLC	\$	10,000.00	License Or Permit Bond	Borough of Brackenridge
CMS0279456	Peoples Natural Gas Company LLC	\$	5,000.00	License Or Permit Bond	Borough of Munhall
CMS0279457	Peoples Natural Gas Company LLC	\$	10,000.00	License Or Permit Bond	Municipality of Monroeville

CMS261725	Peoples Natural Gas			License Or	
	Company LLC	\$	25,000.00	Permit Bond	Forest Hills Borough, PA
CMS261724	Peoples Natural Gas			License Or	
	Company LLC	\$	10,000.00	Permit Bond	Borough of North Belle Vernon, PA
CMS261744	Peoples Natural Gas			Street	
	Company LLC	\$	1,500.00	Opening Bond	Hopewell Township, PA
CMS261741	Peoples Natural Gas			License Or	
	Company LLC	\$	50,000.00	Permit Bond	Ford City Borough, PA
CMS261740	Peoples Natural Gas			Performance	
	Company LLC	\$	10,000.00	Bond	Rostraver Township, PA
CMS0279445				Road	
	Peoples Natural Gas			Restoration	
	Company LLC	\$	1,250.00	Bond	North Fayette Township
CMS0283541	Peoples Gas WV			Oil & Gas	
	LLC	\$	5,000.00	Bond for Well	Well #47-033-01669
CMS0283544	Peoples Gas WV	<i>.</i>		Oil & Gas	
	LLC	\$	5,000.00	Bond for Well	Well #47-049-00444
CMS0283545	Peoples Gas WV	<i>•</i>		Oil & Gas	
	LLC	\$	5,000.00	Bond for Well	Well #47-049-00445
CMS0283546	Peoples Gas WV LLC	¢	F 000 00	Oil & Gas	
CMS0283547	Peoples Gas WV	\$	5,000.00	Bond for Well Oil & Gas	Well #47-049-00632
CIVI5020554/	LLC	¢	F 000 00	Bond for Well	Well #47-061-00429
CMS0285606	Peoples Natural Gas	\$	5,000.00	Performance	Well #4/-061-00429
CIVI30203000	Company LLC	\$	50,000.00	Bond	PennDot
CMS261742	Peoples Natural Gas	φ	30,000.00	Road Opening	FelinDot
CIVI3201742	Company LLC	\$	50,000.00	Permit Bond	City of Greensburg, PA
CMS0323680	Peoples Natural Gas	Ψ	30,000.00	Condemnation	City of Citerisburg, 1A
21.130023000	Company LLC	\$	50,000.00	Bond	Commonwealth of PA
CMS0323679	Peoples Natural Gas	Ψ	20,000.00	Road	
	Company LLC	\$	4,000.00	Maitenance	Harmar Township
	L J –	\$	367,750.00		r i i i r
	Grand Total	<u>*</u>	,345,075.00		
	or and rough	<del>4</del> 0	,,		

#### SUPPLEMENTAL REPRESENTATIONS

The Company represents and warrants to each Purchaser that, except as hereinafter deemed modified or substituted and replaced pursuant to this Exhibit A, each of the representations and warranties set forth in Section 5 of the Note Purchase Agreement is true and correct as of the Closing Date. For purposes of the representation and warranty set forth above, (a) each reference to "Series 2010-A Notes" set forth in Section 5 of the Note Purchase Agreement shall be deemed modified to refer to "Series 2017-B Notes," each reference to "this Agreement" set forth in Section 5 of the Note Purchase Agreement shall be deemed modified to refer to "the Note Purchase Agreement as supplemented by the Third Supplement" and each reference to "the Purchasers" set forth in Section 5 of the Note Purchase Agreement shall be deemed modified to refer to "Schedule 5.4" in Sections 5.4(b), 5.4(c) and 5.4(d) of the Note Purchase Agreement are hereby substituted and replaced by the following:

*Section 5.3 Disclosure*. This Agreement and the documents, certificates or other writings delivered to the Purchasers and the financial statements listed in Schedule 5.5 to the Third Supplement, delivered to the Purchasers by or on behalf of the Company (this Agreement, and such documents, certificates or other writings, the Third Supplement and such financial statements delivered to each Purchaser prior to May 15, 2017 being referred to, collectively, as 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. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Company to be reasonable at the time made, it being recognized by the holders of Notes that such financial information may differ from the projected results set forth therein by a material amount. Except as disclosed in the Disclosure Documents, since December 31, 2016, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents.

Section 5.4 Organization and Ownership of Shares of Subsidiaries. (a) Schedule 5.4 to the Third Supplement contains (except as noted therein) complete and correct lists (1) of 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 outstanding owned by the Company and each other Subsidiary and (2) of Company's directors and senior officers.

EXHIBIT A (to Third Supplement to Note Purchase Agreement) Section 5.5 Financial Statements; Material Liabilities. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5 to the Third Supplement. All of said financial statements (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 in such Schedule 5.5 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.

#### Section 5.12 Compliance with ERISA.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multi-employer Plans), determined as of the end of such Plan's most recently ended plan year in such Plan's most recent actuarial valuation report on the basis of the actuarial assumptions specified for funding purposes in such report, did not exceed the aggregate value of the assets of such Plan as reflected in such Plan's most recent actuarial valuation report allocable to such benefit liabilities as reflected in such Plan's most recent actuarial valuation report by more than \$50,000,000 in the aggregate for all Plans. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms "current value" and "present value" have the meanings specified in Section 3 of ERISA.

Section 5.13 Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Series 2017-B 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 the Purchasers. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the Note Exchange 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.

Section 5.14 Use of Proceeds; Margin Regulations. No part of the proceeds from the Note Exchange hereunder 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 25% 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 25% 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.

#### Section 5.15 Existing Debt; Future Liens.

(a) Except as described therein, Schedule 5.15 to the Third Supplement sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of September 12, 2017 (including a description of the obligors and obligees, principal amount outstanding and collateral therefor, if any, and Guarantee Obligations relating thereto, if any), since which date 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. 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 such 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 to the Third Supplement, 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 10.4.

#### Section 5.16 Foreign Assets Control Regulations, Etc.

(a) Neither the Company nor any Controlled Entity (i) is a Blocked Person, (ii) has been notified that its name appears or may in the future appear on a State Sanctions List or (iii) is a target of sanctions that have been imposed by the United Nations or the European Union.

(b) Neither the Company nor any Controlled Entity (i) has violated, been found in violation of, or been charged or convicted under, any applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws or (ii) to the Company's knowledge, is under investigation by any Governmental Authority for possible violation of any U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws.

(c) No part of the proceeds from the Note Exchange hereunder:

(i) constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (A) in connection with any investment in, or any transactions or dealings with, any Blocked Person, (B) for any purpose that would cause any Purchaser to be in violation of any U.S. Economic Sanctions Laws or (C) otherwise in violation of any U.S. Economic Sanctions Laws;

(ii) will be used, directly or indirectly, in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Money Laundering Laws; or

(iii) will be used, directly or indirectly, for the purpose of making any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage, in each case which would be in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Corruption Laws.

(d) The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws and Anti-Corruption Laws.

As used in this Section 5.16, the following terms shall be defined as follows:

"Anti-Corruption Laws" shall mean any law or regulation in a U.S. or any non-U.S. jurisdiction regarding bribery or any other corrupt activity, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010.

*"Anti-Money Laundering Laws"* shall mean any law or regulation in a U.S. or any non-U.S. jurisdiction regarding money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes, including the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act) and the USA PATRIOT Act.

"Blocked Person" shall mean (a) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by OFAC, (b) a Person, entity, organization, country or regime that is blocked or a target of sanctions that have been imposed under U.S. Economic Sanctions Laws or (c) a Person that is an agent, department or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, any Person, entity, organization, country or regime described in clause (a) or (b).

"*Control*" shall mean 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; and the terms "Controlled" and "Controlling" shall have meanings correlative to the foregoing.

*"Controlled Entity"* shall mean (a) any of the Subsidiaries of the Company and any of their or the Company's respective Controlled Affiliates and (b) if the Company has a parent company, such parent company and its Controlled Affiliates.

"OFAC" shall mean the Office of Foreign Assets Control of the United States Department of the Treasury.

*"State Sanctions List"* shall mean a list that is adopted by any state Governmental Authority within the United States of America pertaining to Persons that engage in investment or other commercial activities in Iran or any other country that is a target of economic sanctions imposed under U.S. Economic Sanctions Laws.

"U.S. Economic Sanctions Laws" shall mean those laws, executive orders, enabling legislation or regulations administered and enforced by the United States pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Iran Sanctions Act, the Sudan Accountability and Divestment Act and any other OFAC Sanctions Program.

Section 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, or the ICC Termination Act of 1995, as amended. Neither the Company nor any Subsidiary (including Delta) is subject to regulation under federal or state law as a public utility except that (i) Peoples is subject to regulation as a public utility under Pennsylvania law and by the Pennsylvania Public Service Commission, (ii) Peoples KY LLC, a Kentucky limited liability company, and Delta are subject to regulation by the Kentucky Public Service Commission and (iii) Peoples WV LLC, a West Virginia limited liability company, is subject to regulation by the Public Service Commission of West Virginia. The Company, the Company's Subsidiaries and Delta have complied and are in compliance with (a) all applicable state utility laws, regulations and orders and (b) any other federal or state laws, regulations and orders applicable to it as a public utility or gas utility, except in each case for instances of noncompliance that, individually and in the aggregate, have not had, and could not reasonably be expected to have, a Material Adverse Effect.

*Section 5.21 Solvency*. The Company is, and after giving effect to the Delta Acquisition and the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith will be and will continue to be, Solvent.

#### FORM OF SERIES 2017- B NOTE

#### PNG COMPANIES LLC

#### 4.26% Series 2017-B Senior Secured Note due December 20, 2031

No. R2017-B \_\_\_\_\_ \$ September 20, 2017 PPN 73020\* AH6

FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (herein called the "*Company*"), hereby promises to pay to \_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_ DOLLARS (or so much thereof as shall not have been prepaid) on December 20, 2031, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 4.26% per annum from the date hereof, payable quarterly, on the 20th day of March, June, September and December in each year, commencing with the March, June, September or December 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 (1) 6.26% or (2) 2.00% 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices 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 the Series 2017-B Senior Secured Notes (herein called the "*Notes*") issued pursuant to the Third Supplement dated as of September 20, 2017 (the "*Supplement*") which supplements that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011, that certain Second Amendment to Note Purchase Agreement dated as of July 14, 2017 and as from time to time further amended, supplemented or otherwise modified, the "*Note Purchase Agreement*"), originally between the Company and the respective Purchasers named therein and is entitled to the benefits of the Note Purchase Agreement. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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.

EXHIBIT 1(a) (to Third Supplement to 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.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Supplement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Supplement and/or 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.

#### PNG COMPANIES LLC

By				
Nam	ie:			
Title	:			

E-1(a)-2

# Form of Opinion of Special Counsel to the Company

To be provided to the Purchasers only.

EXHIBIT 4(f)(i) (to Third Supplement to Note Purchase Agreement)

# Form of Opinion of Special Pennsylvania Counsel to the Company

To be provided to the Purchasers only.

EXHIBIT 4(f)(ii) (to Third Supplement to Note Purchase Agreement)

# FORM OF OPINION OF SPECIAL KENTUCKY COUNSEL TO THE COMPANY

To be provided to the Purchasers only.

EXHIBIT 4(f)(iii) (to Third Supplement to Note Purchase Agreement)

# FORM OF OPINION OF SPECIAL COUNSEL TO THE PURCHASERS

To be provided to the Purchasers only.

EXHIBIT 4(f)(iv) (to Third Supplement to Note Purchase Agreement)

EXECUTION VERSION

PNG COMPANIES LLC

FOURTH SUPPLEMENT TO NOTE PURCHASE AGREEMENT

Dated as of November 9, 2017

Re: \$100,000,000 2.90% Series 2017-C Senior Secured Notes, Tranche 1, due December 18, 2022

\$200,000,000 3.38% Series 2017-C Senior Secured Notes, Tranche 2, due December 18, 2027

\$200,000,000 3.63% Series 2017-C Senior Secured Notes, Tranche 3, due December 18, 2032

Dated as of November 9, 2017

To the Purchasers listed in the attached Schedule A hereto

#### Ladies and Gentlemen:

This Fourth Supplement to Note Purchase Agreement (this "Fourth Supplement") is between PNG COMPANIES LLC, a Delaware limited liability company (the "Company"), and the institutional investors named on Schedule A attached hereto (the "Purchasers").

Reference is hereby made to that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011, that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013, that certain Third Amendment to Note Purchase Agreement to be entered into concurrently with this Fourth Supplement, and the First Supplement to Note Purchase Agreement dated as of December 12, 2013, the "*Note Purchase Agreement*") between the Company and the purchasers listed on Schedule A thereto. All capitalized terms not otherwise defined herein shall have the same meaning as specified in the Note Purchase Agreement. Reference is further made to Section 2.2(c)(2) of the Note Purchase Agreement which requires that, prior to the delivery of any Additional Notes, the Company and each Additional Purchaser shall execute and deliver a Supplement.

The Company hereby agrees with the Purchasers as follows:

1. The Company has authorized the issue and sale of \$500,000,000 aggregate principal amount of its Series 2017-C Senior Secured Notes consisting of (a) \$100,000,000 aggregate principal amount of its 2.90% Series 2017-C Senior Secured Notes, Tranche 1, due December 18, 2022 (the *"Series 2017-C Tranche 1 Notes"*), (b) \$200,000,000 aggregate principal amount of its 3.38% Series 2017-C Senior Secured Notes, Tranche 2, due December 18, 2027 (the *"Series 2017-C Tranche 2 Notes"*) and (c) \$200,000,000 aggregate principal amount of its 3.63% Series 2017-C Senior Secured Notes, Tranche 3, due December 18, 2032 (the *"Series 2017-C Tranche 3 Notes"*). The Series 2017-C Tranche 1 Notes, the Series 2017-C Tranche 2 Notes and the Series 2017-C Tranche 3 Notes are collectively referred to as the *"Series 2017-C Notes."* The Series 2017-C Notes, together with the Series 2010-A Notes initially issued pursuant to the Note Purchase Agreement, the Series 2013-A Notes issued pursuant to the First Supplement to the Note Purchase Agreement dated as of December 12,

2013, the Series 2017-A Notes issued pursuant to the Second Supplement dated as of July 14, 2017, the Series 2017-B Notes issued pursuant to the Third Supplement dated as of September 20, 2017 and each series of Additional Notes which may from time to time hereafter be issued pursuant to the provisions of Section 2.2 of the Note Purchase Agreement, are collectively referred to as the "*Notes*" (such term shall also include any such notes issued in substitution therefor pursuant to Section 13 of the Note Purchase Agreement). The Series 2017-C Tranche 1 Notes, the Series 2017-C Tranche 2 Notes and the Series 2017-C Tranche 3 Notes shall be substantially in the form set out in Exhibit 1(a), Exhibit 1(b) and Exhibit 1(c) hereto, respectively, with such changes therefrom, if any, as may be approved by the Purchasers and the Company.

2. Subject to the terms and conditions hereof and as set forth in the Note Purchase Agreement and on the basis of the representations and warranties hereinafter set forth, the Company will issue and sell to each Purchaser, at the Closing provided for in Section 3, and each Purchaser will purchase from the Company, Series 2017-C Notes of the tranche and in the principal amount specified opposite such Purchaser's name in Schedule A hereto at a price of 100% of the principal amount thereof. The obligations of each Purchaser hereunder are several and not joint obligations and no Purchaser shall have any obligation or any liability to any Person for the performance or nonperformance by any other Purchaser hereunder.

3. The execution and delivery of this Fourth Supplement shall occur on November 9, 2017 (the "*Execution Date*"). The sale and purchase of the Series 2017-C Notes to be purchased by each Purchaser shall occur at the offices of Schiff Hardin LLP, 666 Fifth Avenue, 17th Floor, New York, New York 10103 at 11:00 a.m. New York, New York time, at a closing (the "*Closing*") on December 18, 2017 or on such other Business Day thereafter as may be agreed upon by the Company and the Purchasers (the "*Closing Date*"). At the Closing, the Company will deliver to each Purchaser the Series 2017-C Notes of each tranche to be purchased by such Purchaser in the form of a single Series 2017-C Note of such tranche (or such greater number of Series 2017-C Notes of such tranche in denominations of at least \$100,000 as such Purchaser may request) dated the date of the Closing and registered in such Purchaser's name (or in the name of such Purchaser's nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account designated by the Company in accordance with the funding instructions described in Section 4(m). If, at the Closing, the Company shall fail to tender such Series 2017-C Notes to any Purchaser shall, at its election, be relieved of all further obligations under this Fourth Supplement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

4. The obligation of each Purchaser to purchase and pay for the Series 2017-C Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to the Closing, of the following conditions:

(a) Except as deemed modified or substituted and replaced by the representations and warranties set forth in Exhibit A hereto, each of the representations and warranties of the Company set forth in Section 5 of the Note Purchase Agreement shall be true and correct as of the Execution Date and as of the Closing Date.

-2-

(b) The Company shall have performed and complied with all agreements and conditions contained in the Note Purchase Agreement as supplemented by the Fourth Supplement and the Security Documents required to be performed or complied with by it prior to or on the Closing Date, and after giving effect to the issue and sale of the Series 2017-C Notes (and the application of the proceeds thereof as contemplated by Section 5.14 of Exhibit A hereto), no Default or Event of Default shall have occurred and be continuing and no waiver of Default or Event of Default shall be in effect.

(c) The Company shall have delivered to such Purchaser:

(i) an Officer's Certificate, dated the Closing Date, certifying that the conditions specified in Sections 4(a), (b) and (l) have been fulfilled;

(ii) an Officer's Certificate executed by a duly authorized Senior Financial Officer stating that such officer has reviewed the provisions of the Note Purchase Agreement (including this Fourth Supplement) and setting forth the information and computations (in sufficient detail) required to establish whether after giving effect to the issuance of the Series 2017-C Notes and after giving effect to the application of the proceeds thereof, the Company will be in compliance with the requirements of Sections 10.1, 10.2 and 10.3 of the Note Purchase Agreement on such date; and

(iii) a certificate of its Secretary, Assistant Secretary or other officer, dated the Closing Date, certifying as to the resolutions attached thereto and other limited liability company proceedings relating to the authorization, execution and delivery of the Series 2017-C Notes and this Fourth Supplement.

(d) Each Security Document shall be in full force and effect and such Purchaser shall have received a duly executed copy thereof. The Company shall have delivered any certificates representing the issued and outstanding Capital Stock pledged under the Security Documents and instruments of assignment executed in blank to the Collateral Agent. Pursuant to the Security Documents, the Collateral Agent, for the equal and ratable benefit of the Purchasers, the other holders of Notes and the Lenders, shall have a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted to be prior pursuant to Section 10.4 of the Note Purchase Agreement). Such Purchaser shall have received the results of a recent Lien search with respect to the Company, and such search shall reveal no Liens on any of the assets of the Company except for Liens permitted by Section 10.4 of the Note Purchase Agreement or discharged on or prior to the Closing Date pursuant to documentation satisfactory to such Purchaser.

-3-

(e) Each Purchaser shall have become a party to the Intercreditor Agreement pursuant to a Joinder to Intercreditor Agreement in the form attached thereto.

(f) Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the Closing Date (i) from O'Melveny & Myers LLP, counsel for the Company, covering the matters set forth in Exhibit 4(f)(i) to this Fourth Supplement and covering such other matters incident to the transactions contemplated hereby as such Purchaser or special counsel to the Purchasers may reasonably request (and the Company, covering the matters set forth in Exhibit 4(f)(ii) to this Fourth Supplement and covering such other matters incident to the transactions contemplated hereby as such Purchaser), (ii) from Post & Schell P.C., special Pennsylvania counsel for the Company, covering the matters set forth in Exhibit 4(f)(ii) to this Fourth Supplement and covering such other matters incident to the transactions contemplated hereby as such Purchaser or special counsel to the Purchasers may reasonably request (and the Company hereby instructs its counsel to generate or special counsel to the Purchasers may reasonably request (and the Company hereby instructs its counsel to such Purchaser) and (iii) from Schiff Hardin LLP, special counsel to the Purchasers in connection with such transactions, substantially in the form set forth in Exhibit 4(f)(iii) to this Fourth Supplement and covering such other matters incident to such transactions as such Purchaser may reasonably request.

(g) On the Closing Date, such Purchaser's purchase of Series 2017-C Notes shall (i) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is 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 T, U or X of the Board of Governors of the Federal Reserve System) and (iii) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation. If requested by any Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

(h) Contemporaneously with the Closing, the Company shall sell to each other Purchaser and each other Purchaser shall purchase the Series 2017-C Notes to be purchased by it at the Closing as specified in Schedule A to this Fourth Supplement.

(i) Without limiting the provisions of Section 15.1 of the Note Purchase Agreement, the Company shall have paid on or before the Closing the reasonable fees, charges and disbursements of special counsel to the Purchasers referred to in Section 4(f)(iii) to the extent reflected in a statement of such counsel rendered to the Company at least two Business Days prior to the date of the Closing.

(j) A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for each tranche of the Series 2017-C Notes.

-4-

(k) All consents, authorizations and approvals (including, without limitation, shareholders' consents) from, and all declarations, filings and registrations with, all Governmental Authorities or third parties that are necessary in connection with the issuance and sale of the Series 2017-C Notes and the other transactions contemplated hereby shall have been obtained, or made, and remain in full force and effect and final, free of any term, condition, restriction, imposed liability that is or any other provisions that are materially adverse to the operations and business of the Company or any of its Subsidiaries. Such Purchaser shall have received copies of any such consents, authorizations, declarations, filings and registrations referenced in the preceding sentence, including without limitation, those issued by federal, Commonwealth of Pennsylvania and Commonwealth of Kentucky Governmental Authorities.

(l) The Company shall not have changed its jurisdiction of formation or organization, as applicable, or, except for the Delta Transaction, been a party to any merger or consolidation or 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 referred to in Schedule 5.5 to this Fourth Supplement.

(m) At least three Business Days prior to the date of Closing, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company directing the manner of the payment of funds and setting forth (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number, (iii) the account name and number into which the purchase price for the Series 2017-C Notes is to be deposited and (iv) the name and telephone number of the account representative responsible for verifying receipt of such funds.

(n) Immediately after giving effect to the issuance of the Series 2017-C Notes, the Notes (including the Series 2017-C Notes) shall have at least an Investment Grade Rating by at least two Rating Agencies and each holder of Notes shall have received evidence thereof; provided that in the event that, prior to such issuance, any Rating Agency does not have an Investment Grade Rating on the Notes, this condition shall be met in the event the Notes (including the Series 2017-C Notes) have at least the same rating as the Notes were rated immediately prior to the issuance of the Series 2017-C Notes by such Rating Agency and each holder of Notes shall have received evidence thereof.

(o) The Note Purchase Agreement shall not have been amended, waived or otherwise modified subsequent to the date of the Memorandum except for amendments, waivers or modifications which are reasonably acceptable to such Purchaser.

(p) All limited liability company and other proceedings in connection with the transactions contemplated by this Fourth Supplement and all documents and instruments incident to such transactions shall be reasonably satisfactory to such Purchaser and special counsel to the Purchasers, and such Purchaser and special counsel to the Purchasers shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or special counsel to the Purchasers may reasonably request.

-5-

(q) The Company shall have delivered to each holder of Series 2010-A Notes, each holder of Series 2013-A Notes, each holder of Series 2017-A Notes and each holder of 2017-B Notes (i) a copy of the Officer's Certificate referenced in clause (c)(ii) above and (ii) the evidence of ratings referenced in clause (n) above.

5. The following provisions shall apply to the Series 2017-C Notes:

(a) *Required Prepayments for the Series 2017-C Notes.* As provided therein, the Series 2017-C Notes shall not be subject to any required prepayments and the entire unpaid principal amount of each Series 2017-C Note shall be due and payable on the stated maturity date thereof.

(b) *Optional Prepayments for the Series 2017-C Notes.* On or after the date that is (i) 90 days prior to the maturity of the Series 2017-C Tranche 1 Notes, (ii) 45 days prior to the maturity of the Series 2017-C Tranche 2 Notes and (iii) 60 days prior to the maturity of the Series 2017-C Tranche 3 Notes, in each case, the Issuer may, at its option, prepay all or part (pro rata) of such Notes, in an amount of not less than \$15,000,000 in aggregate principal amount of such Notes in the case of a partial prepayment, at 100% of the principal amount so prepaid, plus accrued interest to the date of redemption and currency swap breakage costs, if any, incurred by a Canadian holder of Notes, but without the Make-Whole Amount.

(c) *Default Rate for the Series 2017-C Notes.* "*Default Rate*" shall mean, with respect to any Series 2017-C Note, that rate of interest that is the greater of (1) 2.00% per annum above the rate of interest stated in clause (a) of the first paragraph of such Series 2017-C Note or (2) 2.00% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A., in New York, New York as its "base" or "prime" rate.

(d) *Make-Whole Amount and Modified Make-Whole Amount for the Series 2017-C Notes.* The terms "*Make-Whole Amount*" and "*Modified Make-Whole Amount*" shall mean, with respect to any Series 2017-C 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 Series 2017-C Note over the amount of such Called Principal, *provided* that neither the Make-Whole Amount nor the Modified Make-Whole Amount may in any event be less than zero. For the purposes of determining the Make-Whole Amount and Modified Make-Whole Amount, the following terms have the following meanings:

"*Applicable Percentage*" in the case of a computation of the Modified Make-Whole Amount for purposes of Section 8.8 of the Note Purchase Agreement shall mean 1.00% (100 basis points), and in the case of a computation of the Make-Whole Amount for any other purpose shall mean 0.50% (50 basis points).

-6-

*"Called Principal"* shall mean, with respect to any Series 2017-C Note, the principal of such Series 2017-C Note that is to be prepaid pursuant to Section 8.2 or Section 8.8 of the Note Purchase Agreement or has become or is declared to be immediately due and payable pursuant to Section 12.1 of the Note Purchase Agreement, as the context requires.

"*Discounted Value*" shall mean, with respect to the Called Principal of any Series 2017-C 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 such Series 2017-C Note is payable) equal to the Reinvestment Yield with respect to such Called Principal.

*"Reinvestment Yield"* shall mean, with respect to the Called Principal of any Series 2017-C Note, the Applicable Percentage over the yield to maturity implied by (a) the "Ask-Side(s)" yields reported as of 10:00 a.m. (New York, New York 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 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 (b) 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 (or any comparable successor publication) for U.S. Treasury Securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date.

In the case of each determination under clause (a) or clause (b), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (1) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (2) interpolating linearly between (i) the applicable actively traded on the run U.S. Treasury Security with the maturity closest to and greater than such Remaining Average Life and (ii) the applicable actively traded on the run 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 such Series 2017-C Note.

-7-

*"Remaining Average Life"* shall mean, with respect to any Called Principal of any Series 2017-C Note, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (a) such Called Principal into (b) the sum of the products obtained by multiplying (1) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (2) 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"* shall mean, with respect to the Called Principal of any Series 2017-C 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 Series 2017-C 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, Section 8.8 or Section 12.1 of the Note Purchase Agreement.

*"Settlement Date"* shall mean, with respect to the Called Principal of any Series 2017-C Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or Section 8.8 of the Note Purchase Agreement or has become or is declared to be immediately due and payable pursuant to Section 12.1 of the Note Purchase Agreement, as the context requires.

#### (e) Additional Definitions.

"Delta" shall mean Delta Natural Gas Company, Inc., a Kentucky corporation.

"*Delta Acquisition Agreement*" shall mean the Agreement and Plan of Merger dated as of February 20, 2017 among the Company, Delta and Drake Merger Sub Inc., a Kentucky corporation and a direct, Wholly-Owned Subsidiary of the Company and all schedules, exhibits and annexes thereto.

*"Delta Transaction"* shall mean the merger of Drake Merger Sub Inc. with and into Delta with Delta being the surviving corporation pursuant to the Delta Acquisition Agreement and a Wholly-Owned Subsidiary of the Company.

6. Each Purchaser represents and warrants that the representations and warranties set forth in Section 6 of the Note Purchase Agreement are true and correct as of the Execution Date and as of the Closing Date with respect to the purchase of the Series 2017-C Notes by such Purchaser with the same force and effect as if each reference to "Series 2010-A Notes" contained therein was modified to refer to the "Series 2017-C Notes".

7. The Company and each Purchaser agree to be bound by and comply with the terms and provisions of the Note Purchase Agreement as supplemented by this Fourth Supplement as fully and completely as if such Purchaser were an original signatory to the Note Purchase Agreement.

-8-

8. All references in the Note Purchase Agreement and all other instruments, documents and agreements relating to, or entered into in connection with the foregoing documents and agreements, to the Note Purchase Agreement shall be deemed to refer to the Note Purchase Agreement, as supplemented by this Fourth Supplement.

9. Except as expressly supplemented by this Fourth Supplement, all terms and provisions of the Note Purchase Agreement remain unchanged and continue, unabated, in full force and effect and the Company hereby reaffirms its obligations and liabilities under the Note Purchase Agreement.

10. This Fourth Supplement 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 permit the application of the laws of a jurisdiction other than such State.

11. Any provision of this Fourth Supplement 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 full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

12. All covenants and other agreements contained in this Fourth Supplement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

13. This Fourth Supplement 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.

[Signature Page Follows]

-9-

The execution hereof shall constitute a contract between the Company and the Purchasers for the uses and purposes hereinabove set forth.

PNG COMPANIES LLC

By /s/ Preston Poljak

 
 Name:
 Preston Poljak

 Title:
 Senior Vice President and Chief Financial Officer

#### METROPOLITAN LIFE INSURANCE COMPANY

By:	/s/ John A. Wills
Name:	John A. Wills

Title: Senior Vice President and Managing Director

#### METLIFE INSURANCE K.K.

- by MetLife Investment Advisors, LLC, Its Investment Manager
- By: /s/ John A. Wills
- Name: John A. Wills
- Title: Senior Vice President and Managing Director

#### BRIGHTHOUSE LIFE INSURANCE COMPANY

by MetLife Investment Advisors, LLC, Its Investment Manager

# BRIGHTHOUSE REINSURANCE COMPANY OF DELAWARE

by MetLife Investment Advisors, LLC, Its Investment Manager

### FARMERS NEW WORLD LIFE INSURANCE COMPANY

by MetLife Investment Advisors, LLC, Its Investment Manager

#### ZURICH AMERICAN INSURANCE COMPANY

by MetLife Investment Advisors, LLC, Its Investment Manager

# By: /s/ Judith A. Gulotta

Name: Judith A. Gulotta Title: Managing Director

#### PENSION AND SAVINGS COMMITTEE, ON BEHALF OF THE ZURICH AMERICAN INSURANCE COMPANY MASTER RETIREMENT TRUST

By: /s/ Judith A. Gulotta

Name: Judith A. Gulotta Title: Managing Director

# PENSIONSKASSE DES BUNDES PUBLICA

By: MetLife Investment Management Limited, as Investment Manager

/s/ Jason Rothenberg By:

Name: Jason Rothenberg Title: Authorised Signatory

#### **NEW YORK LIFE INSURANCE COMPANY**

By: /s/ Jessica L. Maizel Name: Jessica L. Maizel Title: Corporate Vice President

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION By:

NYL Investors LLC, its Investment Manager

By: /s/ Jessica L. Maizel Name: Jessica L. Maizel Title: Senior Director

**NEW YORK LIFE INSURANCE AND ANNUITY** CORPORATION INSTITUTIONALLY OWNED LIFE **INSURANCE SEPARATE ACCOUNT (BOLI 3)** NYL Investors LLC, its Investment Manager By:

By: /s/ Jessica L. Maizel

Name: Jessica L. Maizel Title: Senior Director

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

- By: PGIM, Inc., as investment manager
- By: /s/ B.L. Vice President

# THE GIBRALTAR LIFE INSURANCE CO., LTD.

- By: Prudential Investment Management Japan Co., Ltd., as Investment Manager
- By: PGIM, Inc., as Sub-Adviser
- By: <u>/s/ B.L.</u> Vice President

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/ B.L. Vice President

#### THE PRUDENTIAL LIFE INSURANCE COMPANY, LTD.

- By: Prudential Investment Management Japan Co., Ltd., as Investment Manager
- By: PGIM, Inc., as Sub-Adviser
- By: /s/ B.L.

Vice President

### STATE FARM LIFE INSURANCE COMPANY

By: /s/ Julie Hoyer Name: Julie Hoyer Title: Investment Executive

By:/s/ Jeffrey AttwoodName:Jeffrey AttwoodTitle:Investment Professional

# STATE FARM LIFE AND ACCIDENT ASSURANCE COMPANY

By:	/s/ Julie Hoyer
Name:	Julie Hoyer
Title:	Investment Executive
By:	/s/ Jeffrey Attwood
Name:	Jeffrey Attwood
Title:	Investment Professional

# STATE FARM INSURANCE COMPANIES EMPLOYEE RETIREMENT TRUST

By:	/s/ Julie Hoyer
Name:	Julie Hoyer
Title:	Investment Executive
By:	/s/ Jeffrey Attwood
5	/s/ Jeffrey Attwood Jeffrey Attwood

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

By: /s/ Jeffrey Hughes Name:Jeffrey Hughes Title:Director

# JACKSON NATIONAL LIFE INSURANCE COMPANY

By: PPM America, Inc., as attorney in fact, on behalf of Jackson National Life Insurance Company

By: /s/ Elena S. Unger

Title: Elena S. Unger Vice President

VOYA INSURANCE AND ANNUITY COMPANY VOYA RETIREMENT INSURANCE AND ANNUITY COMPANY SECURITY LIFE OF DENVER INSURANCE COMPANY RELIASTAR LIFE INSURANCE COMPANY RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK By: Voya Investment Management LLC, as Agent

By: /s/ Joshua A. Winchester

Name: Joshua A. Winchester Title: Vice President

## AXA EQUITABLE LIFE INSURANCE COMPANY

By/s/ Teresa McCarthyName:Teresa McCarthyTitle:Investment Officer

## ATHENE ANNUITY AND LIFE COMPANY

By: Athene Asset Management, L.P., its investment adviser

By: AAM GP Ltd., its general partner

By: /s/ Roger D. Fors

Name:Roger D. ForsTitle:Senior Vice President, Fixed Income

## PRINCIPAL LIFE INSURANCE COMPANY

By: Principal Global Investors, LLC a Delaware limited liability company, its authorized signatory

By: <u>/s/ Colin Pennycooke, Counsel</u>

By: /s/ Anne R. Cook, Counsel

#### CONNECTICUT GENERAL LIFE INSURANCE COMPANY By:

Cigna Investments, Inc. (authorized agent)

By:	/s/ Christopher D. Potter
Name:	Christopher D. Potter
Title:	Managing Director

#### CIGNA LIFE INSURANCE COMPANY OF NEW YORK

By: Cigna Investments, Inc. (authorized agent)

/s/ Christopher D. Potter By: Name: Christopher D. Potter Title: Managing Director

LIFE INSURANCE COMPANY OF NORTH AMERICA

Cigna Investments, Inc. (authorized agent) By:

By: /s/ Christopher D. Potter Name: Christopher D. Potter Title: Managing Director CIGNA LIFE INSURANCE COMPANY OF NEW YORK By: Cigna Investments, Inc. (authorized agent)

/s/ Christopher D. Potter By:

Name: Christopher D. Potter Title: Managing Director

#### MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY By:

Barings LLC as Investment Adviser

By: /s/ John B. Wheeler Name: John B. Wheeler Title: Managing Director

## MASSMUTUAL ASIA LIMITED

By: Barings LLC as Investment Adviser

By: /s/ John B. Wheeler Name: John B. Wheeler Title: Managing Director

#### SUN LIFE ASSURANCE COMPANY OF CANADA

 
 By:
 /s/ Deborah J. Foss

 Name:
 Deborah J. Foss

 Title:
 Managing Director, Head of Private Debt, Private Fixed Income

By: /s/ Ann C. King

Name:Ann C. KingTitle:Assistant Vice President and Senior Counsel

#### GENWORTH LIFE INSURANCE COMPANY GENWORTH MORTGAGE INSURANCE CORPORATION

By:/s/ Michael W. ShepherdName:Michael W. ShepherdTitle:Investment Officer

**UNUM LIFE INSURANCE COMPANY OF AMERICA** By: Provident Investment Management, LLC Its: Agent

By:/s/ Ben S. MillerName:Ben S. MillerTitle:Vice President, Senior Managing Director

# THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

By:/s/ Gwendolyn S. FosterName:Gwendolyn S. FosterTitle:Senior Director

## THRIVENT FINANCIAL FOR LUTHERANS

By: /s/ Christopher Patton

Name:Christopher PattonTitle:Managing Director

#### UNITED OF OMAHA LIFE INSURANCE COMPANY

By: /s/ Lee R. Martin

Name: Lee R. Martin Title: Vice President

#### AMERICAN UNITED LIFE INSURANCE COMPANY

By: /s/ David M. Weisenburger

Name: David M. Weisenburger Title: Vice President, Fixed Income Securities

## THE STATE LIFE INSURANCE COMPANY

By: American United Life Insurance Company Its: Agent

By: /s/ David M. Weisenburger Name: David M. Weisenburger Title: Vice President, Fixed Income Securities

PRIME REINSURANCE COMPANY, INC.PRIMERICA LIFE INSURANCE COMPANYBy:Conning, Inc., as Investment Manager

By: /s/ Samuel Otchere

Name: Samuel Otchere Title: Director

#### THE OHIO NATIONAL LIFE INSURANCE COMPANY

By: <u>/s/ Annette M. Teders</u>

Name:Annette M. TedersTitle:Vice President

#### **OHIO NATIONAL LIFE ASSURANCE CORPORATION**

By: /s/ Annette M. Teders

Name: Annette M. Teders Title: Vice President

#### SOUTHERN FARM BUREAU LIFE INSURANCE COMPANY

By:/s/ David DivineName:David DivineTitle:Senior Portfolio Manager

#### COUNTRY MUTUAL INSURANCE COMPANY

By:/s/ Derek VoglerName:Derek VoglerTitle:VP - Investments

#### TRAVELERS CASUALTY AND SURETY COMPANY

By: /s/ Michael P. Kroening

Name:Michael P. KroeningTitle:Senior Vice President

#### WOODMEN OF THE WORLD LIFE INSURANCE SOCIETY

By:/s/ Shawn BengtsonName:Shawn BengtsonTitle:Vice President, Investment

By: /s/ Dean Holdsworth Name: Dean Holdsworth

Title: Director, Mortgage Loan & RE

## INFORMATION RELATING TO PURCHASERS

Intentionally left blank.

SCHEDULE A

(to Fourth Supplement to Note Purchase Agreement)

#### Schedule 5.4

#### Subsidiaries

<u>Name</u>	Jurisdiction	Percentage Owned by the Company		Directors and Senior Officers
Peoples Natural Gas	Pennsylvania	100%	<u>Director</u>	<u>'s</u> :
Company LLC			1.	Morgan O'Brien
			2.	Christopher Kinney
			3.	Dennis Mahoney
			4.	John McGuire
			5.	James Mahoney

6. Victor Roque

## Senior Officers:

- 1. Morgan O'Brien, President and Chief Executive Officer
- 2. Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Officer
- 3. Joseph A. Gregorini, Senior Vice President & Chief Operating Officer
- 4. Preston D. Poljak, Senior Vice President and Chief Financial Officer
- 5. Paul Becker, Vice President, Construction
- 6. Edward Palumbo, Vice President, Reliability
- 7. Judi Stemmler, Vice President, Human Resources
- 8. Lynda Petrichevich, Vice President Rates & Regulatory Affairs
- 9. Thomas Butler, Vice President, Strategic Planning
- 10. Luke Ravenstahl, Vice President, Business Development

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
Peoples Gas KY LLC	Kentucky	100%	Senior Officers:
			1. Morgan O'Brien, President and Chief Executive Officer
			2. Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Officer
			3. Joseph A. Gregorini, Senior Vice President & Chief Operating Officer
			4. Preston D. Poljak, Senior Vice President and Chief Financial Officer
			5. Paul Becker, Vice President, Construction
			6. Edward Palumbo, Vice President, Reliability
			7. Judi Stemmler, Vice President, Human Resources
			8. Lynda Petrichevich, Vice President Rates & Regulatory Affairs
			9. Thomas Butler, Vice President, Strategic Planning
			10. Luke Ravenstahl, Vice President, Business Development
			S-5.4-2

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
Peoples Gas WV LLC	West Virginia	100%	Senior Officers:
			1. Morgan O'Brien, President and Chief Executive Officer
			2. Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Officer
			3. Joseph A. Gregorini, Senior Vice President & Chief Operating Officer
			4. Preston D. Poljak, Senior Vice President and Chief Financial Officer
			5. Paul Becker, Vice President, Construction
			6. Edward Palumbo, Vice President, Reliability
			7. Judi Stemmler, Vice President, Human Resources
			8. Lynda Petrichevich, Vice President Rates & Regulatory Affairs
			9. Thomas Butler, Vice President, Strategic Planning
			10. Luke Ravenstahl, Vice President, Business Development
			S-5.4-3

PNG Gathering LLC       Delaware       100%       Senior Officers:         1       Morgan O'Brien, President and Chief Executive Officer         2       Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Officer         3       Joseph A. Gregorini, Senior Vice President & Chief Ope         4       Preston D. Poljak, Senior Vice President and Chief Fina         5       Paul Becker, Vice President, Construction         6       Edward Palumbo, Vice President, Reliability         7       Judi Stemmler, Vice President, Human Resources         8       Lynda Petrichevich, Vice President Rates & Regulatory	
<ol> <li>Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Officer</li> <li>Joseph A. Gregorini, Senior Vice President &amp; Chief Ope</li> <li>Preston D. Poljak, Senior Vice President and Chief Fina</li> <li>Paul Becker, Vice President, Construction</li> <li>Edward Palumbo, Vice President, Reliability</li> <li>Judi Stemmler, Vice President, Human Resources</li> </ol>	
Administrative Officer3.Joseph A. Gregorini, Senior Vice President & Chief Opd4.Preston D. Poljak, Senior Vice President and Chief Fina5.Paul Becker, Vice President, Construction6.Edward Palumbo, Vice President, Reliability7.Judi Stemmler, Vice President, Human Resources	
<ol> <li>Preston D. Poljak, Senior Vice President and Chief Fina</li> <li>Paul Becker, Vice President, Construction</li> <li>Edward Palumbo, Vice President, Reliability</li> <li>Judi Stemmler, Vice President, Human Resources</li> </ol>	
<ol> <li>Paul Becker, Vice President, Construction</li> <li>Edward Palumbo, Vice President, Reliability</li> <li>Judi Stemmler, Vice President, Human Resources</li> </ol>	ating Officer
<ol> <li>Edward Palumbo, Vice President, Reliability</li> <li>Judi Stemmler, Vice President, Human Resources</li> </ol>	cial Officer
7. Judi Stemmler, Vice President, Human Resources	
8. Lynda Petrichevich, Vice President Rates & Regulatory	
	Affairs
9. Thomas Butler, Vice President, Strategic Planning	
10. Luke Ravenstahl, Vice President, Business Developmen	
S-5.4-4	

<u>Name</u> Peoples Homeworks LLC	Jurisdiction Delaware	Percentage Owned by the Company 100%	Directors and Senior Officers		
reopies nonieworks LLC	Delaware	100%	Senior Officers:		
			1. Morgan O'Brien, President and Chief Executive Officer		
			2. Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Officer		
			3. Joseph A. Gregorini, Senior Vice President & Chief Operating Officer		
			4. Preston D. Poljak, Senior Vice President and Chief Financial Officer		
			5. Paul Becker, Vice President, Construction		
			6. Edward Palumbo, Vice President, Reliability		
			7. Judi Stemmler, Vice President, Human Resources		
			8. Lynda Petrichevich, Vice President Rates & Regulatory Affairs		
			9. Thomas Butler, Vice President, Strategic Planning		
			10. Luke Ravenstahl, Vice President, Business Development		
			S-5.4-5		

<u>Name</u> Delta Natural Gas Company, Inc.	Jurisdiction Kentucky	Percentage Owned by the Company 100%	<u>Directors</u> 1. 2. 3.	Directors and Senior Officers S: John McGuire Morgan O'Brien Preston D. Poljak
			4.	Joseph A. Gregorini
			5.	Ruth A. DeLost-Wylie
			6.	Rodney Short
			7.	Glenn Jennings
			<u>Senior O</u>	Officers:
			1.	Glen Jennings, Chief Executive Officer
			2.	John Brown, President, Treasurer, and Secretary
			3.	Preston D. Poljak, Chief Financial Officer
			4.	Johnny Caudill, Vice President
			5.	Brian Ramsey, Vice President
			6.	Matt Wesolosky, Vice President
Delgasco, LLC	Kentucky	100%	<u>Senior C</u>	Officers:
			1.	Glen Jennings, Chief Executive Officer
			2.	John Brown, President, Treasurer, and Secretary
			3.	Preston Poljak, Chief Financial Officer
			4.	Johnny Caudill, Vice President
			5.	Brian Ramsey, Vice President
			6.	Matt Wesolosky, Vice President

S-5.4-6

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers		
Delta Resources, LLC	Kentucky	100%	Senior Officers:		
			1. Glen Jennings, Chief Executive Officer		
			2. John Brown, President, Treasurer, and Secretary		
			3. Preston Poljak, Chief Financial Officer		
			4. Johnny Caudill, Vice President		
			5. Brian Ramsey, Vice President		
			6. Matt Wesolosky, Vice President		
Enpro, LLC	Kentucky	100%	Senior Officers:		
			1. Glen Jennings, Chief Executive Officer		
			2. John Brown, President, Treasurer, and Secretary		
			3. Preston Poljak, Chief Financial Officer		
			4. Johnny Caudill, Vice President		
			5. Brian Ramsey, Vice President		
			6. Matt Wesolosky, Vice President		

S-5.4-7

## Schedule 5.5

## **Financial Statements**

- 1. Audited financial statements of the Company for the fiscal years ended (i) December 31, 2015 and (ii) December 31, 2016.
- 2. Unaudited financial statement of the Company for the quarter ended June 30, 2017

#### Schedule 5.15

#### Indebtedness

- 1. The Company is obligated to make certain loan principal and interest payments pursuant to the Credit Agreement, dated as of February 19, 2015, among the several lenders from time to time parties thereto and JPMorgan Chase Bank, N.A, as administrative agent, as amended by that certain First Amendment dated as of June 27, 2017.
  - a. <u>Principal Amount Outstanding</u>: \$125,000,000
  - b. <u>Collateral:</u> All collateral described in that certain Amended and Restated Security and Pledge Agreement, dated as of February 26, 2010 by and between the Company and JPMorgan Chase Bank, N.A., as successor collateral agent, as amended by Amendment No. 1, dated as of August 10, 2011.
- 2. The Company is obligated to make certain loan principal and interest payments pursuant to the Credit Agreement, dated as of February 23, 2017, among the several lenders from time to time parties thereto and JPMorgan Chase Bank, N.A, as administrative agent, as amended by that certain First Amendment dated as of June 27, 2017.
  - a. <u>Principal Amount Outstanding</u>: \$105,000,000
  - b. <u>Collateral:</u> All collateral described in that certain Amended and Restated Security and Pledge Agreement, dated as of February 26, 2010 by and between the Company and JPMorgan Chase Bank, N.A., as successor collateral agent, as amended by Amendment No. 1, dated as of August 10, 2011.
- 3. The Company is obligated to make certain loan principal and interest payments pursuant to the Second Amended and Restated Credit Agreement, dated as of June 8, 2017, among the Company, the several banks and financial institutions parties thereto, PNC Bank, National Association, MUFG Union Bank, N.A. and Wells Fargo Bank, National Association, as syndication agents, JPMorgan Chase Bank, N.A., PNC Capital Markets LLC, MUFG and Wells Fargo Securities, LLC, as joint lead arrangers and joint bookrunners and JPMorgan Chase Bank, N.A., as administrative agent.
  - a. <u>Principal Amount Outstanding</u>: \$271,000,000
  - b. <u>Collateral</u>: All collateral described in that certain Amended and Restated Security and Pledge Agreement, dated as of February 26, 2010 by and between the Company and JPMorgan Chase Bank, N.A., as successor collateral agent, as amended by Amendment No. 1, dated as of August 10, 2011.
  - c. <u>Letters of Credit Outstanding</u>: Those certain letters of credit listed on Appendix A.
- 4. Note Purchase Agreement, dated as of February 26, 2010, between the Company and the Purchasers, as amended by Amendment No. 1, dated August 10, 2011, Amendment No. 2, dated August 23, 2013 and Amendment No. 3 dated November 9, 2017, as supplemented by that certain First Supplement dated as of December 12, 2013, that certain Second Supplement dated as of July 14, 2017, and that certain Third Supplement dated as of September 20, 2017 and the outstanding notes issued thereunder.

- a. <u>Principal Amount Outstanding</u>: \$695,499,999.95
- b. <u>Collateral</u>: All collateral described in that certain Amended and Restated Security and Pledge Agreement, dated as of February 26, 2010 by and between the Company and JPMorgan Chase Bank, N.A., as successor collateral agent, as amended by Amendment No. 1, dated as of August 10, 2011.
- 5. The Company has certain obligations with respect to (i) that certain Commercial Surety General Indemnity Agreements, dated as of August, 2011, between the Company, as Principal, and RLI Insurance Company, as Surety, and (ii) the surety bonds listed on Appendix B.
  - a. <u>Principal Amount Outstanding: N/A</u>
  - b. <u>Collateral</u>: None.
- 6. Second Amended and Restated Credit Agreement, dated as of June 8, 2017, among LDC Holdings LLC, as the borrower, the several banks and other financial institutions or entities from time to time parties thereto as lenders, PNC Bank, National Association, MUFG Union Bank, N.A. and Wells Fargo Bank, National Association, as syndication agents and JPMorgan Chase Bank, N.A., as administrative agent.
- 7. Amended and Restated Limited Liability Company Agreement of the Company, dated as of January 27, 2010, as amended by the First Amendment to the Amended Restated Limited Liability Company Agreement of PNG Companies LLC, dated as of August 10, 2011.

S-5.15-2

## <u>Appendix A</u>

LOC <u>number</u>	Obligor	Issuer	Beneficiary	Issue Date	Expiration Date	Amount	Auto- renewal?	Cancellation Notice
CPCS-946065	PNG Companies	JPMorganChase	Zurich	8/10/2011	8/10/2018			
			American Insurance					
			Company			\$1,545,020.00	Yes - 1 year	30 days
CPCS-381130	PNG Companies	JPMorganChase	Zurich	10/23/2012	10/19/2017			
			American Insurance					
			Company			\$ 191,242.00	Yes - 1 year	30 days
CPCS-770103	PNG Companies	JPMorganChase	Liberty	9/29/2017	9/29/2018			
			Mutual Insurance					
			Company			\$ 448,00.00	Yes - 1 year	30 days
CPCS-827524	PNG Companies	JPMorganChase	Brickstreet	1/15/2014	1/10/2018		5	5
			Mutual					
			Insurance			\$1,402,200.00	Yes - 1 year	90 days
Tetal			Company				ies - i yeai	90 days
Total						\$3,586,462.00		

## <u>Appendix B</u>

Peoples Natural Gas Com	pany LLC		As of 9/30/2017	
Bond No.	Entity	Bond Amount	Туре	Obligee
1ST QUARTER				
CMS261748	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Westmont Borough, PA
CMS261747	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Parks Township, PA
CMS0279447	Peoples Natural Gas Company LLC	\$ 5,000.00	Street Opening Bond	Borough of Baldwin
CMS0279448	Peoples Natural Gas Company LLC	\$ 20,000.00	Road Opening Permit	North Huntingdon Township
CMS0279449	Peoples Natural Gas Company LLC	\$ 50,000.00	Street Opening Bond	City of Lower Burrell, PA
CMS0279450	Peoples Natural Gas Company LLC	\$ 25,000.00	Road Opening Bond	Town of McCandless
CMS0279451	Peoples Natural Gas Company LLC	\$ 2,000.00	Street Opening Bond	Borough of Bridgeville, PA
CMS0279452	Peoples Natural Gas Company LLC	\$ 5,000.00	Street Opening Bond	Borough of Ben Avon, PA
CMS0279454	Peoples Natural Gas Company LLC	\$ 10,000.00	Street Opening Bond	Collier Township, PA
CMS261749	Peoples Natural Gas Company LLC	\$ 1,000.00	License Or Permit Bond	Township of Harrison, PA
CMS261751	Peoples Natural Gas Company LLC	\$ 35,000.00	Street Opening Bond	Borough of Wilkinsburg, PA
CMS0268598	Peoples Gas WV LLC	\$ 75,000.00	License Or Permit Bond	State of West Virginia
CMS261750	Peoples Natural Gas Company LLC	\$ 10,000.00	Street Opening Bond	Richland Township, PA

CMS0268601	Peoples Natural Gas	\$ 1 000 00	Street Opening Bond	Borough of McKeesport, PA
CMS261754	Company LLC Peoples Natural Gas	1,000.00	Performance Bond	Ross Township, PA
CMS261753	Company LLC Peoples Natural Gas	\$ 10,000.00	Gas Storage Lease Bond	Commonwealth of Pennsylvania
CMS261759	Company LLC Peoples Natural Gas	\$ 100,000.00	License Or Permit Bond	City of Aliquippa, PA
0110201700	Company LLC	\$ 3,000.00	Electise of remit bond	City of Anquippe, 171
CMS261771	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	City of New Kensington, PA
CMS261760	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Borough of Wilkinsburg, PA
CMS261761	Peoples Natural Gas Company LLC	\$ 2,000.00	License Or Permit Bond	Township of Shaler, PA
CMS261762	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Borough of Fox Chapel, PA
CMS261763	Peoples Natural Gas Company LLC	\$ 2,500.00	License Or Permit Bond	Township of Penn, PA
CMS261764	Peoples Natural Gas Company LLC	\$ 2,500.00	License Or Permit Bond	The Borough of Irwin, PA
CMS261765	Peoples Natural Gas Company LLC	\$ 1,000.00	License Or Permit Bond	The Borough of Edgewood, PA
CMS261766	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	City of Lower Burrell, PA
CMS261767	Peoples Natural Gas Company LLC	\$ 25,000.00	License Or Permit Bond	Township of Hampton, PA
CMS261770	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Evans City Borough, PA
CMS261768	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Township of Moon, PA
CMS261769	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Township of Wilkins, PA
CMS0283536	Peoples Natural Gas Company LLC	\$ 3,000.00	Street Opening Bond	Municipality of Murrysville, PA
CMS0283542	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-049-00435
CMS0283543	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-049-00439
CMS0323686	Peoples Natural Gas Company LLC	\$ 22,550.00	Restoration Permit	Borough of Geistown

CMS0323688	Peoples Natural Gas Company LLC	\$ 75,000.00	Blanket Bond	Avonmore Borough
CMS0323687	Peoples Natural Gas Company LLC	\$ 75,000.00	Permit Bond	North Irwin Borough
		\$ 635,550.00		
2ND QUARTER				
CMS261778	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Municipality of Monroeville, PA
CMS261779	Peoples Natural Gas Company LLC	\$ 10,000.00	Performance Bond	Commonwealth of PA, DOT
CMS261786	Peoples Natural Gas Company LLC	\$ 40,000.00	License Or Permit Bond	Borough of Edgewood
CMS261781	Peoples Natural Gas Company LLC	\$ 25,000.00	License Or Permit Bond	Washington Township, PA
CMS261782	Peoples Natural Gas Company LLC	\$ 25,000.00	License Or Permit Bond	Borough of Manor, PA
CMS261783	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Boro of Ford Cliff, PA
CMS261789	Peoples Natural Gas Company LLC	\$ 12,500.00	Road Opening Bond	The Borough of Plum, PA
CMS0268616	Peoples Natural Gas Company LLC	\$ 3,000.00	Streep Opening Bond	The Borough of East Pittsburgh, PA
CMS261788	Peoples Natural Gas Company LLC	\$ 50,000.00	License Or Permit Bond	Hempfield Township, PA
CMS261790	Peoples Natural Gas Company LLC	\$ 25,000.00	License Or Permit Bond	Township of McCandless, PA
CMS0264997	Peoples Natural Gas Company LLC	\$ 5,000.00	Streep Opening Bond	Borough of Fox Chapel
CMS261791	Peoples Natural Gas Company LLC	\$ 75,000.00	License Or Permit Bond	City of Pittsburgh, PA
CMS0268619	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Borough of Oakmont, PA
CMS261792	Peoples Natural Gas Company LLC	\$ 10,000.00	Performance Bond	Commonwealth of PA, DOT
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CMS0283539	Peoples Natural Gas Company LLC	\$ 5,000.00	Streep Opening Bond	Borough of Bradford Woods
CMS0283538	Peoples Natural Gas Company LLC	\$ 10,000.00	Streep Opening Bond	Borough of Versailles
CMS0283555	Peoples Natural Gas Company LLC	\$ 50,000.00	Streep Opening Bond	City of Grafton WV
CMS0283549	Peoples Natural Gas Company LLC	\$ 25,000.00	Road Opening Bond	Borough of Ben Avon Heights
CMS0283556	Peoples Natural Gas Company LLC	\$ 10,000.00	Permit Bond	Borough of Braddock Hills
CMS0283557	Peoples Natural Gas Company LLC	\$ 35,000.00	Streep Opening Bond	Borough of Crafton
CMS0283558	Peoples Natural Gas Company LLC	\$ 25,000.00	Road Opening Bond	Borough of East Pittsburgh
CMS0283566	Peoples Natural Gas Company LLC	\$ 20,000.00	Streep Opening Bond	Borough of New Stanton
CMS0283550	Peoples Natural Gas Company LLC	\$ 5,000.00	Streep Opening Bond	Borough of Homestead
CMS0283554	Peoples Natural Gas Company LLC	\$ 10,000.00	Road Opening Bond	Township of Washington
CMS0283567	Peoples Natural Gas Company LLC	\$ 2,500.00	Fuel Tax Bond	Pennsylvania Dept of Revenue
CMS02869661	Peoples Natural Gas Company LLC	\$ 2,500.00	Alt Fuel Tax Bond	Pennsylvania Dept of Revenue
CMS0289672	Peoples Gas WV LLC	\$ 75,000.00	District 7 Maintenance	State of West Virginia
CMS0289671	Peoples Gas WV LLC	\$ 75,000.00	District 6 Maintenance	State of West Virginia
CMS0323712	Peoples Natural Gas Company LLC	\$ 15,625.00	Excess Maintenance Agreement	Findlay Township
		\$ 666,125.00		

3RD QUARTER					
CMS0264954	Peoples Natural Gas			Road Use Bond	Township of North Fayette, PA
	Company LLC	\$	10,000.00		
CMS241837	Peoples Natural Gas			Workers' Compensation Bond	Commonwealth of PA, Dept of
	Company LLC	\$	3,500,000.00		Labor
CMS0264955	Peoples Natural Gas			Performance Bond	Borough of Zelienople, PA
	Company LLC	\$	5,000.00		
CMS0264956	Peoples Natural Gas			License Or Permit Bond	Swissvale Borough, PA
	Company LLC	\$	5,000.00		
CMS261717	Peoples Natural Gas			License Or Permit Bond	Municipality of Penn Hills, PA
	Company LLC	\$	20,000.00		
CMS261706	Peoples Natural Gas			License Or Permit Bond	South Park Township, PA
	Company LLC	\$	50,000.00		
CMS261707	Peoples Natural Gas	<i>•</i>	2 000 00	License Or Permit Bond	South Park Township, PA
C) (C) (1700	Company LLC	\$	2,000.00		
CMS261708	Peoples Natural Gas	¢	10,000,00	License Or Permit Bond	Ohioville Township, PA
C) (0) (1 7 1 0	Company LLC	\$	10,000.00		
CMS261710	Peoples Natural Gas	¢	F00 000 00	Highway Restoration and	Commonwealth of PA, DOT
CM60060601	Company LLC	\$	500,000.00	Maintenance Bond	
CMS0268621	Peoples Natural Gas	\$	2 000 00	Permit Bond (Street Opening)	Elizabeth Township
CMS0279425	Company LLC	Ф	2,000.00	Downit Dond (Street Opening)	Dereugh of Caparshurg
CIMS02/9425	Peoples Natural Gas Company LLC	\$	25,000.00	Permit Bond (Street Opening)	Borough of Canonsburg
CMS0279426	Peoples Natural Gas	Ф	23,000.00	Street Openings Bond	Municipality of Mt. Lebanon
CIVI302/9420	Company LLC	\$	2,000.00	Street Opennigs Bonu	Municipanty of Mit. Lebanon
CMS0279427	Peoples Natural Gas	φ	2,000.00	Street Openings Bond	Borough of Sharpsburg
GIVI302/342/	Company LLC	\$	10,000.00	Succe Openings Dond	Dorough of Sharpsburg
CMS0279428	Peoples Natural Gas	Ψ	10,000.00	Street Openings Bond	Swickly Hills Borough
011002/0420	Company LLC	\$	15,000.00	Succe Openings Donu	Swickly mills Dorough
	Company LLC	Ψ	15,000.00		

CMS0279429	Peoples Natural Gas Company LLC	\$ 20,000.00	Street Openings Bond	Borough of Carnegie
CMS0279430	Peoples Natural Gas Company LLC	\$ 10,000.00	Road Opening Permit	Borough of Port Vue
CMS0279431	Peoples Natural Gas Company LLC	\$ 10,000.00	Street Openings Bond	Borough of Tarentum
CMS0279432	Peoples Natural Gas Company LLC	\$ 5,000.00	Street Openings Bond	City of Fairmont
CMS0279433	Peoples Natural Gas Company LLC	\$ 5,000.00	Street Openings Bond	Franklin Township
CMS0279434	Peoples Natural Gas Company LLC	\$ 100,000.00	Street Obstruction Bond	Township of Robinson
CMS0279435	Peoples Natural Gas Company LLC	\$ 3,000.00	Street Obstruction Bond	Stowe Township
CMS0279436	Peoples Natural Gas Company LLC	\$ 10,000.00	Street Openings Bond	Borough of Rosslyn
CMS0279437	Peoples Natural Gas Company LLC	\$ 2,000.00	Street Openings Bond	Borough of Whitaker
CMS0285591	Peoples Natural Gas Company LLC	\$ 15,375.00	Road Bond	Jefferson Township
CMS0285580	Peoples Natural Gas Company LLC	\$ 100,000.00	Street Opening Bond	Borough of Bellevue
CMS0283551	Peoples Natural Gas Company LLC	\$ 10,000.00	Street Opening Bond	Township of Kilbuck
CMS285581	Peoples Natural Gas Company LLC	\$ 5,000.00	License Bond for Registration and Gas Lince Excavation	South Park Township
CMS0285582	Peoples Natural Gas Company LLC	\$ 50,000.00	Street Opening Bond	Borough of Greentree
CMS0285583	Peoples Natural Gas Company LLC	\$ 5,000.00	Street Opening Bond	City of New Kensington

CMS0285584	Peoples Natural Gas Company LLC	\$ 10,000.00	Street Opening Bond	Borough of Trafford
CMS0285585	Peoples Natural Gas Company LLC	\$ 5,000.00	Street Opening Bond	Borough of Etna
CMS0285587	Peoples Natural Gas Company LLC	\$ 5,000.00	Street Opening Bond	Borough of Springdale
CMS0285586	Peoples Natural Gas Company LLC	\$ 25,000.00	Street Opening Bond	Borough of Pleasant Hills
CMS0289688	Peoples Natural Gas Company LLC	\$ 35,000.00	Performance Bond	Peters Township
CMS0289689	Peoples Natural Gas Company LLC	\$ 5,000.00	Permit Bond (Street Opening)	North Apollo Borough
CMS0289692	Peoples Natural Gas Company LLC	\$ 74,900.00	Permit Bond (Street Opening)	Center Township
CMS0327203	Peoples Natural Gas Company LLC	\$ 12,500.00	Permit Bond	Jackson Township
CMS0327207	Peoples Natural Gas Company LLC	\$ 15,000.00	Road Bond	Borough of McKees Rocks
		\$ 4,693,775.00		
4TH QUARTER				
CMS261723	Peoples Natural Gas Company LLC	\$ 50,000.00	Road Bond	Vandergrift Borough
CMS0264976	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Harmar Township
CMS0279422	Peoples Natural Gas Company LLC	\$ 6,000.00	License Or Permit Bond	Carroll Township
CMS0279455	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Borough of Brackenridge
CMS0279456	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Borough of Munhall
CMS0279457	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Municipality of Monroeville

S-5.15-10

CMS261725	Peoples Natural Gas		License Or Permit Bond	Forest Hills Borough, PA
	Company LLC	\$ 25,000.00		
CMS261724	Peoples Natural Gas		License Or Permit Bond	Borough of North Belle Vernon,
	Company LLC	\$ 10,000.00		PA
CMS261744	Peoples Natural Gas		Street Opening Bond	Hopewell Township, PA
	Company LLC	\$ 1,500.00		
CMS261741	Peoples Natural Gas		License Or Permit Bond	Ford City Borough, PA
	Company LLC	\$ 50,000.00		
CMS261740	Peoples Natural Gas		Performance Bond	Rostraver Township, PA
	Company LLC	\$ 10,000.00		
CMS0279445	Peoples Natural Gas		Road Restoration Bond	North Fayette Township
	Company LLC	\$ 1,250.00		
CMS0283541	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-033-01669
CMS0283544	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-049-00444
CMS0283545	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-049-00445
CMS0283546	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-049-00632
CMS0283547	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-061-00429
CMS0285606	Peoples Natural Gas		Performance Bond	PennDot
	Company LLC	\$ 50,000.00		
CMS261742	Peoples Natural Gas		Road Opening Permit Bond	City of Greensburg, PA
	Company LLC	\$ 50,000.00		
CMS0323680	Peoples Natural Gas		Condemnation Bond	Commonwealth of PA
	Company LLC	\$ 50,000.00		
CMS0323679	Peoples Natural Gas		Road Maitenance	Harmar Township
	Company LLC	\$ 4,000.00		
		\$ 367,750.00		
	Grand Total	\$ 6,363,200.00		

S-5.15-11

#### SUPPLEMENTAL REPRESENTATIONS

The Company represents and warrants to each Purchaser that, except as hereinafter deemed modified or substituted and replaced pursuant to this Exhibit A, each of the representations and warranties set forth in Section 5 of the Note Purchase Agreement is true and correct as of the Execution Date and as of the Closing Date. For purposes of the representation and warranty set forth above, (a) each reference to "Series 2010-A Notes" set forth in Section 5 of the Note Purchase Agreement shall be deemed modified to refer to "Series 2017-C Notes," each reference to "this Agreement" set forth in Section 5 of the Note Purchase Agreement shall be deemed modified to refer to "the Note Purchase Agreement as supplemented by the Fourth Supplement" and each reference to "the Purchasers" set forth in Section 5 of the Note Purchase Agreement shall be deemed modified to refer to "Schedule 5.4" in Sections 5.4(b), 5.4(c) and 5.4(d) of the Note Purchase Agreement shall be deemed modified to refer to "Schedule 5.4" in Sections 5.4(b), 5.4(c) and 5.4(d) of the Note Purchase Agreement shall be deemed modified to refer to "Schedule 5.4" in Sections 5.4(b), 5.4(c) and 5.4(d) of the Note Purchase Agreement shall be deemed modified to refer to "Schedule 5.4" in Sections 5.4(b), 5.4(c) and 5.4(d) of the Note Purchase Agreement shall be deemed modified to refer to "Schedule 5.4" in Sections 5.4(b), 5.4(c) and 5.4(d) of the Note Purchase Agreement shall be deemed modified to refer to "Schedule 5.4 to the Fourth Supplement" and (c) the corresponding sections of Section 5 of the Note Purchase Agreement are hereby substituted and replaced by the following:

Section 5.3 Disclosure. The Company, through its lead agents, MUFG Securities Americas Inc. and JPMorgan Securities LLC, has delivered to each Purchaser a copy of a Private Placement Memorandum, dated October 2017 (the "Memorandum"), relating to the transactions contemplated by the Fourth Supplement. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries. This Agreement, the Memorandum and the documents, certificates or other writings delivered to the Purchasers and the financial statements listed in Schedule 5.5 to the Fourth Supplement, delivered to the Purchasers by or on behalf of the Company (this Agreement, the Memorandum and such documents, certificates or other writings, the Fourth Supplement and such financial statements delivered to each Purchaser prior to October 13, 2017 being referred to, collectively, as 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. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Company to be reasonable at the time made, it being recognized by the holders of Notes that such financial information may differ from the projected results set forth therein by a material amount. Except as disclosed in the Disclosure Documents, since December 31, 2016, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Effect that has not been set forth herein or in the Disclosure Documents.

EXHIBIT A (to Fourth Supplement to Note Purchase Agreement) Section 5.4 Organization and Ownership of Shares of Subsidiaries. (a) Schedule 5.4 to the Fourth Supplement contains (except as noted therein) complete and correct lists (1) of 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 outstanding owned by the Company and each other Subsidiary and (2) of Company's directors and senior officers.

Section 5.5 Financial Statements; Material Liabilities. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5 to the Fourth Supplement. All of said financial statements (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 in such Schedule 5.5 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.

## Section 5.12 Compliance with ERISA.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multi-employer Plans), determined as of the end of such Plan's most recently ended plan year in such Plan's most recent actuarial valuation report on the basis of the actuarial assumptions specified for funding purposes in such report, did not exceed the aggregate value of the assets of such Plan as reflected in such Plan's most recent actuarial valuation report allocable to such benefit liabilities as reflected in such Plan's most recent actuarial valuation report by more than \$50,000,000 in the aggregate for all Plans. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms "current value" and "present value" have the meanings specified in Section 3 of ERISA.

Section 5.13 Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Series 2017-C 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 the Purchasers and not more than 65 other Institutional Investors of the type described in clause (c) of the definition thereof, each of which has been offered the Series 2017-C 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 Series 2017-C 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.

Section 5.14 Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Series 2017-C Notes to the repayment of indebtedness and other general limited liability company purposes. No part of the proceeds from the sale of the Series 2017-C Notes hereunder 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

E-A-2

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 25% 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 25% 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.

#### Section 5.15 Existing Debt; Future Liens.

(a) Except as described therein, Schedule 5.15 to the Fourth Supplement sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of November 8, 2017 (including a description of the obligors and obligees, principal amount outstanding and collateral therefor, if any, and Guarantee Obligations relating thereto, if any), since which date 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. 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 such 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 to the Fourth Supplement, 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 10.4.

Section 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, or the ICC Termination Act of 1995, as amended. Neither the Company nor any Subsidiary is subject to regulation under federal or state law as a public utility except that (i) Peoples is subject to regulation as a public utility under Pennsylvania law and by the Pennsylvania Public Service Commission, (ii) Peoples KY LLC, a Kentucky limited liability company, and Delta, a Kentucky corporation, are subject to regulation by the Kentucky Public Service Commission and (iii) Peoples WV LLC, a West Virginia limited liability company, is subject to regulation by the Public Service Commission of West Virginia. The Company and its Subsidiaries have each complied and are in compliance with (a) all applicable state utility laws, regulations and orders and (b) any other federal or state laws, regulations and orders applicable to it as a public utility or gas utility, except in each case for instances of noncompliance that, individually and in the aggregate, have not had, and could not reasonably be expected to have, a Material Adverse Effect.

E-A-3

*Section 5.21 Solvency*. The Company is, and after giving effect to the incurrence of all Indebtedness and obligations being incurred in connection herewith will be and will continue to be, Solvent.

#### FORM OF SERIES 2017-C NOTE, TRANCHE 1 PNG COMPANIES LLC

2.90% Series 2017-C Senior Secured Note, Tranche 1, due December 18, 2022

No. R2017-C-1-\_\_\_\_

\$

December 18, 2017 PPN 73020\* AJ2

FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (herein called the "*Company*"), hereby promises to pay to \_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_\_ DOLLARS (or so much thereof as shall not have been prepaid) on December 18, 2022, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 2.90% per annum from the date hereof, payable semiannually, on the 18th day of June and December in each year, commencing with the June 18 or December 18 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 (1) 4.90% or (2) 2.00% 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices 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 the Series 2017-C Senior Secured Notes, Tranche 1 (herein called the "*Notes*") issued pursuant to the Fourth Supplement dated as of November 9, 2017 (the "*Supplement*") which supplements that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011, that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013, that certain First Supplement to the Note Purchase Agreement dated as of December 12, 2013, that certain Third Amendment to Note Purchase Agreement dated as of November 9, 2017 and as from time to time further amended, supplemented or otherwise modified, the "*Note Purchase Agreement*"), originally between the Company and the respective Purchasers named therein and is entitled to the benefits of the Note Purchase Agreement. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the

EXHIBIT 1(a) (to Fourth Supplement to Note Purchase Agreement) confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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 not subject to regularly scheduled prepayments of principal. 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 Supplement and/or 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.

PNG COMPANIES LLC

By

Name: \_\_\_\_\_\_ \_\_\_\_\_ Title: \_\_\_\_\_

110

E-1(a)-2

# FORM OF SERIES 2017-C NOTE, TRANCHE 2

#### PNG COMPANIES LLC

3.38% Series 2017-C Senior Secured Note, Tranche 2, due December 18, 2027

No. R2017-C-2-\_\_\_\_\_\$

December 18, 2017 PPN 73020\* AK9

FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (herein called the "*Company*"), hereby promises to pay to \_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_\_DOLLARS (or so much thereof as shall not have been prepaid) on December 18, 2027, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 3.38% per annum from the date hereof, payable semiannually, on the 18th day of June and December in each year, commencing with the June 18 or December 18 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 (1) 5.38% or (2) 2.00% 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices 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 the Series 2017-C Senior Secured Notes, Tranche 2 (herein called the "*Notes*") issued pursuant to the Fourth Supplement dated as of November 9, 2017 (the "*Supplement*") which supplements that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011, that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013, that certain First Supplement to the Note Purchase Agreement dated as of December 12, 2013, that certain Third Amendment to Note Purchase Agreement dated as of November 9, 2017 and as from time to time further amended, supplemented or otherwise modified, the "*Note Purchase Agreement*"), originally between the Company and the respective Purchasers named therein and is entitled to the benefits of the Note Purchase Agreement. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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.

EXHIBIT 1(b) (to Fourth Supplement to 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 not subject to regularly scheduled prepayments of principal. 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 Supplement and/or 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.

PNG COMPANIES LLC

By				
	Name:			
	Title:			

E-1(b)-2

# FORM OF SERIES 2017-C NOTE, TRANCHE 3

#### PNG COMPANIES LLC

3.63% Series 2017-C Senior Secured Note, Tranche 3, due December 18, 2032

No. R2017-C-3-\_\_\_\_\_\$

December 18, 2017 PPN 73020\* AL7

FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (herein called the "*Company*"), hereby promises to pay to \_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_\_DOLLARS (or so much thereof as shall not have been prepaid) on December 18, 2032, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 3.63% per annum from the date hereof, payable semiannually, on the 18th day of June and December in each year, commencing with the June 18 or December 18 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 (1) 5.63% or (2) 2.00% 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices 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 the Series 2017-C Senior Secured Notes, Tranche 3 (herein called the "*Notes*") issued pursuant to the Fourth Supplement dated as of November 9, 2017 (the "*Supplement*") which supplements that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011, that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013, that certain First Supplement to the Note Purchase Agreement dated as of December 12, 2013, that certain Third Amendment to Note Purchase Agreement dated as of November 9, 2017 and as from time to time further amended, supplemented or otherwise modified, the "*Note Purchase Agreement*"), originally between the Company and the respective Purchasers named therein and is entitled to the benefits of the Note Purchase Agreement. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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.

EXHIBIT 1(c) (to Fourth Supplement to 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 not subject to regularly scheduled prepayments of principal. 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 Supplement and/or 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.

#### PNG COMPANIES LLC

By				
	Name:			
	Title:			

E-1(c)-2

# FORM OF OPINION OF SPECIAL COUNSEL TO THE COMPANY

To be provided to the Purchasers only.

EXHIBIT 4(f)(i) (to Fourth Supplement to Note Purchase Agreement)

# Form of Opinion of Special Pennsylvania Counsel to the Company

To be provided to the Purchasers only.

EXHIBIT 4(f)(ii) (to Fourth Supplement to Note Purchase Agreement)

# FORM OF OPINION OF SPECIAL COUNSEL TO THE PURCHASERS

To be provided to the Purchasers only.

EXHIBIT 4(f)(iii) (to Fourth Supplement to Note Purchase Agreement)

#### PNG COMPANIES LLC

# FIFTH SUPPLEMENT TO NOTE PURCHASE AGREEMENT

#### Dated as of December 20, 2017

Re: \$21,000,000 4.50% Series 2017-D Senior Secured Notes, Tranche 1, due November 17, 2021
\$8,181,825 6.42% Series 2017-D Senior Secured Notes, Tranche 2, due December 28, 2022
\$4,090,913 5.66% Series 2017-D Senior Secured Notes, Tranche 3, due October 31, 2020
\$454,550 5.67% Series 2017-D Senior Secured Notes, Tranche 4, due October 31, 2018
\$5,454,545 5.99% Series 2017-D Senior Secured Notes, Tranche 5, due October 31, 2023
\$30,000,000 3.53% Series 2017-D Senior Secured Notes, Tranche 6, due August 23, 2023

Dated as of December 20, 2017

To the Purchasers listed in the attached Schedule A hereto

#### Ladies and Gentlemen:

This Fifth Supplement to Note Purchase Agreement (this "*Fifth Supplement*") is between PNG COMPANIES LLC, a Delaware limited liability company (the "*Company*"), and the institutional investors named on Schedule A attached hereto (the "*Purchasers*").

Reference is hereby made to that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011, that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013, that certain First Supplement to Note Purchase Agreement dated as of December 12, 2013 and that Third Amendment to Note Purchase Agreement dated as of November 9, 2017, the *"Note Purchase Agreement"*) between the Company and the purchasers party thereto. All capitalized terms not otherwise defined herein shall have the same meaning as specified in the Note Purchase Agreement. Reference is further made to Section 2.2(c)(2) of the Note Purchase Agreement which requires that, prior to the delivery of any Additional Notes, the Company and each Additional Purchaser shall execute and deliver a Supplement.

Peoples Gas Company LLC (formerly known as Peoples TWP LLC), a Pennsylvania limited liability company ("*TWP*"), is party to that certain Amended and Restated Note Purchase Agreement dated as of June 20, 2013 (as amended by that certain First Amendment to Amended and Restated Note Purchase Agreement dated as of September 19, 2017, the "*Existing TWP Note Agreement*") by TWP and each purchaser party thereto, pursuant to which TWP authorized the issuance and sale of its (a) 4.50% Senior Notes, Series A, due November 17, 2021, of which \$21,000,000 remains outstanding (the "*Existing Series A Notes*"); (b) 6.42% Senior Notes, Series B, due December 28, 2022 of which \$8,181,825 remains outstanding (the "*Existing Series B Notes*"); (c) 5.66% Senior Notes, Series C, due October 31, 2020 of which \$4,090,913 remains outstanding (the "*Existing Series D Notes*"); (d) 5.67% Senior Notes, Series D, due October 31, 2018 of which \$454,550 remains outstanding (the "*Existing Series D Notes*"); (e) 5.99% Senior Notes, Series E, due October 31, 2023 of which \$5,454,545 remains outstanding (the "*Existing Series E Notes*") and (f) 3.53% Senior Notes, Series G, due August 23, 2023 of which \$30,000,000 remains outstanding (the "*Existing Series G Notes*", and together with the Existing Series A Notes, the Existing Series C Notes, the Existing Series D Notes, the Existing Series D Notes, the "*Existing TWP Notes*"). Pursuant to Section 13.4 of

the Existing TWP Note Agreement, if TWP becomes a wholly-owned direct Subsidiary of the Company on or prior to August 23, 2018, all of the then outstanding Existing TWP Notes may be exchanged for promissory Notes of the Company issued pursuant to a supplement to the Note Purchase Agreement. TWP will become a wholly-owned direct Subsidiary of the Company on December 20, 2017 (such transaction reorganization referred to as the "*TWP Reorganization*") and pursuant to Section 13.4 of the Existing TWP Note Agreement, the Company will issue to the Purchasers which hold the Existing TWP Notes its Series 2017-D Notes (as defined below) in exchange for such Existing TWP Notes (such issuance and exchange hereafter referred to as the "*Note Exchange*").

The Company hereby agrees with the Purchasers as follows:

1. The Company has authorized the issue and exchange of (a) \$21,000,000 aggregate principal amount of its 4.50% Series 2017-D Senior Secured Notes, Tranche 1, due November 17, 2021 (the "Series 2017-D Tranche 1 Notes"); (b) \$8,181,825 aggregate principal amount of its 6.42% Series 2017-D Senior Secured Notes, Tranche 2, due December 28, 2022 (the "Series 2017-D Tranche 2 Notes"); (c) \$4,090,913 aggregate principal amount of its 5.66% Series 2017-D Senior Secured Notes, Tranche 3, due October 31, 2020 (the "Series 2017-D Tranche 3 Notes"); (d) \$454,550 aggregate principal amount of its 5.67% Series 2017-D Senior Secured Notes, Tranche 4, due October 31, 2018 (the "Series 2017-D Tranche 4 Notes"); (e) \$5,454,545 aggregate principal amount of its 5.99% Series 2017-D Senior Secured Notes, Tranche 5, due October 31, 2023 (the "Series 2017-D Tranche 5 Notes"); and (f) \$30,000,000 aggregate principal amount of its 3.53% Series 2017-D Senior Secured Notes, Tranche 6, due August 23, 2023 (the "Series 2017-D Tranche 6 Notes"). The Series 2017-D Tranche 1 Notes, the Series 2017-D Tranche 2 Notes, the Series 2017-D Tranche 3 Notes, the Series 2017-D Tranche 4 Notes, the Series 2017-D Tranche 5 Notes and the Series 2017-D Tranche 6 Notes are collectively referred to as the "Series 2017-D Notes". The Series 2017-D Notes, together with the Series 2010-A Notes initially issued pursuant to the Note Purchase Agreement, the Series 2013-A Notes issued pursuant to the First Supplement to the Note Purchase Agreement dated as of December 12, 2013, the Series 2017-A Notes issued pursuant to the Second Supplement dated as of July 14, 2017, the Series 2017-B Notes issued pursuant to the Third Supplement dated as of September 20, 2017, the Series 2017-C Notes issued pursuant to the Fourth Supplement dated as of November 9, 2017 and each series of Additional Notes which may from time to time hereafter be issued pursuant to the provisions of Section 2.2 of the Note Purchase Agreement, are collectively referred to as the "Notes" (such term shall also include any such notes issued in substitution therefor pursuant to Section 13 of the Note Purchase Agreement). The Series 2017-D Tranche 1 Notes, the Series 2017-D Tranche 2 Notes, the Series 2017-D Tranche 4 Notes, the Series 2017-D Tranche 4 Notes, the Series 2017-D Tranche 5 Notes and the Series 2017-D Tranche 6 Notes shall be substantially in the form set out in Exhibit 1(a), Exhibit 1(b), Exhibit 1(c), Exhibit 1(d), Exhibit 1(e) and Exhibit 1(f) hereto, respectively, with such changes therefrom, if any, as may be approved by the Purchasers and the Company.

2. Subject to the terms and conditions hereof and as set forth in the Note Purchase Agreement and on the basis of the representations and warranties hereinafter set forth, the Company will issue to each Purchaser, at the Closing provided for in Section 3, and each Purchaser will receive from the Company, Series 2017-D Notes in consideration for the

-2-

exchange of the Existing TWP Notes in the principal amount specified opposite such Purchaser's name in Schedule A hereto. The obligations of each Purchaser hereunder are several and not joint obligations and no Purchaser shall have any obligation or any liability to any Person for the performance or nonperformance by any other Purchaser hereunder.

3. The Note Exchange shall occur concurrently with the consummation of the TWP Reorganization at the offices of Schiff Hardin LLP, 666 Fifth Avenue, 17th Floor, New York, New York 10103 at 11:00 a.m. New York, New York time, at a closing (the "*Closing*") on December 20, 2017 (the "*Closing Date*"). At the Closing, the Company will deliver to each Purchaser of the Series 2017-D Notes to be exchanged for such Purchaser's Existing TWP Note as specified opposite such Purchaser's name in Schedule A attached hereto of each tranche to be exchanged by such Purchaser in the form of a single Series 2017-D Note of such tranche (or such greater number of Series 2017-D Notes in denominations of at least \$100,000 as such Purchaser may request) dated the date of Closing and registered in such Purchaser's name (or in the name of such Purchaser's nominee). If, at the Closing, the Company shall fail to tender such Series 2017-D Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to any Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Fifth Supplement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment. Promptly after the Closing the Purchasers holding Existing TWP Notes agree to deliver such Existing TWP Notes to the Company for cancellation.

4. The obligation of each Purchaser to exchange the Existing TWP Notes for the Series 2017-D Notes at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to the Closing, of the following conditions:

(a) Except as deemed modified or substituted and replaced by the representations and warranties set forth in Exhibit A hereto, each of the representations and warranties of the Company set forth in Section 5 of the Note Purchase Agreement shall be true and correct as of the Closing Date.

(b) The Company shall have performed and complied with all agreements and conditions contained in the Note Purchase Agreement as supplemented by the Fifth Supplement, the Security Documents and the conditions set forth in Section 13.4 of the Existing TWP Note Agreement required to be performed or complied with by it prior to or on the Closing Date, and after giving effect to the Note Exchange (and the application of the proceeds thereof as contemplated by Section 5.14 of Exhibit A hereto), no Default or Event of Default shall have occurred and be continuing and no waiver of Default or Event of Default shall be in effect.

(c) The Company shall have delivered to such Purchaser:

(i) an Officer's Certificate, dated the Closing Date, certifying that the conditions specified in Sections 4(a), (b) and (l) have been fulfilled;

-3-

(ii) an Officer's Certificate executed by a duly authorized Senior Financial Officer stating that such officer has reviewed the provisions of the Note Purchase Agreement (including this Fifth Supplement) and setting forth the information and computations (in sufficient detail) required to establish whether after giving effect to the issuance of the Series 2017-D Notes and after giving effect to the application of the proceeds thereof, the Company will be in compliance with the requirements of Sections 10.1, 10.2 and 10.3 of the Note Purchase Agreement on such date; and

(iii) a certificate of its Secretary, Assistant Secretary or other officer, dated the Closing Date, certifying as to the resolutions attached thereto and other limited liability company proceedings relating to the authorization, execution and delivery of the Series 2017-D Notes and this Fifth Supplement.

(d) Each Security Document shall be in full force and effect and such Purchaser shall have received a duly executed copy thereof. The Company shall have delivered any certificates representing the issued and outstanding Capital Stock of TWP pledged under the Security Documents and instruments of assignment executed in blank to the Collateral Agent. Pursuant to the Security Documents, the Collateral Agent, for the equal and ratable benefit of the Purchasers, the other holders of Notes and the Lenders, shall have a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted to be prior pursuant to Section 10.4 of the Note Purchase Agreement). Such Purchaser shall have received the results of a recent Lien search with respect to the Company, and such search shall reveal no Liens on any of the assets of the Company except for Liens permitted by Section 10.4 of the Note Purchaser.

(e) Each Purchaser shall have become a party to the Intercreditor Agreement pursuant to a Joinder to Intercreditor Agreement in the form attached thereto.

(f) Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the Closing Date (i) from O'Melveny & Myers LLP, counsel for the Company, covering the matters set forth in Exhibit 4(f)(i) to this Fifth Supplement and covering such other matters incident to the transactions contemplated hereby as such Purchaser or special counsel to the Purchasers may reasonably request (and the Company, covering the matters set forth in Exhibit 4(f)(ii) to this Fifth Supplement and covering such other company, covering the matters set forth in Exhibit 4(f)(ii) to this Fifth Supplement and covering such other matters incident to the transactions contemplated hereby as such Purchaser), (ii) from Post & Schell P.C., special Pennsylvania counsel for the Company, covering the matters set forth in Exhibit 4(f)(ii) to this Fifth Supplement and covering such other matters incident to the transactions contemplated hereby as such Purchaser or special counsel to the Purchasers may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to such Purchaser) and (iii) from Schiff Hardin LLP, special counsel to the Purchasers in connection with such transactions, substantially in the form set forth in Exhibit 4(f)(iii) to this Fifth Supplement and covering such other matters incident to such transactions as such Purchaser may reasonably request.

-4-

(g) On the Closing Date, such Purchaser's participation in the Note Exchange shall (i) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is 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 T, U or X of the Board of Governors of the Federal Reserve System) and (iii) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation. If requested by any Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such participation in the Note Exchange is so permitted.

(h) Contemporaneously with the Closing, the Company shall issue to each other Purchaser and each other Purchaser shall exchange its Existing TWP Notes for the Series 2017-D Notes to be received by it at the Closing as specified in Schedule A to this Fifth Supplement.

(i) Without limiting the provisions of Section 15.1 of the Note Purchase Agreement, the Company shall have paid on or before the Closing the reasonable fees, charges and disbursements of special counsel to the Purchasers referred to in Section 4(f)(iii) to the extent reflected in a statement of such counsel rendered to the Company at least two Business Days prior to the date of the Closing.

(j) A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for each tranche of the Series 2017-D Notes.

(k) All consents, authorizations and approvals (including, without limitation, shareholders' consents) from, and all declarations, filings and registrations with, all Governmental Authorities or third parties that are necessary in connection with the TWP Reorganization, the Note Exchange and the other transactions contemplated hereby shall have been obtained, or made, and remain in full force and effect and final and all periods for appeal and rehearing by third parties have expired and all conditions contained therein which are to be fulfilled prior to the Note Exchange have been fulfilled, free of any term, condition, restriction, imposed liability that is or any other provisions that are materially adverse to the operations and business of the Company or any of its Subsidiaries. Such Purchaser shall have received copies of any such consents, authorizations, declarations, filings and registrations referenced to in the preceding sentence, including without limitation, those issued by federal, Commonwealth of Pennsylvania and Commonwealth of Kentucky Governmental Authorities.

(1) The Company shall not have changed its jurisdiction of formation or organization, as applicable, or, except in connection with the TWP Reorganization, been a party to any merger or consolidation or 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 referred to in Schedule 5.5 to this Fifth Supplement.

-5-

(m) Immediately after giving effect to the issuance of the Series 2017-D Notes, the Notes (including the Series 2017-D Notes) shall have at least an Investment Grade Rating by at least two Rating Agencies and each holder of Notes shall have received evidence thereof; provided that in the event that, prior to such issuance, any Rating Agency does not have an Investment Grade Rating on the Notes, this condition shall be met in the event the Notes (including the Series 2017-D Notes) have at least the same rating as the Notes were rated immediately prior to the issuance of the Series 2017-D Notes by such Rating Agency and each holder of Notes shall have received evidence thereof.

(n) The Note Purchase Agreement shall not have been amended, waived or otherwise modified subsequent to November 9, 2017 except for amendments, waivers or modifications which are reasonably acceptable to such Purchaser.

(o) The TWP Reorganization shall have been consummated (prior to or simultaneously with the Note Exchange hereunder) in all material respects in accordance with the terms of the TWP Reorganization Documentation after giving effect to any modifications, amendments, consents or waivers thereto, other than those modifications, amendments, consents or waivers that are materially adverse to the interests of any Purchaser, which shall not be made without the prior written consent of such Purchaser. Such Purchaser shall have received a copy of the TWP Reorganization Documentation, including all amendments or supplements thereto, certified by an officer of the Company to be true and correct and in full force and effect as of the date of the Closing.

(p) The Company shall have delivered to each holder of Series 2010-A Notes, each holder of Series 2013-A Notes, each holder of the Series 2017-A Notes, each holder of the Series 2017-B Notes and each holder of the Series 2017-C Notes (i) a copy of the Officer's Certificate referenced in clause (c)(ii) above and (ii) the ratings reaffirmation letters referenced in clause (m) above.

(q) After giving effect to the exchange of the Existing TWP Notes for the Series 2017-D Notes as contemplated hereby, all obligations of TWP under the Existing TWP Note Agreement, and all notes issued thereunder shall have been discharged, such Existing TWP Note Agreement shall have been terminated and such Purchaser shall have received such evidence as it may reasonably request to demonstrate the satisfaction of the foregoing.

(r) After giving effect to the exchange of the Existing TWP Notes for the Series 2017-D Notes as contemplated hereby, the Company shall be in compliance with Section 10.14 of the Note Purchase Agreement and shall have delivered to each holder of the Existing TWP Notes an Officer's Certificate to that effect.

5. The following provisions shall apply to the Series 2017-D Notes:

(a) *Required Prepayments for the Series 2017-D Notes.* As provided therein, the entire unpaid principal balance of the Series 2017-D Notes shall be due and payable on the stated maturity date thereof. Additionally, (a) on December 28, 2017 and on each December 28 thereafter to and including December 28, 2021, the Company will prepay \$1,363,635 principal amount (or such lesser principal amount as shall then be outstanding) of the Series 2017-D Tranche 2 Notes at par and without payment of the Make-Whole Amount or any premium; (b) on October 31, 2018 and on October 31, 2019, the Company will prepay \$1,363,635 principal amount (or such lesser principal amount as shall then be

-6-

outstanding) of the Series 2017-D Tranche 3 Notes at par and without payment of the Make-Whole Amount or any premium and (c) on October 31, 2018 and on each October 31 thereafter to and including October 31, 2022, the Company will prepay \$909,091 principal amount (or such lesser principal amount as shall then be outstanding) of the Series 2017-D Tranche 5 Notes at par and without payment of the Make-Whole Amount or any premium.

(b) *Default Rate for the Series 2017-D Notes. "Default Rate"* shall mean, with respect to any Series 2017-D Note, that rate of interest that is the greater of (1) 2.00% per annum above the rate of interest stated in clause (a) of the first paragraph of such Series 2017-D Note or (2) 2.00% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. in New York, NY as its "base" or "prime" rate.

(c) *Make-Whole Amount and Modified Make-Whole Amount for the Series 2017-D Notes.* The terms "*Make-Whole Amount*" and "*Modified Make-Whole Amount*" shall mean, with respect to any Series 2017-D 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 Series 2017-D Note over the amount of such Called Principal, *provided* that neither the Make-Whole Amount nor the Modified Make-Whole Amount may in any event be less than zero. For the purposes of determining the Make-Whole Amount and Modified Make-Whole Amount, the following terms have the following meanings:

*"Applicable Percentage"* in the case of a computation of the Modified Make-Whole Amount for purposes of Section 8.8 of the Note Purchase Agreement shall mean 1.00% (100 basis points), and in the case of a computation of the Make-Whole Amount for any other purpose shall mean 0.50% (50 basis points).

*"Called Principal"* shall mean, with respect to any Series 2017-D Note, the principal of such Series 2017-D Note that is to be prepaid pursuant to Section 8.2 or Section 8.8 of the Note Purchase Agreement or has become or is declared to be immediately due and payable pursuant to Section 12.1 of the Note Purchase Agreement, as the context requires.

"Discounted Value" shall mean, with respect to the Called Principal of any Series 2017-D 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 such Series 2017-D Note is payable) equal to the Reinvestment Yield with respect to such Called Principal.

-7-

*"Reinvestment Yield"* shall mean, with respect to the Called Principal of any Series 2017-D Note, the Applicable Percentage over the yield to maturity implied by (a) the "Ask-Side(s)" yields reported as of 10:00 a.m. (New York, New York 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 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 (b) 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 (or any comparable successor publication) for U.S. Treasury Securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date.

In the case of each determination under clause (a) or clause (b), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (1) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (2) interpolating linearly between (i) the applicable actively traded on the run U.S. Treasury Security with the maturity closest to and greater than such Remaining Average Life and (ii) the applicable actively traded on the run 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 such Series 2017-D Note.

*"Remaining Average Life"* shall mean, with respect to any Called Principal of any Series 2017-D Note, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (a) such Called Principal into (b) the sum of the products obtained by multiplying (1) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (2) 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"* shall mean, with respect to the Called Principal of any Series 2017-D 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 Series 2017-D 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, Section 8.8 or Section 12.1 of the Note Purchase Agreement.

-8-

*"Settlement Date"* shall mean, with respect to the Called Principal of any Series 2017-D Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or Section 8.8 of the Note Purchase Agreement or has become or is declared to be immediately due and payable pursuant to Section 12.1 of the Note Purchase Agreement, as the context requires.

#### (d) Additional Definitions.

*"TWP Reorganization Documentation"* shall mean the (i) Agreement and Plan of Merger dated as of the date hereof between LDC Holdings LLC and LDC Holdings II LLC and (ii) Contribution Agreement dated as of the date hereof between LDC Holdings LLC and the Company, in each case, together with all schedules, exhibits and annexes thereto and all side letters and agreements affecting the terms thereof or entered into in connection therewith.

6. Each Purchaser represents and warrants that the representations and warranties set forth in Section 6 of the Note Purchase Agreement are true and correct as of the Closing Date with respect to the participation in the Note Exchange by such Purchaser with the same force and effect as if each reference to "Series 2010-A Notes" contained therein was modified to refer to the "Series 2017-D Notes".

7. The Company and each Purchaser agree to be bound by and comply with the terms and provisions of the Note Purchase Agreement as supplemented by this Fifth Supplement as fully and completely as if such Purchaser were an original signatory to the Note Purchase Agreement.

8. All references in the Note Purchase Agreement and all other instruments, documents and agreements relating to, or entered into in connection with the foregoing documents and agreements, to the Note Purchase Agreement shall be deemed to refer to the Note Purchase Agreement, as supplemented by this Fifth Supplement.

9. Except as expressly supplemented by this Fifth Supplement, all terms and provisions of the Note Purchase Agreement remain unchanged and continue, unabated, in full force and effect and the Company hereby reaffirms its obligations and liabilities under the Note Purchase Agreement.

10. This Fifth Supplement 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 permit the application of the laws of a jurisdiction other than such State.

11. Any provision of this Fifth Supplement 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 full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

-9-

12. All covenants and other agreements contained in this Fifth Supplement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

13. This Fifth Supplement 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.

14. By its execution hereof, Companion Life Insurance Company, in its capacity as a holder of Existing TWP Notes, consents to the amendment to Section 10.3 of the Note Purchase Agreement which was made pursuant to the Third Amendment to Note Purchase Agreement dated as of November 9, 2017.

The execution hereof shall constitute a contract between the Company and the Purchasers for the uses and purposes hereinabove set forth.

# PNG COMPANIES LLC

By /s/ Preston Poljak

 Name:
 Preston Poljak

 Title:
 Senior Vice President and Chief Financial

 Officer

#### UNITED OF OMAHA LIFE INSURANCE COMPANY

By: <u>/s/ Justin P. Kavan</u> Name: Justin P. Kavan Title: Senior Vice President

# MUTUAL OF OMAHA INSURANCE COMPANY

By: <u>/s/ Justin P. Kavan</u> Name: Justin P. Kavan Title: Senior Vice President

# **COMPANION LIFE INSURANCE COMPANY**

By: /s/ Justin P. Kavan Name: Justin P. Kavan Title: An Authorized Signer

# MODERN WOODMEN OF AMERICA

By: /s/ Douglas A. Pannier Name: Douglas A. Pannier Title: Group Head – Private Placements

By: /s/ Christopher M. Cramer Name: Christopher M. Cramer Title: Manager – Fixed Income

# THRIVENT FINANCIAL FOR LUTHERANS

By: <u>/s/ Christopher Patton</u> Name: Christopher Patton

Title: Managing Director

# **PURCHASER SCHEDULES**

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Purchaser Schedule -1-

# Schedule 5.4

# Subsidiaries

		Subsidia	ries	
Name	Jurisdiction	Percentage Owned by the Company		Directors and Senior Officers
Peoples Natural Gas Company	Pennsylvania	100%	Directo	<u>rs</u> :
LLC			1.	Morgan O'Brien
			2.	Christopher Kinney
			3.	Dennis Mahoney
			4.	John McGuire
			5.	James Mahoney
			6.	Victor Roque
			Senior (	Officers:
			1.	Morgan O'Brien, President and Chief Executive Officer
			2.	Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Officer
			3.	Joseph A. Gregorini, Senior Vice President & Chief Operating Officer
			4.	Preston D. Poljak, Senior Vice President and Chief Financial Officer
			5.	Paul Becker, Vice President, Construction
			6.	Edward Palumbo, Vice President, Reliability
		S-5.4-	1	

Name	Jurisdiction	Percentage Owned by the Company		Directors and Senior Officers
			7.	Judi Stemmler, Vice President, Human Resources
			8.	Lynda Petrichevich, Vice President Rates & Regulatory Affairs
			9.	Thomas Butler, Vice President, Strategic Planning
			10.	Luke Ravenstahl, Vice President, Business Development
Peoples Gas KY LLC	Kentucky	100%	<u>Senior (</u>	Officers:
			1.	Morgan O'Brien, President and Chief Executive Officer
			2.	Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Officer
			3.	Joseph A. Gregorini, Senior Vice President & Chief Operating Officer
			4.	Preston D. Poljak, Senior Vice President and Chief Financial Officer
			5.	Paul Becker, Vice President, Construction
		S-5.4-2	2	

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
			6. Edward Palumbo, Vice President, Reliability
			7. Judi Stemmler, Vice President, Human Resources
			8. Lynda Petrichevich, Vice President Rates & Regulatory Affairs
			9. Thomas Butler, Vice President, Strategic Planning
			10. Luke Ravenstahl, Vice President, Business Development
Peoples Gas WV LLC	West Virginia	100%	Senior Officers:
			1. Morgan O'Brien, President and Chief Executive Officer
			2. Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Officer
			3. Joseph A. Gregorini, Senior Vice President & Chief Operating Officer
			4. Preston D. Poljak, Senior Vice President and Chief Financial Officer

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
			5. Paul Becker, Vice President, Construction
			6. Edward Palumbo, Vice President, Reliability
			7. Judi Stemmler, Vice President, Human Resources
			8. Lynda Petrichevich, Vice President Rates & Regulatory Affairs
			9. Thomas Butler, Vice President, Strategic Planning
			10. Luke Ravenstahl, Vice President, Business Development
PNG Gathering LLC	Delaware	100%	Senior Officers:
			1. Morgan O'Brien, President and Chief Executive Officer
			2. Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Officer
			3. Joseph A. Gregorini, Senior Vice President & Chief Operating Officer

4. Preston D. Poljak, Senior Vice President and Chief Financial Officer

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
			5. Paul Becker, Vice President, Construction
			6. Edward Palumbo, Vice President, Reliability
			7. Judi Stemmler, Vice President, Human Resources
			8. Lynda Petrichevich, Vice President Rates & Regulatory Affairs
			9. Thomas Butler, Vice President, Strategic Planning
			10. Luke Ravenstahl, Vice President, Business Development
Peoples Homeworks LLC	Delaware	100%	Senior Officers:
			1. Morgan O'Brien, President and Chief Executive Officer
			2. Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Officer

3. Joseph A. Gregorini, Senior Vice President & Chief Operating Officer

Name	Jurisdiction	Percentage Owned by the Company	Directors and Senior Officers
			4. Preston D. Poljak, Senior Vice President and Chief Financial Officer
			5. Paul Becker, Vice President, Construction
			6. Edward Palumbo, Vice President, Reliability
			7. Judi Stemmler, Vice President, Human Resources
			8. Lynda Petrichevich, Vice President Rates & Regulatory Affairs
			9. Thomas Butler, Vice President, Strategic Planning
			10. Luke Ravenstahl, Vice President, Business Development
Delta Natural Gas Company, Inc.	Kentucky	100%	Directors:
			1. John McGuire
			2. Morgan O'Brien
			3. Preston D. Poljak
			4. Joseph A. Gregorini
			5. Ruth A. DeLost-Wylie
			6. Rodney Short
			7. Glenn Jennings

Name	Jurisdiction	Percentage Owned by the Company		Directors and Senior Officers
			Senior (	Officers:
			1.	Glen Jennings, Chief Executive Officer
			2.	John Brown, President, Treasurer, and Secretary
			3.	Preston D. Poljak, Chief Financial Officer
			4.	Johnny Caudill, Vice President
			5.	Brian Ramsey, Vice President
			6.	Matt Wesolosky, Vice President
Delgasco, LLC	Kentucky	100%	Senior (	Officers:
			1.	Glen Jennings, Chief Executive Officer
			2.	John Brown, President, Treasurer, and Secretary
			3.	Preston Poljak, Chief Financial Officer
			4.	Johnny Caudill, Vice President
			5.	Brian Ramsey, Vice President
			6.	Matt Wesolosky, Vice President
		S-5.4-'	7	

Name	Jurisdiction	Percentage Owned by the Company	y Directors and Senior Officers
Delta Resources, LLC	Kentucky	100%	Senior Officers:
			1. Glen Jennings, Chief Executive Officer
			2. John Brown, President, Treasurer, and Secretary
			3. Preston Poljak, Chief Financial Officer
			4. Johnny Caudill, Vice President
			5. Brian Ramsey, Vice President
			6. Matt Wesolosky, Vice President
Enpro, LLC	Kentucky	100%	Senior Officers:
			1. Glen Jennings, Chief Executive Officer
			2. John Brown, President, Treasurer, and Secretary
			3. Preston Poljak, Chief Financial Officer
			4. Johnny Caudill, Vice President
			5. Brian Ramsey, Vice President
			6. Matt Wesolosky, Vice President
Peoples Gas Company LLC	Pennsylvania	100%	Directors:
(f/k/a Peoples TWP LLC)			1. Christopher P. Kinney
			2. Morgan K. O'Brien
			3. Dennis T. Mahoney, Jr.
			4. Daniel A. Onorato
			5. John McGuire

S-5.4-8

Name	Jurisdiction	Percentage Owned by the Company		Directors and Senior Officers
			Senior C	) <u>fficers</u> :
			1.	Morgan O'Brien, President and Chief Executive Officer
			2.	Ruth A. DeLost-Wylie, Senior Vice President and Chief Administrative Officer
			3.	Joseph A. Gregorini, Senior Vice President & Chief Operating Officer
			4.	Preston D. Poljak, Senior Vice President and Chief Financial Officer
			5.	Paul Becker, Vice President, Construction
			6.	Edward Palumbo, Vice President, Reliability
			7.	Judi Stemmler, Vice President, Human Resources
			8.	Lynda Petrichevich, Vice President Rates & Regulatory Affairs
			9.	Thomas Butler, Vice President, Strategic Planning
			10.	Luke Ravenstahl, Vice President, Business Development
		S-5.4-9		

## Schedule 5.5

#### **Financial Statements**

- 1. Audited financial statements of the Company for the fiscal years ended (i) December 31, 2015 and (ii) December 31, 2016.
- 2. Unaudited financial statement of the Company for the quarter ended September 30, 2017.

#### Schedule 5.15

#### Indebtedness

- 1. The Company is obligated to make certain loan principal and interest payments pursuant to the Second Amended and Restated Credit Agreement, dated as of June 8, 2017, among the Company, the several banks and financial institutions parties thereto, PNC Bank, National Association, MUFG Union Bank, N.A. and Wells Fargo Bank, National Association, as syndication agents, JPMorgan Chase Bank, N.A., PNC Capital Markets LLC, MUFG and Wells Fargo Securities, LLC, as joint lead arrangers and joint bookrunners and JPMorgan Chase Bank, N.A., as administrative agent, as amended by that certain Incremental Revolving Amendment Agreement and First Amendment, dated as of the date hereof, among the Borrower, the Incremental Lenders (as therein defined) and JPMorgan Chase Bank, N.A., as administrative agent.
  - a. Principal Amount Outstanding: \$217,000,000
  - <u>Collateral</u>: All collateral described in that certain Amended and Restated Security and Pledge Agreement, dated as of February 26, 2010 by and between the Company and JPMorgan Chase Bank, N.A., as successor collateral agent, as amended by Amendment No. 1, dated as of August 10, 2011.
  - c. Letters of Credit Outstanding: Those certain letters of credit listed on Appendix A.
- 2. Note Purchase Agreement, dated as of February 26, 2010, between the Company and the Purchasers, as amended by Amendment No. 1, dated August 10, 2011, Amendment No. 2, dated August 23, 2013 and Amendment No. 3 dated November 9, 2017, as supplemented by that certain First Supplement dated as of December 12, 2013, that certain Second Supplement dated as of July 14, 2017, that certain Third Supplement dated as of September 20, 2017, that certain Fourth Supplement dated as of November 9, 2017, and that certain Fifth Supplement dated as of the date hereof and the outstanding notes issued thereunder.
  - a. Principal Amount Outstanding: \$1,114,681,833
  - <u>Collateral</u>: All collateral described in that certain Amended and Restated Security and Pledge Agreement, dated as of February 26, 2010 by and between the Company and JPMorgan Chase Bank, N.A., as successor collateral agent, as amended by Amendment No. 1, dated as of August 10, 2011.
- 3. The Company has certain obligations with respect to (i) that certain Commercial Surety General Indemnity Agreement, dated as of August 3, 2011, between the Company, as Principal, and RLI Insurance Company, as Surety, and (ii) the surety bonds listed on Appendix B.
  - a. <u>Principal Amount Outstanding: N/A</u>
  - b. <u>Collateral</u>: None.
- 4. TWP has certain obligations with respect to (i) that certain Commercial Surety General Indemnity Agreement, dated as of May 10, 2012, between Peoples TWP LLC (n/k/a Peoples Gas Company LLC) and TWP Pipeline LLC, as Principal, and RLI Insurance Company, as Surety, and (ii) the surety bonds listed on Appendix C.
  - a. <u>Principal Amount Outstanding: N/A</u>
  - b. <u>Collateral</u>: None.

## <u>Appendix A</u>

LOC				Issue	Expiration		Auto-	Cancellation
number	Obligor	Issuer	Beneficiary	Date	Date	Amount	renewal?	Notice
CPCS-946065	PNG Companies	JPMorganChase	Zurich American Insurance Company	8/10/2011	8/10/2018	\$ 1,545,020.00	Yes - 1 year	30 days
CPCS-381130	PNG Companies	JPMorganChase	Zurich American Insurance Company	10/23/2012	10/19/2017	\$ 191,242.00	Yes - 1 year	30 days
CPCS-770103	PNG Companies	JPMorganChase	Liberty Mutual Insurance Company	9/29/2017	9/29/2018	\$ 448,000.00	Yes - 1 year	30 days
CPCS-827524	PNG Companies	JPMorganChase	Brickstreet Mutual Insurance Company	1/15/2014	1/10/2018	\$ 1,402,200.00	Yes - 1 year	90 days

LOC					Expiration	
Number	Obligor	Issuer	Beneficiary	Issue Date	Date	Amount
18128628	PNG Companies	PNC Bank, National Association	Zurich American	9/29/2017	9/29/2018	\$ 125,000.00 <sup>1</sup>
18128630	PNG Companies	PNC Bank, National Association	Liberty Mutual	9/29/2017	9/29/2018	\$ 92,000.002
18128631	PNG Companies	PNC Bank, National Association	Brickstreet Mutual	9/29/2017	9/29/2018	\$ 323,000.00
18129149	PNG Companies	PNC Bank, National Association	Bureau of Workers Compensation	12/11/2017	12/11/2018	\$ 600,000.00

Zurich Letter of Credit originally issued in amount of \$399,000. Beneficiary requested reduction to \$125,000. Liberty Mutual Letter of Credit originally issued in amount of \$62,000. Beneficiary requested increase to \$92,000. 1 2

## <u>Appendix B</u>

## Peoples Natural Gas Company LLC

## As of 12/20/2017

Bond No.	Entity	Bond Amount	Туре	Obligee
1ST QUARTER				
CMS261748	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Westmont Borough, PA
CMS261747	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Parks Township, PA
CMS0279447	Peoples Natural Gas Company LLC	\$ 5,000.00	Street Opening Bond	Borough of Baldwin
CMS0279448	Peoples Natural Gas Company LLC	\$ 20,000.00	Road Opening Permit	North Huntingdon Township
CMS0279449	Peoples Natural Gas Company LLC	\$ 50,000.00	Street Opening Bond	City of Lower Burrell, PA
CMS0279450	Peoples Natural Gas Company LLC	\$ 25,000.00	Road Opening Bond	Town of McCandless
CMS0279451	Peoples Natural Gas Company LLC	\$ 2,000.00	Street Opening Bond	Borough of Bridgeville, PA
CMS0279452	Peoples Natural Gas Company LLC	\$ 5,000.00	Street Opening Bond	Borough of Ben Avon, PA
CMS0279454	Peoples Natural Gas Company LLC	\$ 10,000.00	Street Opening Bond	Collier Township, PA
CMS261749	Peoples Natural Gas Company LLC	\$ 1,000.00	License Or Permit Bond	Township of Harrison, PA
CMS261751	Peoples Natural Gas Company LLC	\$ 35,000.00	Street Opening Bond	Borough of Wilkinsburg, PA
CMS0268598	Peoples Gas WV LLC	\$ 75,000.00	License Or Permit Bond	State of West Virginia
CMS261750	Peoples Natural Gas Company LLC	\$ 10,000.00	Street Opening Bond	Richland Township, PA
CMS0268601	Peoples Natural Gas Company LLC	\$ 1,000.00	Street Opening Bond	Borough of McKeesport, PA

CMS261754	Peoples Natural Gas Company LLC	\$ 10,000.00	Performance Bond	Ross Township, PA
CMS261753	Peoples Natural Gas Company LLC	\$100,000.00	Gas Storage Lease Bond	Commonwealth of Pennsylvania
CMS261759	Peoples Natural Gas Company LLC	\$ 3,000.00	License Or Permit Bond	City of Aliquippa, PA
CMS261771	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	City of New Kensington, PA
CMS261760	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Borough of Wilkinsburg, PA
CMS261761	Peoples Natural Gas Company LLC	\$ 2,000.00	License Or Permit Bond	Township of Shaler, PA
CMS261762	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Borough of Fox Chapel, PA
CMS261763	Peoples Natural Gas Company LLC	\$ 2,500.00	License Or Permit Bond	Township of Penn, PA
CMS261764	Peoples Natural Gas Company LLC	\$ 2,500.00	License Or Permit Bond	The Borough of Irwin, PA
CMS261765	Peoples Natural Gas Company LLC	\$ 1,000.00	License Or Permit Bond	The Borough of Edgewood, PA
CMS261766	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	City of Lower Burrell, PA
CMS261767	Peoples Natural Gas Company LLC	\$ 25,000.00	License Or Permit Bond	Township of Hampton, PA
CMS261770	Peoples Natural Gas Company LLC	\$ 10,000.00	License Or Permit Bond	Evans City Borough, PA
CMS261768	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Township of Moon, PA
CMS261769	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Township of Wilkins, PA
CMS0283536	Peoples Natural Gas Company LLC	\$ 3,000.00	Street Opening Bond	Municipality of Murrysville, PA
CMS0283542	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-049-00435
CMS0283543	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-049-00439
CMS0323686	Peoples Natural Gas Company LLC	\$ 22,550.00	Restoration Permit	Borough of Geistown
CMS0323688	Peoples Natural Gas Company LLC	\$ 75,000.00	Blanket Bond	Avonmore Borough
CMS0323687	Peoples Natural Gas Company LLC	\$ 75,000.00	Permit Bond	North Irwin Borough
		\$635,550.00		

2ND QUARTER				
CMS261778	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Municipality of Monroeville, PA
CMS261779	Peoples Natural Gas Company LLC	\$10,000.00	Performance Bond	Commonwealth of PA, DOT
CMS261786	Peoples Natural Gas Company LLC	\$40,000.00	License Or Permit Bond	Borough of Edgewood
CMS261781	Peoples Natural Gas Company LLC	\$25,000.00	License Or Permit Bond	Washington Township, PA
CMS261782	Peoples Natural Gas Company LLC	\$25,000.00	License Or Permit Bond	Borough of Manor, PA
CMS261783	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Boro of Ford Cliff, PA
CMS261789	Peoples Natural Gas Company LLC	\$12,500.00	Road Opening Bond	The Borough of Plum, PA
CMS0268616	Peoples Natural Gas Company LLC	\$ 3,000.00	Streep Opening Bond	The Borough of East Pittsburgh, PA
CMS261788	Peoples Natural Gas Company LLC	\$50,000.00	License Or Permit Bond	Hempfield Township, PA
CMS261790	Peoples Natural Gas Company LLC	\$25,000.00	License Or Permit Bond	Township of McCandless, PA
CMS0264997	Peoples Natural Gas Company LLC	\$ 5,000.00	Streep Opening Bond	Borough of Fox Chapel
CMS261791	Peoples Natural Gas Company LLC	\$75,000.00	License Or Permit Bond	City of Pittsburgh, PA
CMS0268619	Peoples Natural Gas Company LLC	\$10,000.00	License Or Permit Bond	Borough of Oakmont, PA
CMS261792	Peoples Natural Gas Company LLC	\$10,000.00	Performance Bond	Commonwealth of PA, DOT

CMS0283539	Peoples Natural Gas Company LLC	\$ 5,000.00	Streep Opening Bond	Borough of Bradford Woods
CMS0283538	Peoples Natural Gas Company LLC	\$ 10,000.00	Streep Opening Bond	Borough of Versailles
CMS0283555	Peoples Natural Gas Company LLC	\$ 50,000.00	Streep Opening Bond	City of Grafton WV
CMS0283549	Peoples Natural Gas Company LLC	\$ 25,000.00	Road Opening Bond	Borough of Ben Avon Heights
CMS0283556	Peoples Natural Gas Company LLC	\$ 10,000.00	Permit Bond	Borough of Braddock Hills
CMS0283557	Peoples Natural Gas Company LLC	\$ 35,000.00	Streep Opening Bond	Borough of Crafton
CMS0283558	Peoples Natural Gas Company LLC	\$ 25,000.00	Road Opening Bond	Borough of East Pittsburgh
CMS0283566	Peoples Natural Gas Company LLC	\$ 20,000.00	Streep Opening Bond	Borough of New Stanton
CMS0283550	Peoples Natural Gas Company LLC	\$ 5,000.00	Streep Opening Bond	Borough of Homestead
CMS0283554	Peoples Natural Gas Company LLC	\$ 10,000.00	Road Opening Bond	Township of Washington
CMS0283567	Peoples Natural Gas Company LLC	\$ 2,500.00	Fuel Tax Bond	Pennsylvania Dept of Revenue
CMS02869661	Peoples Natural Gas Company LLC	\$ 2,500.00	Alt Fuel Tax Bond	Pennsylvania Dept of Revenue
CMS0289672	Peoples Gas WV LLC	\$ 75,000.00	District 7 Maintenance	State of West Virginia
CMS0289671	Peoples Gas WV LLC	\$ 75,000.00	District 6 Maintenance	State of West Virginia
CMS0323712	Peoples Natural Gas Company LLC	\$ 15,625.00	Excess Maintenance Agreement	Findlay Township

\$666,125.00

E

3RD QUARTER		<i>•</i>	10.000.00		
CMS0264954	Peoples Natural Gas Company LLC	\$	10,000.00	Road Use Bond	Township of North Fayette, PA
CMS241837	Peoples Natural Gas Company LLC	\$3	3,500,000.00	Workers' Compensation Bond	Commonwealth of PA, Dept of Labor
CMS0264955	Peoples Natural Gas Company LLC	\$	5,000.00	Performance Bond	Borough of Zelienople, PA
CMS0264956	Peoples Natural Gas Company LLC	\$	5,000.00	License Or Permit Bond	Swissvale Borough, PA
CMS261717	Peoples Natural Gas Company LLC	\$	20,000.00	License Or Permit Bond	Municipality of Penn Hills, PA
CMS261706	Peoples Natural Gas Company LLC	\$	50,000.00	License Or Permit Bond	South Park Township, PA
CMS261707	Peoples Natural Gas Company LLC	\$	2,000.00	License Or Permit Bond	South Park Township, PA
CMS261708	Peoples Natural Gas Company LLC	\$	10,000.00	License Or Permit Bond	Ohioville Township, PA
CMS261710	Peoples Natural Gas Company LLC	\$	500,000.00	Highway Restoration and Maintenance Bond	Commonwealth of PA, DOT
CMS0268621	Peoples Natural Gas Company LLC	\$	2,000.00	Permit Bond (Street Opening)	Elizabeth Township
CMS0279425	Peoples Natural Gas Company LLC	\$	25,000.00	Permit Bond (Street Opening)	Borough of Canonsburg
CMS0279426	Peoples Natural Gas Company LLC	\$	2,000.00	Street Openings Bond	Municipality of Mt. Lebanon
CMS0279427	Peoples Natural Gas Company LLC	\$	10,000.00	Street Openings Bond	Borough of Sharpsburg
CMS0279428	Peoples Natural Gas Company LLC	\$	15,000.00	Street Openings Bond	Swickly Hills Borough
CMS0279429	Peoples Natural Gas Company LLC	\$	20,000.00	Street Openings Bond	Borough of Carnegie
CMS0279430	Peoples Natural Gas Company LLC	\$	10,000.00	Road Opening Permit	Borough of Port Vue
CMS0279431	Peoples Natural Gas Company LLC	\$	10,000.00	Street Openings Bond	Borough of Tarentum
CMS0279432	Peoples Natural Gas Company LLC	\$	5,000.00	Street Openings Bond	City of Fairmont
CMS0279433	Peoples Natural Gas Company LLC	\$	5,000.00	Street Openings Bond	Franklin Township
CMS0279434	Peoples Natural Gas Company LLC	\$	100,000.00	Street Obstruction Bond	Township of Robinson

CMS0279435	Peoples Natural Gas Company LLC	\$	3,000.00	Street Obstruction Bond	Stowe Township
CMS0279436	Peoples Natural Gas Company LLC	\$	10,000.00	Street Openings Bond	Borough of Rosslyn
CMS0279437	Peoples Natural Gas Company LLC	\$	2,000.00	Street Openings Bond	Borough of Whitaker
CMS0285591	Peoples Natural Gas Company LLC	\$	15,375.00	Road Bond	Jefferson Township
CMS0285580	Peoples Natural Gas Company LLC	\$	100,000.00	Street Opening Bond	Borough of Bellevue
CMS0283551	Peoples Natural Gas Company LLC	\$	10,000.00	Street Opening Bond	Township of Kilbuck
CMS285581	Peoples Natural Gas Company LLC	\$	5,000.00	License Bond for Registration and Gas Lince Excavation	South Park Township
CMS0285582	Peoples Natural Gas Company LLC	\$	50,000.00	Street Opening Bond	Borough of Greentree
CMS0285583	Peoples Natural Gas Company LLC	\$	5,000.00	Street Opening Bond	City of New Kensington
CMS0285584	Peoples Natural Gas Company LLC	\$	10,000.00	Street Opening Bond	Borough of Trafford
CMS0285585	Peoples Natural Gas Company LLC	\$	5,000.00	Street Opening Bond	Borough of Etna
CMS0285587	Peoples Natural Gas Company LLC	\$	5,000.00	Street Opening Bond	Borough of Springdale
CMS0285586	Peoples Natural Gas Company LLC	\$	25,000.00	Street Opening Bond	Borough of Pleasant Hills
CMS0289688	Peoples Natural Gas Company LLC	\$	35,000.00	Performance Bond	Peters Township
CMS0289689	Peoples Natural Gas Company LLC	\$	5,000.00	Permit Bond (Street Opening)	North Apollo Borough
CMS0289692	Peoples Natural Gas Company LLC	\$	74,900.00	Permit Bond (Street Opening)	Center Township
CMS0327203	Peoples Natural Gas Company LLC	\$	12,500.00	Permit Bond	Jackson Township
CMS0327207	Peoples Natural Gas Company LLC	\$	15,000.00	Road Bond	Borough of McKees Rocks
		\$4	4,693,775.00		

4TH QUARTER				
CMS261723	Peoples Natural Gas Company LLC	\$50,000.00	Road Bond	Vandergrift Borough
CMS0264976	Peoples Natural Gas Company LLC	\$10,000.00	License Or Permit Bond	Harmar Township
CMS0279422	Peoples Natural Gas Company LLC	\$ 6,000.00	License Or Permit Bond	Carroll Township
CMS0279455	Peoples Natural Gas Company LLC	\$10,000.00	License Or Permit Bond	Borough of Brackenridge
CMS0279456	Peoples Natural Gas Company LLC	\$ 5,000.00	License Or Permit Bond	Borough of Munhall
CMS0279457	Peoples Natural Gas Company LLC	\$10,000.00	License Or Permit Bond	Municipality of Monroeville
CMS261725	Peoples Natural Gas Company LLC	\$25,000.00	License Or Permit Bond	Forest Hills Borough, PA
CMS261724	Peoples Natural Gas Company LLC	\$10,000.00	License Or Permit Bond	Borough of North Belle Vernon, PA
CMS261744	Peoples Natural Gas Company LLC	\$ 1,500.00	Street Opening Bond	Hopewell Township, PA
CMS261741	Peoples Natural Gas Company LLC	\$50,000.00	License Or Permit Bond	Ford City Borough, PA
CMS261740	Peoples Natural Gas Company LLC	\$10,000.00	Performance Bond	Rostraver Township, PA
CMS0279445	Peoples Natural Gas Company LLC	\$ 1,250.00	Road Restoration Bond	North Fayette Township
CMS0283541	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-033-01669
CMS0283544	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-049-00444
CMS0283545	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-049-00445
CMS0283546	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-049-00632
CMS0283547	Peoples Gas WV LLC	\$ 5,000.00	Oil & Gas Bond for Well	Well #47-061-00429

CMS0285606	Peoples Natural Gas Company LLC	\$	50,000.00	Performance Bond	PennDot
CMS261742	Peoples Natural Gas Company LLC	\$	50,000.00	Road Opening Permit Bond	City of Greensburg, PA
CMS0323680	Peoples Natural Gas Company LLC	\$	50,000.00	Condemnation Bond	Commonwealth of PA
CMS0323679	Peoples Natural Gas Company LLC	\$	4,000.00	Road Maitenance	Harmar Township
		\$	367,750.00		
	Grand Total	\$6,	363,200.00		

# <u>Appendix C</u>

## **Peoples Gas Company LLC**

## As of 12/20/2017

Bond No.	Entity	Bond Amount	Туре	Obligee	
1ST QUARTER					
CMS0268602	Peoples Gas Company LLC	\$500,000.00	Highway Resoration and Maintenance Bond	Commonwealth of PA, DOT	
CMS0289651	Peoples Gas Company LLC	\$ 50,000.00	Weight Restricted HWY Program	Commonwealth of PA, DOT	
CMS0264985	Peoples Gas Company LLC	\$ 1,000.00	Condemnation Bond	Kovalchick Salvage Company	
CMS0264986	Peoples Gas Company LLC	\$ 1,000.00	Condemnation Bond	Musser Forests, Inc.	
CMS0283537	Peoples Gas Company LLC	\$ 3,000.00	Street Opening Bond	Municipality of Murrysville	
CMS0323685	Peoples Gas Company LLC	\$ 70,000.00	Road Bond	Unity Township	
CMS0323693	Peoples Gas Company LLC	\$ 1,900.00	Road Bond	Center Township	
		\$626,900.00			
2ND QUARTER					
CMS0264989	Peoples Gas Company LLC	\$ 25,000.00	Blanket Gas Wells Bond (Oil & Gas Bond)	PA Dept of Environmental Resources	
CMS0264988	Peoples Gas Company LLC	\$ 60,000.00	Condemnation Bond	Donald & Nancy Smeal	
CMS0264987	Peoples Gas Company LLC	\$ 10,000.00	Condemnation Bond	Harry Salvatore	
CMS261797	Peoples Gas Company LLC	\$ 10,000.00	License or Permit Bond	Harmar Township	
CMS0264992	Peoples Gas Company LLC	\$ 10,000.00	License or Permit Bond	Commonwealth of PA (PENNDOT)	
CMS0289675	Peoples Gas Company LLC	\$ 36,000.00	Road Bond	Tunnel Hill Borough	
CMS02896730	Peoples Gas Company LLC	\$138,000.00	Road Bond	Gallitzin Borough	

CMS0289674	Peoples Gas Company LLC	\$ 3,000.00	Road Bond	Gallitzin Township	
CMS0289677	Peoples Gas Company LLC	\$ 10,000.00	Road Bond	East Deer Township	
CMS0289669	Peoples Gas Company LLC	\$ 85,000.00	Road Bond	Penn Township	
CMS0323702	Peoples Gas Company LLC	\$ 5,000.00	Road Bond	Harrison Township	
CMS0323701	Peoples Gas Company LLC	\$ 1,000.00	Permit Bond	City of New Kensington	
		\$ 393,000.00			
<b>3RD QUARTER</b>					
CMS0264991	Peoples Gas Company LLC	\$ 15,000.00	License or Permit Bond	Township of Harrison	
CMS261795	Peoples Gas Company LLC	\$ 5,000.00	Special Hauling Permit	PennDOT	
CMS0264965	Peoples Gas Company LLC	\$ 10,000.00	License Bond	Dept of Conservation and Natural Resources	
CMS0279458	Peoples Gas Company LLC	\$ 1,500.00	License or Permit Bond	Upper Burrell Township	
CMS0289693	Peoples Gas Company LLC	\$ 50,000.00	Condemnation Bond	Eminent Domain	
CMS0289690	Peoples Gas Company LLC	\$ 13,200.00	Road Bond	Township of Indianna	
		\$ 94,700.00			
4TH QUARTER					
CMS0264972	Peoples Gas Company LLC	\$ 20,000.00	Condemnation Bond	Labriola & BLX, Inc.	
CMS0264973	Peoples Gas Company LLC	\$ 5,000.00	Condemnation Bond	Jonathan E. Moon	
CMS0264974	Peoples Gas Company LLC	\$ 10,000.00	Condemnation bond	Donna & Harold Schrecengost	
CMS0264971	Peoples Gas Company LLC	\$ 10,000.00	Condemnation Bond	Ross & Helen Bricklemyer	
CMS0285601	Peoples Gas Company LLC	\$ 17,500.00	Road Bond	Gallitzin Borough	
CMS0323676	Peoples Gas Company LLC	\$ 212,500.00	Road Bond	Nanty Glo Borough	
CMS0323678	Peoples Gas Company LLC	\$ 10,660.00	Road Bond	Blacklick / Cambria County	
		\$ 285,660.00			

**Grand Total** 

\$1,400,260.00

#### SUPPLEMENTAL REPRESENTATIONS

The Company represents and warrants to each Purchaser that, except as hereinafter deemed modified or substituted and replaced pursuant to this Exhibit A, each of the representations and warranties set forth in Section 5 of the Note Purchase Agreement is true and correct as of the Closing Date. For purposes of the representation and warranty set forth above, (a) each reference to "Series 2010-A Notes" set forth in Section 5 of the Note Purchase Agreement shall be deemed modified to refer to "Series 2017-D Notes," each reference to "this Agreement" set forth in Section 5 of the Note Purchase Agreement shall be deemed modified to refer to "the Note Purchase Agreement as supplemented by the Fifth Supplement" and each reference to "the Purchasers" set forth in Section 5 of the Note Purchase Agreement shall be deemed modified to refer to "Schedule 5.4" in Sections 5.4(b), 5.4(c) and 5.4(d) of the Note Purchase Agreement are hereby substituted and replaced by the following:

*Section 5.3 Disclosure*. This Agreement and the documents, certificates or other writings delivered to the Purchasers and the financial statements listed in Schedule 5.5 to the Fifth Supplement, delivered to the Purchasers by or on behalf of the Company (this Agreement, and such documents, certificates or other writings, the Fifth Supplement and such financial statements delivered to each Purchaser prior to September 19, 2017 being referred to, collectively, as 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. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Company to be reasonable at the time made, it being recognized by the holders of Notes that such financial information may differ from the projected results set forth therein by a material amount. Except as disclosed in the Disclosure Documents, since December 31, 2016, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect.

*Section 5.4 Organization and Ownership of Shares of Subsidiaries.* (a) Schedule 5.4 to the Fifth Supplement contains (except as noted therein) complete and correct lists (1) of 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 outstanding owned by the Company and each other Subsidiary and (2) of Company's directors and senior officers.

EXHIBIT A (to Fifth Supplement to Note Purchase Agreement) Section 5.5 Financial Statements; Material Liabilities. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5 to the Fifth Supplement. All of said financial statements (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 in such Schedule 5.5 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.

#### Section 5.12 Compliance with ERISA.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multi-employer Plans), determined as of the end of such Plan's most recently ended plan year in such Plan's most recent actuarial valuation report on the basis of the actuarial assumptions specified for funding purposes in such report, did not exceed the aggregate value of the assets of such Plan as reflected in such Plan's most recent actuarial valuation report allocable to such benefit liabilities as reflected in such Plan's most recent actuarial valuation report by more than \$50,000,000 in the aggregate for all Plans. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms "current value" and "present value" have the meanings specified in Section 3 of ERISA.

Section 5.13 Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Series 2017-D 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 the Purchasers. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the Note Exchange 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.

Section 5.14 Use of Proceeds; Margin Regulations. No part of the proceeds from the Note Exchange hereunder 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 25% 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 25% 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.

E-A-2

#### Section 5.15 Existing Debt; Future Liens.

(a) Except as described therein, Schedule 5.15 to the Fifth Supplement sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries immediately after giving effect to the TWP Reorganization and the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith (including a description of the obligors and obligees, principal amount outstanding and collateral therefor, if any, and Guarantee Obligations relating thereto, if any). 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 such 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 to the Fifth Supplement, 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 10.4.

Section 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, or the ICC Termination Act of 1995, as amended. Neither the Company nor any Subsidiary (including TWP) is subject to regulation under federal or state law as a public utility except that (i) Peoples and TWP are subject to regulation as a public utility under Pennsylvania law and by the Pennsylvania Public Service Commission, (ii) Peoples KY LLC, a Kentucky limited liability company, and Delta are subject to regulation by the Kentucky Public Service Commission and (iii) Peoples WV LLC, a West Virginia limited liability company, is subject to regulation by the Public Service Commission and (iii) Peoples WV LLC, a West Virginia limited liability company, is subject to regulation by the Public Service Commission and (iii) Peoples and TWP are subject and Peoples have complied and are in compliance with (a) all applicable state utility laws, regulations and orders and (b) any other federal or state laws, regulations and orders applicable to it as a public utility or gas utility, except in each case for instances of noncompliance that, individually and in the aggregate, have not had, and could not reasonably be expected to have, a Material Adverse Effect.

*Section 5.21 Solvency*. The Company is, and after giving effect to the TWP Reorganization and the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith will be and will continue to be, Solvent.

E-A-3

#### FORM OF SERIES 2017-D TRANCHE 1 NOTE

#### PNG COMPANIES LLC

4.50% Series 2017-D Senior Secured Notes, Tranche 1, due November 17, 2021

No. R2017-D-1-\_\_\_\_\_\$

December 20, 2017 PPN 73020\* AM5

FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (herein called the "*Company*"), hereby promises to pay to \_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_ DOLLARS (or so much thereof as shall not have been prepaid) on November 17, 2021, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 4.50% per annum from the date hereof, payable semiannually, on the 17th of May and November in each year, commencing with the May 17 or November 17 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 (1) 6.50% or (2) 2.00% 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices 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 the Series 2017-D Senior Secured Notes, Tranche 1, due November 17, 2021 (herein called the "*Notes*") issued pursuant to the Fifth Supplement dated as of December 20, 2017 (the "*Supplement*") which supplements that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011, that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013, that certain First Supplement to the Note Purchase Agreement dated as of December 12, 2013, that certain Third Amendment to Note Purchase Agreement dated as of November 9, 2017 and as from time to time further amended, supplemented or otherwise modified, the "*Note Purchase Agreement*"), originally between the Company and the respective Purchasers named therein and is entitled to the benefits of the Note Purchase Agreement. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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.

EXHIBIT 1(a) (to Fifth Supplement to 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 Supplement and/or 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 is given in exchange for, and not as payment of, the Peoples Gas Company LLC's 4.50% Senior Note, Series A, due November 17, 2021, No. [\_\_], made by Peoples Gas Company LLC in favor of [\_\_\_\_\_] (the "Existing Note") pursuant to the Amended and Restated Note Purchase Agreement, dated as of June 20, 2013, between the Peoples Gas Company LLC (f/k/a Peoples TWP LLC) and each institution party thereto, as amended by the First Amendment to Amended and Restated Note Purchase Agreement dated as of September 19, 2017. All accrued and unpaid interest on the Existing Note at the interest rate set forth therein for periods prior to the date hereof shall remain outstanding and be payable to the holder of the Note on the first interest payment date hereunder following the date hereof.

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.

PNG COMPANIES LLC

y

Name: \_\_\_\_\_\_ Title:

E-1(a)-2

#### FORM OF SERIES 2017-D TRANCHE 2 NOTE

#### PNG COMPANIES LLC

6.42% Series 2017-D Senior Secured Notes, Tranche 2, due December 28, 2022

No. R2017-D-2-\_\_\_\_\_\$

December 20, 2017 PPN 73020\* AN3

FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (herein called the "*Company*"), hereby promises to pay to \_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_ DOLLARS (or so much thereof as shall not have been prepaid) on December 28, 2022, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 6.42% per annum from the date hereof, payable quarterly, on the 28th day of March, June, September and December in each year, commencing with the March 28, June 28, September 28 or December 28 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 (1) 8.42% or (2) 2.00% 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices 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 the Series 2017-D Senior Secured Notes, Tranche 2, due December 28, 2022 (herein called the "*Notes*") issued pursuant to the Fifth Supplement dated as of December 20, 2017 (the "*Supplement*") which supplements that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011, that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013, that certain First Supplement to the Note Purchase Agreement dated as of December 12, 2013, that certain Third Amendment to Note Purchase Agreement dated as of November 9, 2017 and as from time to time further amended, supplemented or otherwise modified, the "*Note Purchase Agreement*"), originally between the Company and the respective Purchasers named therein and is entitled to the benefits of the Note Purchase Agreement. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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.

EXHIBIT 1(b) (to Fifth Supplement to 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.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Supplement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Supplement and/or 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 is given in exchange for, and not as payment of, the Peoples Gas Company LLC's 6.42% Senior Note, Series B, due December 28, 2022, No. [\_\_], made by Peoples Gas Company LLC in favor of [\_\_\_\_\_] (the "Existing Note") pursuant to the Amended and Restated Note Purchase Agreement, dated as of June 20, 2013, between the Peoples Gas Company LLC (f/k/a Peoples TWP LLC) and each institution party thereto, as amended by the First Amendment to Amended and Restated Note Purchase Agreement dated as of September 19, 2017. All accrued and unpaid interest on the Existing Note at the interest rate set forth therein for periods prior to the date hereof shall remain outstanding and be payable to the holder of the Note on the first interest payment date hereunder following the date hereof.

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.

PNG COMPANIES LLC

By

E-1(b)-2

#### FORM OF SERIES 2017-D TRANCHE 3 NOTE

#### PNG COMPANIES LLC

#### 5.66% Series 2017-D Senior Secured Notes, Tranche 3, due October 31, 2020

No. R2017-D-3-\_\_\_\_\_\$

December 20, 2017 PPN 73020\* AP8

FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (herein called the "*Company*"), hereby promises to pay to \_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_ DOLLARS (or so much thereof as shall not have been prepaid) on October 31, 2020 with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 5.66% per annum from the date hereof, payable quarterly, on the last day of January, April, July and October in each year, commencing with the last day of January, April, July or October 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 (1) 7.66% or (2) 2.00% 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices 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 the Series 2017-D Senior Secured Notes, Tranche 3, due October 31, 2020 (herein called the "*Notes*") issued pursuant to the Fifth Supplement dated as of December 20, 2017 (the "*Supplement*") which supplements that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011, that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013, that certain First Supplement to the Note Purchase Agreement dated as of December 12, 2013, that certain Third Amendment to Note Purchase Agreement dated as of November 9, 2017 and as from time to time further amended, supplemented or otherwise modified, the "*Note Purchase Agreement*"), originally between the Company and the respective Purchasers named therein and is entitled to the benefits of the Note Purchase Agreement. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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.

EXHIBIT 1(c) (to Fifth Supplement to 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.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Supplement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Supplement and/or 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 is given in exchange for, and not as payment of, the Peoples Gas Company LLC's 5.66% Senior Note, Series C, due October 31, 2020, No. [\_\_], made by Peoples Gas Company LLC in favor of [\_\_\_\_\_] (the "Existing Note") pursuant to the Amended and Restated Note Purchase Agreement, dated as of June 20, 2013, between the Peoples Gas Company LLC (f/k/a Peoples TWP LLC) and each institution party thereto, as amended by the First Amendment to Amended and Restated Note Purchase Agreement dated as of September 19, 2017. All accrued and unpaid interest on the Existing Note at the interest rate set forth therein for periods prior to the date hereof shall remain outstanding and be payable to the holder of the Note on the first interest payment date hereunder following the date hereof.

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.

PNG COMPANIES LLC

By

E-1(c)-2

#### FORM OF SERIES 2017-D TRANCHE 4 NOTE

#### PNG COMPANIES LLC

#### 5.67% Series 2017-D Senior Secured Notes, Tranche 4, due October 31, 2018

No. R2017-D-4-\_\_\_\_\_\$

December 20, 2017 PPN 73020\* AQ6

FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (herein called the "*Company*"), hereby promises to pay to \_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_\_ DOLLARS (or so much thereof as shall not have been prepaid) on October 31, 2018 with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 5.67% per annum from the date hereof, payable quarterly, on the last day of January, April, July and October in each year, commencing with the last day of January, April, July or October 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 (1) 7.67% or (2) 2.00% 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices 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 the Series 2017-D Senior Secured Notes, Tranche 4, due October 31, 2018 (herein called the "*Notes*") issued pursuant to the Fifth Supplement dated as of December 20, 2017 (the "*Supplement*") which supplements that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011, that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013, that certain First Supplement to the Note Purchase Agreement dated as of December 12, 2013, that certain Third Amendment to Note Purchase Agreement dated as of November 9, 2017 and as from time to time further amended, supplemented or otherwise modified, the "*Note Purchase Agreement*"), originally between the Company and the respective Purchasers named therein and is entitled to the benefits of the Note Purchase Agreement. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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.

EXHIBIT 1(d) (to Fifth Supplement to 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.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Supplement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Supplement and/or 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 is given in exchange for, and not as payment of, the Peoples Gas Company LLC's 5.67% Senior Note, Series D, due October 31, 2018, No. [\_\_], made by Peoples Gas Company LLC in favor of [\_\_\_\_\_] (the **"Existing Note"**) pursuant to the Amended and Restated Note Purchase Agreement, dated as of June 20, 2013, between the Peoples Gas Company LLC (f/k/a Peoples TWP LLC) and each institution party thereto as amended by the First Amendment to Amended and Restated Note Purchase Agreement dated as of September 19, 2017. All accrued and unpaid interest on the Existing Note at the interest rate set forth therein for periods prior to the date hereof shall remain outstanding and be payable to the holder of the Note on the first interest payment date hereunder following the date hereof.

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.

PNG COMPANIES LLC

By

E-1(d)-2

#### FORM OF SERIES 2017-D TRANCHE 5 NOTE

#### PNG COMPANIES LLC

#### 5.99% Series 2017-D Senior Secured Notes, Tranche 5, due October 31, 2023

No. R2017-D-5-\_\_\_\_\$

December 20, 2017 PPN 73020\* AR4

FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (herein called the "*Company*"), hereby promises to pay to \_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_\_ DOLLARS (or so much thereof as shall not have been prepaid) on October 31, 2023 with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 5.99% per annum from the date hereof, payable quarterly, on the last day of January, April, July and October in each year, commencing with the last day of January, April, July or October 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 (1) 7.99% or (2) 2.00% 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices 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 the Series 2017-D Senior Secured Notes, Tranche 5, due October 31, 2023 (herein called the "*Notes*") issued pursuant to the Fifth Supplement dated as of December 20, 2017 (the "*Supplement*") which supplements that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011, that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013, that certain First Supplement to the Note Purchase Agreement dated as of December 12, 2013, that certain Third Amendment to Note Purchase Agreement dated as of November 9, 2017 and as from time to time further amended, supplemented or otherwise modified, the "*Note Purchase Agreement*"), originally between the Company and the respective Purchasers named therein and is entitled to the benefits of the Note Purchase Agreement. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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.

EXHIBIT 1(e) (to Fifth Supplement to 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.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Supplement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Supplement and/or 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 is given in exchange for, and not as payment of, the Peoples Gas Company LLC's 5.99% Senior Note, Series E, due October 31, 2023, No. [\_\_], made by Peoples Gas Company LLC in favor of [\_\_\_\_\_] (the "Existing Note") pursuant to the Amended and Restated Note Purchase Agreement, dated as of June 20, 2013, between the Peoples Gas Company LLC (f/k/a Peoples TWP LLC) and each institution party thereto, as amended by the First Amendment to Amended and Restated Note Purchase Agreement dated as of September 19, 2017. All accrued and unpaid interest on the Existing Note at the interest rate set forth therein for periods prior to the date hereof shall remain outstanding and be payable to the holder of the Note on the first interest payment date hereunder following the date hereof.

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.

PNG COMPANIES LLC

By

E-1(e)-2

#### FORM OF SERIES 2017-D TRANCHE 6 NOTE

#### PNG COMPANIES LLC

3.53% Series 2017-D Senior Secured Notes, Tranche 6, due August 23, 2023

December 20, 2017 PPN 73020\* AS2

FOR VALUE RECEIVED, the undersigned, PNG COMPANIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (herein called the "*Company*"), hereby promises to pay to \_\_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_\_\_ DOLLARS (or so much thereof as shall not have been prepaid) on August 23, 2023 with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 3.53% per annum from the date hereof, payable semi-annually, on the 23rd of February and August in each year, commencing with the February 23 or August 23 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 (1) 5.53% or (2) 2.00% 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 such unpaid balance and on any overdue payment of any Make-Whole Amount, Modified Make-Whole Amount, Change of Control Premium and Breakage 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, Modified Make-Whole Amount, Change of Control Premium and Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal offices 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 the Series 2017-D Senior Secured Notes, Tranche 6, due August 23, 2023 (herein called the "*Notes*") issued pursuant to the Fifth Supplement dated as of December 20, 2017 (the "*Supplement*") which supplements that certain Note Purchase Agreement dated as of February 26, 2010 (as amended by that certain First Amendment to Note Purchase Agreement dated as of August 10, 2011, that certain Second Amendment to Note Purchase Agreement dated as of August 22, 2013, that certain First Supplement to the Note Purchase Agreement dated as of December 12, 2013, that certain Third Amendment to Note Purchase Agreement dated as of November 9, 2017 and as from time to time further amended, supplemented or otherwise modified, the "*Note Purchase Agreement*"), originally between the Company and the respective Purchasers named therein and is entitled to the benefits of the Note Purchase Agreement. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) 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.

EXHIBIT 1(f) (to Fifth Supplement to 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 Supplement and/or 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 is given in exchange for, and not as payment of, the Peoples Gas Company LLC's 3.53% Senior Note, Series G, due August 23, 2023, No. [\_\_], made by Peoples Gas Company LLC in favor of [\_\_\_\_\_] (the **"Existing Note"**) pursuant to the Amended and Restated Note Purchase Agreement, dated as of June 20, 2013, between the Peoples Gas Company LLC (f/k/a Peoples TWP LLC) and each institution party thereto, as amended by the First Amendment to Amended and Restated Note Purchase Agreement dated as of September 19, 2017. All accrued and unpaid interest on the Existing Note at the interest rate set forth therein for periods prior to the date hereof shall remain outstanding and be payable to the holder of the Note on the first interest payment date hereunder following the date hereof.

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.

PNG COMPANIES LLC

y

E-1(f)-2

#### Form of Opinion of Special Counsel to the Company

To be provided to the Purchasers only.

EXHIBIT 4(f)(i) (to Fifth Supplement to Note Purchase Agreement)

# Form of Opinion of Special Pennsylvania Counsel to the Company

To be provided to the Purchasers only.

EXHIBIT 4(f)(ii) (to Fifth Supplement to Note Purchase Agreement)

## FORM OF OPINION OF SPECIAL COUNSEL TO THE PURCHASERS

To be provided to the Purchasers only.

EXHIBIT 4(f)(iii) (to Fifth Supplement to Note Purchase Agreement)

#### CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statement No. 333-223306 and No. 333-219545 on Form S-3 of Essential Utilities, Inc. of our report dated April 1, 2020, related to the consolidated financial statements of LDC Funding LLC and its subsidiaries as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 appearing in this Current Report on Form 8-K/A of Essential Utilities, Inc.

## **DELOITTE & TOUCHE LLP**

/s/ Deloitte & Touche LLP

Pittsburgh, Pennsylvania

April 13, 2020

## LDC Funding LLC

Consolidated Balance Sheets as of December 31, 2019 and 2018, the Related Consolidated Statements of Income, Comprehensive Income, Member's Equity, and Cash Flows for Each of the Three years in the Period Ended December 31, 2019, and the Related Notes to the Consolidated Financial Statements, and Independent Auditors' Report

## LDC FUNDING LLC TABLE OF CONTENTS

	Page 1-2			
INDEPENDENT AUDITORS' REPORT				
CONSOLIDATED FINANCIAL STATEMENTS:				
Balance Sheets	3–4			
Statements of Income	5			
Statements of Comprehensive Income	6			
Statements of Member's Equity	7			
Statements of Cash Flows	8			
Notes to Consolidated Financial Statements	9–32			

# Deloitte.

## INDEPENDENT AUDITORS' REPORT

**Deloitte & Touche LLP** One PPG Place Suite 2600 Pittsburgh, PA 15222-5433 USA

Tel: +1 412 338 7200 Fax: +1 412 338 7380 www.deloitte.com

To the Board of Directors and Member of LDC Funding LLC Pittsburgh, Pennsylvania

We have audited the accompanying consolidated financial statements of LDC Funding LLC and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, member's equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes to the consolidated financial statements.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LDC Funding LLC and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 14 to the financial statements, LDC Funding LLC was acquired by Essential Utilities, Inc. on March 16, 2020. Our opinion is not modified in respect of this matter.

/s/ Deloitte & Touche LLP

April 1, 2020

- 2 -

## CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2019 AND 2018 (In thousands)

	2019	2018
ASSETS	2010	2010
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,785	\$ 13,738
Accounts receivable—net	164,244	173,579
Inventories:		
Materials and supplies	4,320	4,629
Gas stored	40,887	44,310
Prepayments	12,661	13,927
Regulatory assets	4,120	23,825
Other	4,163	5,443
Total current assets	235,180	279,451
INVESTMENTS	5,406	5,018
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment	3,582,247	3,314,883
Accumulated depreciation and amortization	(1,213,628)	(1,139,672)
Total property, plant, and equipment—net	2,368,619	2,175,211
DEFERRED CHARGES AND OTHER ASSETS:		
Goodwill	431,839	431,839
Intangible assets—net	88,894	87,368
Regulatory assets	213,556	190,020
Other	11,642	10,111
Total deferred charges and other assets	745,931	719,338
TOTAL	\$ 3,355,136	\$ 3,179,018

(Continued)

# - 3 -

# CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2019 AND 2018 (In thousands)

	2019	2018
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 91,458	\$ 119,959
Current portion of long-term debt	7,436	7,436
Accrued interest, payroll and taxes	48,034	43,334
Regulatory liabilities	31,207	3,844
Other	26,427	24,408
Total current liabilities	204,562	198,981
LONG-TERM DEBT	1,659,409	1,539,890
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	233,459	190,099
Asset retirement obligations	48,432	47,124
Pension and other postretirement benefit liabilities	23,548	33,104
Regulatory liabilities	138,167	150,253
Other	19,016	20,136
Total deferred credits and other liabilities	462,622	440,716
Total liabilities	2,326,593	2,179,587
MEMBER'S EQUITY:		
Member's equity	1,023,095	992,431
Accumulated other comprehensive income	5,448	7,000
Total member's equity	1,028,543	999,431
TOTAL	\$ 3,355,136	\$ 3,179,018

See notes to consolidated financial statements.

(Concluded)

- 4 -

## CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2019, 2018, AND 2017 (In thousands)

	2019	2018	2017
OPERATING REVENUE	\$ 908,654	\$ 913,973	\$ 805,087
OPERATING EXPENSES:			
Purchased gas	367,388	392,700	316,543
Other operations and maintenance	214,487	220,330	200,810
Depreciation and amortization	95,401	88,435	77,711
Other taxes	16,898	16,330	12,763
Total operating expenses	694,174	717,795	607,827
INCOME FROM OPERATIONS	214,480	196,178	197,260
OTHER EXPENSE—Net	7,600	9,915	5,939
INTEREST CHARGES	67,124	60,017	48,961
AFFILIATED INTEREST CHARGES		35,620	29,250
Total interest charges	67,124	95,637	78,211
INCOME BEFORE INCOME TAXES	139,756	90,626	113,110
PROVISION FOR INCOME TAXES	29,092	22,953	54,211
NET INCOME	\$ 110,664	\$ 67,673	\$ 58,899

See notes to consolidated financial statements.

- 5 -

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019, 2018, AND 2017 (In thousands)

	2019	2018	2017
NET INCOME	\$ 110,664	\$ 67,673	\$ 58,899
COMPREHENSIVE GAIN (LOSS)—Changes in net unrecognized pension and other postretirement benefit costs—			
net of taxes of (\$8), (\$150), and (\$14) in 2019, 2018, and 2017, respectively	23	362	(241)
COMPREHENSIVE (LOSS) GAIN—Change in fair value of cash flow hedges—net of taxes of (\$499), (\$982), and			
(\$63) in 2019, 2018, and 2017, respectively	(1,575)	2,416	2,355
COMPREHENSIVE INCOME	\$ 109,112	\$ 70,451	\$ 61,013

See notes to consolidated financial statements.

- 6 -

# CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019, 2018, AND 2017 (In thousands)

	Member's Equity	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE—January 1, 2017	\$ 470,517	\$ 2,108	\$ 472,625
Capital contribution from member	22,475	—	22,475
Net income	58,899	—	58,899
Comprehensive gain (loss):			
Changes in unrecognized pension and other postretirement benefit costs—net of taxes of \$(14)	_	(241)	(241)
Change in fair value of cash flow hedges—net of taxes of \$(63)	_	2,355	2,355
Dividends paid to member	(12,215)	—	(12,215)
BALANCE—December 31, 2017	539,676	4,222	543,898
Capital contribution from member	394,807		394,807
Net income	67,673	_	67,673
Comprehensive gain (loss):			
Changes in unrecognized pension and other postretirement benefit costs—net of taxes of \$(150)	_	362	362
Change in fair value of cash flow hedges—net of taxes of \$(982)	_	2,416	2,416
Dividends paid to member	(9,725)	_	(9,725)
BALANCE—December 31, 2018	992,431	7,000	999,431
Net income	110,664		110,664
Comprehensive gain (loss):			
Changes in unrecognized pension and other postretirement benefit costs—net of taxes of \$(8)		23	23
Change in fair value of cash flow hedges—net of taxes of \$(499)	_	(1,575)	(1,575)
Dividends paid to member	(80,000)		(80,000)
BALANCE—December 31, 2019	\$ 1,023,095	\$ 5,448	\$ 1,028,543

See notes to consolidated financial statements.

- 7 -

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019, 2018, AND 2017 (In thousands)

	2019	2018	2017
OPERATING ACTIVITIES:	\$ 110,664	\$ 67,673	\$ 58,899
Net income			
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	95,401	88,435	77,711
Amortization of debt issuance costs	2,160	2,179	2,074
Deferred provision for income taxes	25,010	21,593	51,416
Provision for doubtful accounts	16,086	13,975	11,557
Changes in:			
Accounts receivable—net	(6,751)	2,431	(59,782)
Inventories	3,877	(6,659)	(4,200)
Regulatory asset/liability—net	21,479	(4,030)	1,974
Prepayments	1,266	(4,799)	(1,401)
Accounts payable—net	(28,165)	15,043	(21,377)
Accrued interest, payroll and taxes	8,989	2,159	(8,808)
Other	(19,966)	(899)	(453)
Net cash provided by operating activities	230,050	197,101	107,610
INVESTING ACTIVITIES:			
Plant construction and other property additions—net	(276,567)	(248,650)	(205,880)
Acquisition of Delta Natural Gas Company, Inc.—net of cash acquired	—	—	(210,079)
Net cash used in investing activities	(276,567)	(248,650)	(415,959)
FINANCING ACTIVITIES:			
Repayments under term debt agreement	(7,436)	(7,899)	(387,214)
Borrowings under revolving credit agreement	475,000	291,000	460,000
Repayments under revolving credit agreement	(350,000)	(236,000)	(417,000)
Payment of capital lease obligation	—	—	(18,951)
Issuance of long-term debt	—	—	597,615
Issuance of affiliated senior notes	—	—	90,000
Payment of debt issuance costs	—	—	(7,197)
Capital contributions from member	—	400	22,475
Dividends paid to member	(80,000)	(9,725)	(12,215)
Net cash provided by financing activities	37,564	37,776	327,513
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,953)	(13,773)	19,164
CASH AND CASH EQUIVALENTS—Beginning of year	13,738	27,511	8,347
CASH AND CASH EQUIVALENTS—End of year	\$ 4,785	\$ 13,738	\$ 27,511

See notes to consolidated financial statements.

- 8 -

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017 (Dollar amounts are shown in thousands)

#### 1. NATURE OF OPERATIONS

LDC Funding LLC (the "Company," "we," "our," or "us") is a Delaware limited liability company. It is a wholly-owned, direct subsidiary of LDC Parent LLC ("LDC Parent"), which is indirectly owned by SteelRiver Infrastructure Fund North America LP ("SRIFNA") and an affiliated fund.

LDC Holdings LLC ("LDC Holdings") is a wholly-owned, direct subsidiary of the Company. PNG Companies LLC ("PNG") is a wholly-owned, direct subsidiary of LDC Holdings.

Through its wholly-owned subsidiaries, the Company is primarily a natural gas distribution utility operating in Pennsylvania, West Virginia, and Kentucky. Wholly-owned subsidiaries of PNG include five natural gas distribution companies: Peoples Natural Gas Company LLC ("Peoples"), Peoples Gas Company LLC ("PGC"), Peoples Gas WV LLC ("Peoples Gas WV"), Peoples Gas KY LLC ("Peoples Gas KY") and Delta Natural Gas Company ("Delta"). PNG also has the following wholly-owned subsidiaries: Peoples Homeworks LLC, PNG Gathering LLC, Delta Resources, LLC ("Delta Resources"), Delgasco, LLC ("Delgasco") and Enpro, LLC ("Enpro").

Peoples and PGC are subject to the regulation of the Pennsylvania Public Utility Commission ("PA PUC"), Delta and Peoples Gas KY are subject to the regulation of the Kentucky Public Service Commission, and Peoples Gas WV is subject to the regulation of the West Virginia Public Service Commission.

On October 22, 2018, LDC Parent entered into a Purchase Agreement with Essential Utilities, Inc., formerly Aqua America, Inc. ("Essential"), under which Essential agreed to acquire all of the issued and outstanding limited liability company membership interests of the Company. Refer to Note 14, *Merger with Essential*, for further details.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**—The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions have been eliminated in consolidation.

**Use of Estimates**—The Company makes certain estimates and assumptions in preparing the financial statements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the periods presented. Actual results may differ from those estimates.

- 9 -

**Regulation**—The Company's regulated businesses are subject to state cost-of-service rate regulation. Regulatory practices that assign costs to accounting periods may differ from accounting methods generally applied by nonregulated companies. When it is probable that regulators will permit the recovery of current costs through future rates charged to customers, the Company defers these costs as regulatory assets, that otherwise would be expensed by nonregulated companies. Likewise, the Company recognizes regulatory liabilities when it is probable that regulators will require customer refunds through future rates or when revenue is collected from customers for expenditures that are not yet incurred. Regulatory assets are amortized into expense and regulatory liabilities are amortized into income over the period authorized by the regulator.

The Company evaluates whether or not recovery of regulatory assets through future regulated rates is probable. The expectations of future recovery are generally based on orders issued by regulatory commissions or historical experience, as well as discussions with applicable regulatory authorities. If recovery of a regulatory asset is determined to be less than probable, it will be written off and an expense will be recorded in the period such assessment is made. Refer to Note 8, *Regulatory Matters and Regulatory Assets and Liabilities*, for further details.

**Recognition of Revenue**—The primary types of sales and service activities reported as operating revenue include natural gas distribution services, gas transportation and storage, and other revenues. Regulated gas sales consist primarily of state-regulated retail natural gas sales and related distribution services. Gas transportation and storage consists primarily of regulated sales of gathering, transmission, distribution, and storage services. Also included are regulated gas distribution charges to retail distribution service customers opting for alternate suppliers. Other revenue consists primarily of miscellaneous service revenue from gas distribution operations, gas processing and handling revenue, sales of natural gas at market-based rates and contracted fixed prices, sales of gas purchased from third parties, and other gas marketing activities.

The Company records regulated deliveries of natural gas in accordance with the tariff established by the regulator. The Company reads meters and bills customers on a monthly cycle. The billing cycles for customers do not necessarily coincide with the accounting periods used for financial reporting purposes. Revenues primarily include amounts billed to customers on a cycle basis, and unbilled amounts based on estimated usage, applicable customer rates, and weather factors. At the end of each month, natural gas service which has been rendered from the date the customer's meter was last read to the month-end is included within the unbilled amounts. Refer to Note 6, *Accounts Receivable*, for further details.

**Income Taxes**—The Company is taxed as a C corporation for federal and state income tax purposes. The Company's taxable income or loss, in addition to the taxable income or loss of the single-member limited liability subsidiary companies treated as disregarded entities for United States federal and Pennsylvania state income tax purposes, is included in the federal and state tax returns filed by the Company.

Deferred income tax assets and liabilities are provided, representing future effects on income taxes for temporary differences between the basis of assets and liabilities for financial reporting and tax purposes. Where permitted by regulatory authorities, the treatment of temporary differences may differ; whereby a regulatory asset is recognized if it is probable that future revenues will be provided for the payment of deferred tax liabilities. For such temporary differences, tax expense/benefit is recognized only to the extent current tax expense is impacted and deferred tax expense is recorded as a regulatory asset to be recovered in future rates.

- 10 -

Income tax benefits from uncertain tax positions are recognized only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company recognizes interest accrued and penalties related to unrecognized tax benefits as part of income tax expense. Additionally, the Company establishes a valuation allowance when it is more likely than not that all, or a portion, of a deferred tax asset will not be realized.

Judgment and the use of estimates are required in developing the provision for income taxes and reporting of tax-related assets and liabilities. The interpretation of tax laws involves uncertainty, since tax authorities may interpret the laws differently. Ultimate resolution of income tax matters may result in favorable or unfavorable impacts to net income and cash flows, and adjustments to tax-related assets and liabilities could be material. Refer to Note 4, *Income Taxes*, for further details.

**Cash and Cash Equivalents**—The Company considers cash and cash equivalents to include cash on hand, cash in banks, and investments with original maturities of three months or less. Current banking arrangements generally do not require checks to be funded until actually presented for payment. Accounts payable included \$505 and \$2,970 of checks outstanding but not yet presented for payment as of December 31, 2019 and 2018, respectively.

Allowance for Doubtful Accounts—Accounts receivable are presented on the Consolidated Balance Sheets net of estimated uncollectible amounts. The balance within the allowance for doubtful accounts represents estimated uncollectible amounts pertaining to active customer accounts in an amount approximating anticipated losses. Individual accounts are written off against the allowance when the individual account balances are determined to be uncollectible. Refer to Note 6, *Accounts Receivable*, for further details.

**Inventories**—Materials and supplies inventories are valued using the weighted-average cost ("WACOG") method. The Company has stored gas inventories under the WACOG method, which is valued at \$33,165 and \$38,329 at December 31, 2019 and 2018, respectively. The Company also has stored gas inventory used in local gas distribution operations that is valued using the last-in, first-out ("LIFO") method. Under the LIFO method, those inventories were valued at \$7,722 and \$5,981 at December 31, 2019 and 2018, respectively. Based on the average price of gas purchased during 2019 and 2018, the cost of replacing the current portion of stored gas inventory exceeded the amount stated on a LIFO basis by approximately \$11,115 and \$14,312, respectively. The use of two valuation methods for stored gas inventories is necessitated by regulatory accounting. Effective January 1, 2020, Peoples received approval to change its method for valuing inventory using the LIFO method to the weighted-average cost method. Refer to Note 8, *Regulatory Matters and Regulatory Assets and Liabilities*, for further details.

**Fair Value Measurement**—The Company reports certain assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

- 11 -

GAAP establishes a fair value hierarchy that prioritizes the inputs used to measure fair value based on observable and unobservable data. The hierarchy categorizes the inputs into three levels, with the highest priority given to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority given to unobservable inputs (Level 3). The levels of the hierarchy are described below:

*Level* **1**—Unadjusted quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

*Level 2*—Inputs other than Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets, and inputs that are derived from observable market data by correlation or other means.

Level 3—Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability.

While the Company believes its valuation methods used to assess the classification of financial instruments within the hierarchy are appropriate, the use of different methodologies or assumptions could result in a change in a financial instrument's fair value tier from year to year. Refer to Note 3, *Fair Value Measurements*, for further details.

The carrying values of cash, accounts receivable, accounts payable, accrued expenses, and other accrued liabilities approximate their fair values because of their short-term nature.

#### **Derivative Instruments**

**Derivative Instruments Not Designated as Hedging Instruments**—Certain of the Company's natural gas purchase and sale contracts qualify as derivatives. The Company utilizes requirements contracts, spot purchase contracts and underground storage to meet regulated customers' natural gas requirements. The costs associated with these contracts are recoverable as purchased gas costs. All such purchase and sale contracts have been designated as normal purchases and sales and, as such, are accounted for under the accrual basis and are not recorded at fair value in the accompanying financial statements.

Derivative Instruments Designated as Cash Flow Hedging Instruments—Refer to Note 3, Fair Value Measurements, for further details.

**Property, Plant and Equipment**—Property, plant, and equipment, including additions and replacements, are recorded at original cost, including labor, materials, asset retirement costs, and other direct and indirect costs, including capitalized interest. The cost of repairs and maintenance, including minor additions and replacements, is charged to expense as incurred. Depreciation of property, plant, and equipment is computed on the straight-line method, based on projected service lives. At retirement, the depreciable cost of property, plant, and equipment, less salvage value, is charged to accumulated depreciation. Refer to Note 7, *Property, Plant and Equipment and Intangible Assets*, for further details.

Cost of removal collections from utility customers and expenditures not representing asset retirement obligations are recorded as regulatory liabilities or regulatory assets. Refer to Note 8, *Regulatory Matters and Regulatory Assets and Liabilities*, for further details.

- 12 -

**Intangible Assets**—Intangible assets predominately include internal-use software and related costs associated with the Company's computerized information systems. In addition to the initial installation of the Company's computerized information systems, new applications continue to be added and capitalized, accordingly. Such assets are being amortized over their estimated useful lives of 10 years for major systems and 5 years for other software applications. Refer to Note 7, *Property, Plant and Equipment and Intangible Assets*, for further details.

Amortization expense for intangible assets acquired in a business combination for each of the next five years is as follows:

2020	2021	2022	2023	2024	
\$ 847	\$ 744	\$ 666	\$ 600	\$ 538	

Asset Retirement Obligations—The Company recognizes asset retirement obligations at fair value, as incurred, or when sufficient information becomes available to determine a reasonable estimate of the fair value of the retirement activities to be performed. These amounts are capitalized as costs of the related tangible long-lived assets. Since relevant market information is not available, the Company estimates fair value using discounted cash flow analyses. As the Company is able to recover the cost to retire assets through rates, the Company reports the accretion of the asset retirement obligations due to the passage of time and the depreciation of the asset retirement costs as a regulatory asset. Refer to Note 10, *Asset Retirement Obligations*, for further details.

**Impairment of Long-Lived and Intangible Assets**—The Company performs an evaluation for impairment whenever events or changes in circumstances indicate that the carrying amount of long-lived assets or intangible assets with finite lives may not be recoverable. Assets are written down to fair value if the sums of their expected future undiscounted cash flows are less than their carrying amounts.

The Company tests goodwill for impairment at least annually at the reporting unit level. A reporting unit is an operating segment, or a business one level below the operating segment (a component) if discrete financial information is prepared and regularly reviewed by segment management. PNG represents an operating segment and a reporting unit. The Company evaluated goodwill for impairment by performing a qualitative assessment at PNG for the current year. There were no impairments recorded in 2019, 2018 or 2017 or historical impairment losses in prior periods. The carrying amount of goodwill was \$431,839 for the years ended December 31, 2019 and 2018.

**Debt Issuance Costs**—Debt issuance costs are being amortized using the straight-line method into interest expense over the term of the debt and are netted against the Company's long-term debt within the Consolidated Balance Sheets. Refer to Note 9, *Long Term Debt*, for further information.

- 13 -

#### Supplemental Disclosures of Cash Flow Information-

	2019	2018	2017
Cash paid (received) during the year for:			
Income taxes (refunded) paid	\$ 390	\$ (710)	\$ 2,092
Interest	66,920	94,479	77,615
Significant noncash transactions:			
Accrued capital expenditures	17,595	24,622	11,524

**Recently Adopted Accounting Pronouncements**—In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASC 606"), which outlines a single comprehensive model that an entity will apply to determine the measurement of revenue and timing of revenue recognition. The core principle of the guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration an entity expects to be entitled to in exchange for those goods or services. Refer to Note 5, *Revenue Recognition*, for further information.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815)—Targeted Improvements to Accounting for Hedging Activities*, which amends accounting guidance to better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The new guidance is effective for annual reporting periods beginning after December 15, 2018. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This ASU gives entities the option to reclassify to retained earnings the tax effects resulting from the Tax Cuts and Jobs Act ("TCJA") related to items in accumulated other comprehensive income ("AOCI") that the FASB refers to as having been stranded in AOCI. The Company adopted ASU 2018-02 effective January 1, 2019, and elected not to reclassify the income tax effects from AOCI to retained earnings.

**Recently Issued Accounting Pronouncements**—In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a right-of-use asset and lease liability for all leases, including operating leases, with a term in excess of twelve months. For income statement purposes, leases will be classified as either operating or finance. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. ASU Nos. 2018-01, 2018-10, and 2018-11, issued in January and July of 2018, amended several aspects of the new lease guidance. The amendments provide a practical expedient for entities to not evaluate existing or expired land easements that were not previously accounted for as leases under the current guidance, as well as an additional and optional transition method to adopt the standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. As a private entity, the new guidance is effective for annual reporting periods beginning after December 15, 2020; however, due to the merger with Essential, the Company adopted the new guidance as of March 16, 2020. Right-of-use assets and a corresponding lease liability recorded upon adoption are estimated to be between \$55,000 to \$65,000.

- 14 -

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, which will require credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model. Under this model, entities will estimate credit losses over the entire contractual term of the instrument from the date of initial recognition of that instrument. In contrast, current GAAP is based on an incurred loss model that delays recognition of credit losses until it is probable the loss has been incurred. The new guidance also introduces a new impairment recognition model for available-for-sale securities that will require credit losses for available-for-sale debt securities to be recorded through an allowance account. As a private entity, the new guidance is effective for annual reporting periods beginning after December 15, 2022; however, due to the merger with Essential, the Company adopted the new guidance as of March 16, 2020. Upon adoption, the new guidance did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Topic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans.* The modifications in this update remove disclosures that are no longer considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. The updated accounting guidance is effective for fiscal years ending after December 15, 2020. The Company is evaluating the requirements of the updated guidance to determine the impact of adoption.

## 3. FAIR VALUE MEASUREMENTS

As of December 31, 2019 and 2018, the Company designated interest rate swaps as cash flow hedges with outstanding notional amounts of \$0 and \$226,550, respectively.

On December 19, 2018, LDC Holdings, amended its existing interest rate swap agreements. Previous to the amendment, the interest rate swap agreements received cash flow hedge accounting treatment. Effective December 19, 2018, the interest rate swap agreements discontinued cash flow hedge treatment, while contemporaneously establishing new cash flow hedge treatment on the amended agreements through September 30, 2019. The amount in AOCI, prior to the amendment is being reclassified into earnings through June 2022. For the years ended December 31, 2019 and 2018 gains or losses on hedging instruments determined to be ineffective were not material. The amount expected to be reclassified to earnings from AOCI during the next 12 months is \$2,426. There have been no changes in the valuation techniques used to measure fair value or asset or liability transfers between the levels of the fair value hierarchy for the years ended December 31, 2019 and 2018.

- 15 -

As of December 31, 2019, the carrying value and fair value of the Company's instruments were as follows:

	Carrying Value	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
Liabilities:				
Long-term debt:				
Notes payable:				
Fixed	\$ 920,090	\$ —	\$ 960,351	\$ —
Variable	753,250	—	753,250	
Total liabilities	\$ 1,673,340	\$ —	\$ 1,713,601	\$ —

As of December 31, 2018, the carrying value and fair value of the Company's instruments as follows:

	Carrying Value	Fair Value Level 1		
Assets:				
Derivatives—interest rate swaps	\$ 1,247	\$ —	\$ 1,247	\$ —
Total assets	\$ 1,247	\$ —	\$ 1,247	\$ —
Liabilities:				
Long-term debt:				
Notes payable:				
Fixed	\$ 1,106,227	\$ —	\$ 1,088,802	\$ —
Variable	449,550		449,550	—
Total liabilities	\$ 1,555,777	\$ —	\$ 1,538,352	\$ —

- 16 -

## 4. INCOME TAXES

The Company's income tax expense for the years ended December 31, 2019, 2018 and 2017 consisted of the following:

	2019	2018	2017
Current:			
Federal	\$ (529)	\$ 121	\$ 606
State	4,611	1,239	2,189
Total current	4,082	1,360	2,795
Deferred:			
Federal	31,917	21,685	49,283
State	(3,534)	131	2,133
Total deferred	28,383	21,816	51,416
Amortization of deferred investment tax credits—net	(3,373)	(223)	
Total income tax expense	\$ 29,092	\$ 22,953	\$ 54,211

The statutory U.S. federal income tax rate reconciles to the effective income tax rate for the years ended December 31, 2019, 2018 and 2017 as follows:

	2019	2018	2017
US statutory rate	21.0%	21.0%	35.0%
Increases (reductions) resulting from:			
Utility plan differences	(4.9)	(5.3)	(1.8)
Tax law change	—	—	10.7
State tax items	7.8	7.2	3.9
Employee benefits	—	—	0.2
Amortization—excess deferred income taxes	(2.4)	_	
Other	(0.7)	2.4	0.3
Overall effective tax rate	20.8%	25.3%	48.3%

- 17 -

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Net deferred income taxes at December 31, 2019 and 2018 consisted of the following:

	2019	2018	2017
Income taxes collected through rates	\$ 21,524	\$ 18,464	\$ 20,111
Net operating loss	19,593	35,635	39,981
Bad dets	8,443	8,407	7,697
Benefits	7,741	12,048	15,668
Unrecovered purchased gas costs	(5,973)	(14,826)	(12,251)
Other	(20,054)	(14,492)	(10,364)
Depreciation method and plant-basis differences	(262,753)	(235,335)	(215,169)
Valuation allowance	(1,980)		—
Total net deferred income tax assets/(liabilities)	\$ (233,459)	\$ (190,099)	\$ (154,327)

At December 31, 2019, the Company had federal loss carryforwards of \$51,073 and state loss carryforwards of \$109,565 that begin to expire if unutilized in 2030. There were no uncertain tax positions as of December 31, 2018.

## **Uncertain Tax Positions**

Income tax benefits from uncertain tax positions are recognized only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The liability for unrecognized tax benefits expected to be recognized within the next twelve months partially offsets prepaid income taxes which is presented in "Prepayments" on the condensed consolidated balance sheet. Interest and penalties on tax uncertainties are classified in "Provision for income taxes" in the condensed consolidated statement of income.

During 2019, an examination of the Pennsylvania corporate tax return yielded an assessment of \$519 related to the deductibility of charitable contributions. An appeal has been filed with the Pennsylvania Board of Tax Appeals. An uncertain tax position of \$613 was recorded, net of federal benefit, for all years open to examination including the year assessed. The Company recognized \$76 of expense in 2019 for interest and penalties related to this examination. The unrecognized tax position, if recognized, would impact the effective tax rate. The Company believes the resolution of this matter will not materially impact the Company's financial position, results of operations or cash flows.

### Valuation Allowance

Charitable contributions are carried forward for five years and expire if unused. As a result of the examination, it is no longer more likely than not the benefit from the deferred tax asset will be realized. During 2019, \$758 of deferred tax assets were written off as charitable contributions carryforwards that have expired and a valuation allowance of \$1,980 was recognized to reserve against the deferred tax asset related to charitable contribution carryforwards which have not expired.

- 18 -

The recognition of both the valuation allowance and the uncertain tax position are discrete items which increased deferred income tax expense and impacted the effective tax rate for 2019

**US Federal Tax Reform**—On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the TCJA. The TCJA made broad and complex changes to the U.S. tax code, including, but not limited to:

- reducing the U.S. federal corporate tax rate from 35 percent to 21 percent;
- eliminating the corporate alternative minimum tax ("AMT") and changing how existing AMT credits can be realized;
- providing for full expensing of property acquired after September 27, 2017;
- creating a new limitation on deductible interest expense; and changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017.

In accordance with the accounting rules for income taxes, the tax effects of changes in tax laws were recognized in 2017, the period in which the law was enacted, and deferred tax assets and liabilities were re-measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled.

Consistent with state regulatory treatment and the accounting rules for regulated operations, the net decrease in certain deferred income taxes represents excess deferred taxes to be amortized in future periods. As such, a regulatory liability for the excess deferred taxes was recognized, inclusive of a gross-up on the excess deferred income taxes. The majority of the excess deferred income taxes relates to accelerated tax depreciation benefits which, under rate normalization requirements, are to be amortized over the remaining lives of the related assets. As of December 31, 2019 and 2018, the balance of the regulatory liability related to TCJA was \$137,415 and \$148,171, respectively.

For all other tax positions, the change in deferred taxes was reflected as a decrease or increase in income tax expense and other comprehensive income. In 2017, the re-measurement resulted in the recognition of \$12,065 of tax expense and increased other comprehensive income by \$831.

## 5. REVENUE RECOGNITION

The Company adopted ASC 606 on January 1, 2019, using the modified retrospective method of adoption. Under this approach, prior year results are not required to be restated. Adoption of this standard did not change the timing or pattern of revenue recognition and a cumulative-effect adjustment was not recorded upon adoption. As a result, comparative disclosures for operating results for calendar year 2018 is not applicable because implementing the new standard did not change the timing or pattern of revenue recognition.

- 19 -

The following table disaggregates the Company's revenue from contracts with customers by customer class for the period indicated:

	 elve Months Ended cember 31, 2019
Revenues from contracts with customers:	
Residential	\$ 546,550
Commercial	97,280
Industrial	8,031
Gas transportation and storage	192,019
Other	64,522
Revenues from contracts with customers	 908,402
Alternative revenue program	252
Operating revenue	\$ 908,654

**Revenues from Contracts with Customers**—These revenues represent the delivery of natural gas to residential, commercial, and industrial customers at prices based on tariff rates established by regulatory authorities in the states in which the Company operates. Gas transportation and storage consists primarily of regulated sales of gathering, transmission, distribution, and storage services. Also included are regulated gas distribution charges to retail distribution service customers opting for alternate suppliers. Other revenue consists primarily of miscellaneous service revenue from gas distribution operations, gas processing and handling revenue, sales of natural gas at market-based rates and contracted fixed prices, sales of gas purchased from third parties, and other gas marketing activities.

Revenue is recognized and the performance obligation is satisfied over time when natural gas is delivered and simultaneously consumed by the customer. The Company has elected to use the invoice practical expedient and recognize revenue for volumes delivered that the Company has the right to invoice its customers.

Meters are read and the Company bills its customers on a monthly cycle basis. Accordingly, the Company estimates volumes from the last meter read to the balance sheet date and accrues revenue for gas delivered, but not yet billed, of which the Company has the right to invoice its customers. Refer to Note 6, *Accounts Receivable*, for further details.

*Alternative Revenue Program*—These revenues represent the weather-normalization adjustment ("WNA") mechanism in place at Delta. The WNA serves to minimize the effects of weather on the Company's contribution margin for its residential and small commercial customers. This regulatory mechanism adjusts revenues earned for the variance between actual and normal weather, and can have either positive (warmer than normal) or negative (colder than normal) effects on revenues. Customer bills are adjusted in the December through April billing months, with rates adjusted for the difference between actual revenues and revenues calculated under this mechanism is billed to the customers.

- 20 -

This mechanism is considered to be alternative revenue programs under accounting standards generally accepted in the United States as is deemed to be a contract between the Company and its regulator. Accordingly, revenues under this mechanism are excluded from revenues from contracts with customers.

## 6. ACCOUNTS RECEIVABLE

The components of accounts receivable at December 31, 2019 and 2018 were as follows:

	2019	2018
Billed revenue	\$ 98,434	\$ 108,786
Unbilled revenue	74,009	71,354
Other	4,525	6,396
	176,968	186,536
Less allowance for doubtful accounts	12,724	12,957
Net accounts receivable	\$ 164,244	\$ 173,579

The following table summarizes the changes within the Company's allowance for doubtful accounts for the years ended December 31, 2019, 2018 and 2017:

	2019	2018	2017
Balance at January 1,	\$ 12,957	\$ 13,385	\$ 14,010
Amounts charged to expense	16,086	13,975	11,557
Accounts written off	(18,502)	(17,758)	(15,421)
Recoveries of accounts written off	2,183	3,355	3,239
Balance at December 31	\$ 12,724	\$ 12,957	\$ 13,385

## 7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Major classes of utility property, plant, and equipment and their respective balances at December 31, 2019 and 2018 were as follows:

2019	2018
\$ 356,520	\$ 344,020
2,820,522	2,621,314
55,576	50,555
126,140	122,929
206,674	158,250
16,815	17,815
\$ 3,582,247	\$ 3,314,883
	\$ 356,520 2,820,522 55,576 126,140 206,674 16,815

- 21 -

In 2019, 2018 and 2017, depreciation expense was \$79,142, \$73,380, and \$63,796 respectively.

Details of intangible assets at December 31, 2019 and 2018 were as follows:

	2019	2018
Internal-use software	\$ 147,134	\$ 137,072
Other intangibles	13,065	13,065
Less—accumulated amortization	(71,305)	(62,769)
Intangible assets—net	\$ 88,894	\$ 87,368

In 2019, 2018 and 2017, amortization expense was \$16,259, \$15,055 and \$13,915, respectively.

## 8. REGULATORY MATTERS AND REGULATORY ASSETS AND LIABILITIES

On January 28, 2019, Peoples filed a rate request with the PAPUC to increase annual base operating revenues by \$94,900 annually. The increased revenues would be used to fund ongoing system improvements and operations necessary to maintain safe and reliable natural gas service. On July 9, 2019, all active parties supported the filing of a Joint Petition for Approval of Settlement Stipulation with the PAPUC providing for a \$59,500 annual base operating revenue increase. Peoples base rates in this proceeding are designed to increase distribution revenues by \$63,400, as a result of approval of elimination of connection fees, pooling fees, and other miscellaneous charges, netting to the \$59,500 increase in annual operating revenues. The Settlement Rates became effective on October 29, 2019.

Effective in July 2018, the PAPUC required Peoples to begin refunding to customers the prospective benefit of the TCJA, which reduced the federal income tax rate from 35% to 21%. The Joint Petition for Approval of Settlement Stipulation provides that the base rates in the rate case provide for the lower federal income tax rate and Peoples will refund to customers the impact of tax reform from January 1, 2018 through June 30, 2018, any over or under refund of TCJA and interest on such amounts. The refund of \$14,056, was provided to customers as a one-time bill on January 25, 2020.

On April 25, 2019 the PAPUC authorized Peoples to revise its accounting methodology for gas in storage inventory from a LIFO method to price gas injected into and withdrawn from storage to the WACOG method effective January 1, 2020. As a result, Peoples established a WACOG bill credit, of \$11,115 to be refunded to customers over the three-month period from January 1, 2020 through March 31, 2020.

The regulatory assets represent costs that are probable to be fully recovered from customers in future rates while regulatory liabilities represent amounts that are expected to be refunded to customers in future rates or amounts recovered from customers in advance of incurring the costs. The Company's regulatory assets and liabilities are not earning a return.

- 22 -

Details of regulatory assets and liabilities at December 31, 2019 and 2018 were as follows:

	December 31, 2019		
	Current	Noncurrent	Total
Regulatory assets:			
Unrecovered purchased gas costs	\$ 2,244	\$ —	\$ 2,244
Income taxes recoverable through future rates	—	96,134	96,134
Asset retirement obligations	—	45,808	45,808
Pension unrecognized funding costs		22,634	22,634
Cost of removal	—	34,840	34,840
Other	1,876	14,140	16,016
Total regulatory assets	\$ 4,120	\$ 213,556	\$ 217,676
Regulatory liabilities:			
Over-recovered purchased gas costs	\$ 13,518	\$ —	\$ 13,518
Tax Cuts and Jobs Act	14,056	123,359	137,415
OPEB unrecognized funding costs	—	14,066	14,066
Other	3,633	742	4,375
Total regulatory liabilities	\$ 31,207	\$ 138,167	\$ 169,374

		18	
	Current	Noncurrent	Total
Regulatory assets:			
Unrecovered purchased gas costs	\$ 22,094	\$ —	\$ 22,094
Income taxes recoverable through future rates		90,498	90,498
Asset retirement obligations		43,956	43,956
Pension/OPEB unrecognized funding costs		12,112	12,112
Cost of removal		30,508	30,508
Other	1,731	12,946	14,677
Total regulatory assets	\$ 23,825	\$ 190,020	\$ 213,845
Regulatory liabilities:			
Tax Cuts and Jobs Act	\$ —	\$ 148,171	\$ 148,171
Other	3,844	2,082	5,926
Total regulatory liabilities	\$ 3,844	\$ 150,253	\$ 154,097

**Unrecovered and Over-Recovered Purchased Gas Costs**—Reflects the differences between actual purchased gas expenses and the levels of recovery for these expenses in current rates. The unrecovered costs are recovered and the over-recovered costs are refunded in future periods, typically within a year, through quarterly and annual filings with the applicable state regulatory agency.

- 23 -

**Income Taxes Recoverable through Future Rates**—Represents the deferral and under collection of deferred taxes in the rate making process. In prior years, customer rates were lowered in certain jurisdictions for the benefits of accelerated tax deductions. Amounts are expensed for financial reporting purposes as deferred taxes and are recovered in the rate making process.

Asset Retirement Obligations and Cost of Removal—Rates charged to customers include a provision for the cost of future activities to remove assets that are expected to be incurred at the time of retirement. Costs are recovered over a five-year period after being incurred.

**Pension/OPEB Unrecognized Funding Costs**—Primarily represents a regulatory asset, net of taxes, for the difference between postretirement expense and changes that would otherwise be recorded to AOCI by certain subsidiaries, and the postretirement expense and AOCI recorded in accordance with GAAP, pursuant to applicable state regulatory agency orders. These costs are expected to be collected through future base rates. Refer to Note 11, *Employee Benefit Plans*, for further details.

**Tax Cuts and Jobs Act**—Represents the obligation to refund to customers the impact of the TCJA enacted in 2017 including excess accumulated deferred taxes. Such obligation will be passed back to customers through future base rates. Refer to Note 4, *Income Taxes*, for further details.

## 9. LONG-TERM DEBT

Туре	Company	Rates	Issue Dates	Due Dates	2019	2018
Credit Agreement	LDC Holdings	Variable	2017	2022	\$ 224,250	\$ 226,550
Senior Secured Notes	PNG	2.9%-6.42%	2010-2017	2018–2032	920,090	1,106,227
364 day term loan	PNG	Variable	2020	2021	181,000	_
Revolving Credit Agreement	PNG	Variable	2017	2022	348,000	223,000
Debt issuance costs					(6,495)	(8,451)
					1,666,845	1,547,326
Current portion of long-term debt					(7,436)	(7,436)
Total long-term debt					\$ 1,659,409	\$ 1,539,890

On December 16, 2013, the Company issued \$150,000 of senior notes to Steel River LDC Ventures, LLC ("Ventures"), an entity owned by SRIFNA and an affiliated fund, and then parent of the Company. On the same day, SRIFNA assigned its interests in \$47,000 and \$106,000 of the Company's senior notes to Ventures. During 2016, as an equity contribution to LDC Parent, Ventures assigned its interests in the \$150,000, \$47,000 and \$106,000 notes to LDC Parent.

On December 14, 2017, the Company issued \$90,000 of Senior Notes to LDC Parent at 7.5% per annum, due December 14, 2047. On December 30, 2018, LDC Parent contributed to the Company the entire amount of the outstanding Affiliated Senior Notes, which was comprised of \$393,000 of principal and its associated interest of \$1,407 as an equity contribution to LDC Funding.

- 24 -

During 2017, LDC Holdings amended its existing Credit Agreement ("LDC Holdings Credit Agreement") by increasing the amount to \$230,000 and extending the expiration date to June 8, 2022. Under the terms of the agreement, the interest rate options include either London InterBank Offered Rate ("LIBOR") or the administrative agent bank's prime interest rate, plus an applicable margin based upon PNG's credit rating. The LDC Holdings Credit Agreement requires quarterly amortization payments equal to 0.25% of the amended borrowings.

On February 26, 2010, PNG issued \$411,000 of Senior Secured Notes under a Note Purchase Agreement dated February 26, 2010 ("2010 Note Agreement"). Of the \$411,000 Senior Secured Notes, \$230,000 had been refinanced under a PNG Credit Agreement prior to January 1, 2017. On December 19, 2013, PNG issued \$414,000 of Senior Secured Notes in connection with the Equitable ("EGC") acquisition. During 2017, PNG issued \$669,682 of Senior Secured Notes under Supplements to its existing Note Purchase Agreement dated February 26, 2010. A portion of the proceeds was used to pay off \$230,000 outstanding related to the PNG Credit Agreement and \$150,000 related to the PNG Senior Secured Notes. In addition, \$50,500 of this amount was issued in exchange for the surrender of Delta's existing Notes in conjunction with the Delta acquisition and \$69,182 was issued in exchange for the surrender of PGC's existing Notes.

On February 24, 2020 PNG borrowed \$181,000 under a new, 364 day agreement, which is due February 22, 2021. The proceeds were used to repay a February 2020 maturity under the 2010 Note Agreement.

During 2017, PNG amended and extended its existing Revolving Credit Agreement dated August 22, 2013 ("PNG Revolving Credit Agreement") with a consortium of financial institutions. PNG is permitted to borrow and repay funds and/or issue letters of credit up to a total commitment of \$500,000 through June 8, 2022, subject to a \$50,000 sublimit for letters of credit. At December 31, 2019 and 2018, outstanding borrowings under the PNG Revolving Credit Agreement were \$348,000 and \$223,000, respectively. At December 31, 2019 and 2018, total outstanding letters of credit were \$4,727. Under the terms of the agreement, interest rate options include either LIBOR or the administrative agent bank's prime interest rate, plus an applicable margin based upon PNG's credit rating. Commitment fees on the unused portion of the total commitment are also based upon PNG's credit rating.

As of December 31, 2019, the aggregated future maturities of long-term debt are as follows:

2020		2021	2022	2023	2024	Thereafter
\$	7,436	\$ 208,072	\$ 671,423	\$ 182,409	\$ 51,500	\$ 552,500

**Covenants and Other Terms**—The Senior Secured Notes, Credit Agreement, and Revolving Credit Agreement contain usual and customary negative covenants that require the Company to meet certain minimum leverage and interest coverage ratio covenants, and also contain usual and customary provisions regarding the acceleration of payments. In the event of certain defaults by the Company under these agreements, the lenders will have no further obligation to extend credit, and in some cases, any amounts owed by the Company will automatically become immediately due and payable. As of December 31, 2019 and 2018, the Company was in compliance with the covenants under the Senior Secured Notes, Credit Agreement, and Revolving Credit Agreement.

- 25 -

The Company's obligations under the Senior Secured Notes, Credit Agreement, and Revolving Credit Agreement are secured by the tangible and intangible assets of the Company and/or its subsidiaries, as specified in each agreement.

At December 31, 2019 and 2018, the unamortized debt issuance costs were \$6,495, and \$8,451, respectively. Total debt issuance costs amortized or expensed as interest expense during 2019, 2018 and 2017 were \$2,160, \$2,179 and \$2,074, respectively.

Accrued interest related to debt instruments was \$6,079 and \$6,478 at December 31, 2019 and 2018, respectively, which was included on the Consolidated Balance Sheets within "Accrued interest, payroll, and taxes."

**Surety Bonds**—As of December 31, 2019 and 2018, the Company purchased surety bonds of \$8,767 and \$8,468, respectively, to facilitate commercial transactions with third parties.

## 10. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations are primarily associated with the interim retirements of natural gas gathering, transmission, distribution, production wells, and storage pipeline components. These obligations result from certain safety and environmental activities that the Company is required to perform when any pipeline is abandoned. The Company also has asset retirement obligations related to the retirement of the gas storage wells in the Company's underground natural gas storage network. The Company currently does not have sufficient information to estimate a reasonable range of expected retirement dates for any of these wells. Thus, asset retirement obligations for those assets will not be reflected in the consolidated financial statements until sufficient information becomes available to determine a reasonable estimate of the fair value of the activities to be performed. Generally, this will occur when the expected retirement or abandonment dates are determined by the operations engineering department.

The changes to the Company's asset retirement obligations during 2019 and 2018 were as follows:

	2019	2018
Total asset retirement obligations—January 1	\$ 49,127	\$ 45,241
Liabilities incurred	216	4,080
Obligations settled during the period	(2,347)	(3,124)
Regulatory asset—accretion	3,486	2,930
Total asset retirement obligations—December 31	50,482	49,127
Less: current portion	2,050	2,003
Noncurrent asset retirement obligations—December 31	\$ 48,432	\$ 47,124

- 26 -

## 11. EMPLOYEE BENEFIT PLANS

The Company provides certain benefits to eligible active employees, retirees, and qualifying dependents. Under the terms of the benefit plans, the Company reserves the right to change, modify, or terminate the plans, unless restricted by collective bargaining.

Strategic investment policies are established for each of the Company's prefunded benefit plans based upon periodic asset/liability studies. Factors considered in setting the investment policy include employee demographics, liability growth rates, future discount rates, funded status of the plans, cash disbursement requirements, and the expected long-term rate of return on plan assets. Deviations from the plans' strategic allocation are a function of short-term actual investment results in the capital markets and/or short-term market movements, which result in the plans' actual asset allocations varying from the strategic target asset allocations. Through periodic rebalancing, actual allocations are brought back in line with the target.

The Company's overall objective for investing the pension and other postretirement plan assets is to achieve the best possible long-term rates of return commensurate with prudent levels of risk. To minimize risk funds are broadly diversified among asset classes, investment strategies, and investment advisors.

The Company uses a December 31 measurement date for all employee benefit plans. To determine the expected return on plan assets (a component of net periodic pension cost) the Company uses the market-related value of pension plan assets. The market-related value recognizes changes in fair value on a straight-line basis over a four-year period, which reduces year-to-year volatility. Changes in fair value are measured as the difference between the expected and actual plan asset returns, including dividends, interest, and realized and unrealized investment gains and losses. Since the market-related value recognizes changes in fair value over a four-year period, the future market-related value of pension plan assets will be impacted as previously unrecognized changes in fair value are recognized.

**Defined Benefit Plans**—The Company sponsors defined benefit retirement plans for current and former employees of Peoples, PGC and Delta. The defined benefit pension plans sponsored by Peoples and PGC are frozen not allowing new entrants to the plan or accrual of additional service. The defined benefit plan sponsored by Delta is frozen to new entrants, but plan participants continue to accrue benefits. Benefits payable under all plans are based on certain factors, including hire date, years of service, age, and compensation. The Company's contributions to the plans are determined in accordance with the provisions of the Employment Retirement Income Security Act of 1974 ("ERISA"), as well as commitments under base rate cases.

The accumulated benefit obligation for the Company's defined benefit pension plans was \$141,458 and \$128,741 at December 31, 2019 and 2018, respectively. The Company evaluates plan funding requirements annually, usually in the fourth quarter after considering updated plan information from the plan's actuaries. Based on the funded status of the plan and other factors, the Company determines the amount of contributions for the current year, if any.

**Postretirement Benefits**—The Company also provides limited postretirement health care benefits and life insurance benefits ("Postretirement Benefits") for employees, the provisions of which are based upon certain factors, such as position and hire date.

- 27 -

Retiree health care and life insurance benefits are provided for the Company's union and salaried employee groups through separately administered postretirement benefit plans. Annual premiums for both programs are negotiated as part of the Company's group policies and are dependent upon market trends and overall group experience. Annual employee contributions are based on several factors, such as age, retirement date, and years of service.

The Company, through Peoples and PGC, has established Voluntary Employees' Beneficiary Association ("VEBA") trusts for its Postretirement Benefits. Contributions to the VEBA trusts are tax deductible, subject to limitations contained in the Internal Revenue Code, and are made to fund employees' Postretirement Benefits. In accordance with ratemaking standards recognized by the PA PUC, the Company deposits, into irrevocable trusts, amounts equal to the postretirement benefits expenses determined in accordance with authoritative guidance for postretirement benefit plans. The trusts' assets will be used for the payment of Postretirement Benefits and trust administration costs. Expense for the Postretirement Benefits is based on contributions to the VEBA, which the difference between the contributions and the periodic expense as calculated under generally accepted accounting principles is deferred as a regulatory asset. The following tables summarize the changes in the Company's defined benefit and other postretirement benefit plan obligations and plan assets, fair value measurements, components of net periodic benefit costs, and expected payments of future service.

	Defined Benefits		Other Post Bene	
	2019	2018	2019	2018
Periods Ended December 31				
Change in benefit obligation:	¢ 404 500	¢ 1 1 1 500	¢ 44 CDD	¢ 50.000
Benefit obligation—beginning of year	\$ 131,532	\$ 144,508	\$ 44,633	\$ 52,983
Service cost	810	977	1,820	2,243
Interest cost	5,438	5,184	1,819	1,802
Benefits paid	(10,572)	(8,327)	(3,795)	(5,478) 848
Participant contributions	17 5 6 1	(10.010)	920	
Actuarial (gain) loss during the year	17,561	(10,810)	(5,249)	(7,765)
Benefit obligation—end of year	144,769	131,532	40,148	44,633
Change in plan assets:				
Fair value of plan assets—beginning of year	115,308	126,570	30,855	30,141
Actual return on plan assets	21,187	(6,714)	2,469	(404)
Employer contributions	5,306	4,105	4,727	5,748
Expenses paid	_	(326)	_	_
Benefits paid	(10,572)	(8,327)	(3,795)	(5,478)
Participant contributions			920	848
Fair value of plan assets—end of year	131,229	115,308	35,176	30,855
Funded status—end of year	\$ (13,540)	\$ (16,224)	\$ (4,972)	\$ (13,778)
Amounts recognized in the consolidated balance sheet as of December 31:				
Noncurrent assets	\$ 621	\$ 2,867	\$ 5,782	\$ —
Current liabilities			(1,367)	(1,464)
Noncurrent liabilities	(14,161)	(19,091)	(9,387)	(12,314)
Net amount recognized	\$ (13,540)	\$ (16,224)	\$ (4,972)	\$ (13,778)
Significant assumptions used to determine benefit obligations as of December 31:				
Discount rate	3.29%	4.42%	3.10%	4.19%
Weighted-average rate of increase for compensation	N/A	N/A	5.30	5.30

- 29 -

	Defined Benefits			Other Postretirement Benefits				
	2	019		2018	20	19	2018	_
Periods Ended December 31								
Fair value measurements:								
Level 1:								
Cash equivalents		7,556	\$	3,750	\$ 8	, ,	\$ 8,60	
Equity		76,727		80,196		,157	5,90	
Fixed income	-	1,590		11,898		,545	6,59	
Subtotal		5,873		95,844		,962	21,10	
Level 2—fixed income	3	85,356		19,464	9	,214	9,75	52
Level 3		_				<u> </u>		_
Fair value	\$13	31,229	<b>\$</b> (	115,308	\$ 35	,176	\$ 30,8	55
Components of net periodic benefit costs:								
Service cost	\$	810	\$	977	\$ 1	,820	\$ 2,24	43
Interest cost		5,438		5,184	1	,819	1,80	02
Expected return on plan assets	(	(5,932)		(5,977)	(1	,225)	(1,10	00)
Amortization of prior service cost		_		_		830	92	24
Amortization of net (gain) loss		1,101		723	(	(307)		(3)
Net periodic benefit cost	\$	1,417	\$	907	\$ 2	,937	\$ 3,80	66
Significant assumptions used to determine periodic cost:								
Discount rate		3.29%		4.42%		3.10%	4.	19%
Expected long-term rate of return on plan assets		5.57		5.76		3.98	4.2	20
Weighted-average rate of increase for compensation		N/A		N/A				
Health care cost trend ultimate rate		_		_		5.30	5.3	30
Long-term asset allocation policy:						4.50	4.5	50
Equity		60%		60%		%	-	%
Debt		40%		40%		%	-	%
Change in plan assets and benefit obligations recognized in regulatory assets (other comprehensive income) (Note 8):								
Current year net actuarial (gain) loss	\$	2,305	\$	2,208	\$ (6	,493)	\$ (6,20	61)
Amortization of prior service cost/(credit)		—		_	(	(830)	(92	24)
Amortization of actuarial loss	(	(1,101)		(723)		307		3
Total recognized in regulatory assets (other comprehensive								
income) (Note 8)	\$	1,204	\$	1,485	\$ (7	,016)	\$ (7,18	82)
Expected contributions for 2020	\$	4,177			\$ 5	,077		_
Expected future benefit payments:								
2020	\$	7,708			\$3	,737		
2021		8,222			3	,469		
2022		8,967			3	,259		
2023		8,742			3	,217		
2024		8,221			2	,987		
2025–2029	4	1,064			14	,851		

- 30 -

**401(k)** Savings Plans—In addition to the aforementioned employee benefit plans, the Company has various 401(k) Savings Plans for union and salaried employees. Under these 401(k) Savings Plans, employees can make voluntary contributions into their individual 401(k) Savings Plan accounts. The Company provides matching and non-elective employer contributions to the 401(k) Savings Plans, as stipulated in the plan documents. During 2019, 2018 and 2017, the Company made contributions to the 401(k) Savings Plans of \$10,836, \$10,289 and \$8,754, respectively.

## 12. COMMITMENTS AND CONTINGENCIES

#### Commitments

*Leases*—The Company leases various facilities and equipment under operating leases that are noncancelable. Rental expense totaled \$5,365, \$5,259, and \$5,382 in 2019, 2018 and 2017, respectively, the majority of which is reflected in "Other operations and maintenance" on the Consolidated Statements of Income. The future minimum lease payments are as follows:

2020		2021	2022		2023		2024		Thereafter
\$	7,777	\$ 9,810	\$ 10,109	\$	10,219	\$	10,347	\$	29,382

*Investments*—In September 2014, the Company committed to invest \$3,000 in a regional site development fund. An investment of \$2,471 has been made through 2019, with a commitment of \$529 remaining.

*Long-Term Gas Supply Obligations*—The retail gas supply of the Company is provided by sources on the interstate pipeline system and from local western Pennsylvania gas well production. The Company has various interstate pipeline service agreements that provide for firm transportation capacity, firm storage capacity, and other services and include capacity reservation charges based upon the maximum daily and annual contract quantities set forth in the agreements. Some of these agreements have minimum volume obligations and are transacted at applicable tariff and negotiated rates for remaining periods of up to 14 years.

*Contingencies*—In the ordinary course of business, the Company is routinely involved in various disputes, claims, lawsuits, and other regulatory and legal matters, including both asserted and unasserted legal claims. While the outcome of these proceedings is uncertain and a loss in excess of the amount the Company has accrued is possible, though not reasonably estimable, it is the opinion of management that any amounts exceeding the accruals will not have a material adverse impact on the consolidated financial statements.

*Loss Contingencies*—The Company accrues loss contingencies when the Company's assessments indicate it is probable that a liability has been incurred or an asset will not be recovered and an amount can be reasonably estimated. The Company expenses legal fees as incurred and base the legal liability estimates on currently available facts and the Company's estimates of the ultimate outcome or resolution.

*Environmental Matters*—The Company is subject to costs resulting from a steadily increasing number of federal, state, and local laws and regulations designed to protect human health and the environment. These laws and regulations affect future planning and existing operations and can result in increased capital, operating, and other costs as a result of compliance, remediation, containment, and monitoring obligations. The Company may sometimes seek recovery of environmental-related expenditures through regulatory proceedings.

- 31 -

## 13. RELATED PARTY TRANSACTIONS

On January 1, 2014, the Company entered into a management agreement with SRIFNA, which requires an annual management fee of approximately \$5,000, paid in equal quarterly installments. The Company paid \$4,979 during 2019, 2018 and 2017.

The Company expensed interest related to the LDC Parent Affiliated Senior Notes of \$35,620 and \$29,250 during 2018 and 2017, respectively.

## 14. MERGER WITH ESSENTIAL

On October 22, 2018, LDC Parent entered into a Purchase Agreement with Essential under which Essential agreed to acquire all of the issued and outstanding limited liability company membership interests of the Company. Final regulatory approval for the merger was received on January 24, 2020, and the merger closed on March 16, 2020. Subject to the terms and conditions set forth in the Purchase Agreement, Essential paid \$4,275,000 in cash to LDC Parent, subject to adjustments for working capital, certain capital expenditures, transaction expenses and closing indebtedness. Upon consummation of the merger, Essential assumed the indebtedness of PNG and paid off the LDC Holdings credit agreement. Additionally, Essential triggered the employment agreements for two of PNG's executives, which resulted in lump sum payments to the executives totaling \$9,000.

## 15. SUBSEQUENT EVENTS

The Company has evaluated events through April 1, 2020, the date that these consolidated financial statements were available to be issued.

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- 32 -

#### UNAUDITED PRO FORMA CONSOLIDATED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma consolidated combined financial statements (the "pro forma financial statements") have been derived from the annual historical consolidated financial statements of Essential Utilities, Inc. (the "Company" or "Essential") and LDC Funding LLC ("LDC"), including the consolidated balance sheets as of December 31, 2019, and the consolidated statements of net income for the year ended December 31, 2019. LDC is the parent of Peoples Natural Gas Company LLC, Peoples Gas Company LLC, Peoples Gas WV LLC, Peoples Gas KY LLC, and Delta Natural Gas Company Inc., as well as other subsidiaries (collectively with LDC, "Peoples").

The unaudited pro forma consolidated combined balance sheet as of December 31, 2019 combines the historical consolidated balance sheets of the Company and Peoples and gives effect to the acquisition by the Company of all of the issued and outstanding limited liability company membership interests of Peoples (the "Acquisition"), as well as the completion of certain financing transactions (as described in Note 6 of the accompanying notes), as if they were completed on December 31, 2019. The unaudited pro forma consolidated combined statement of net income for the year ended December 31, 2019, gives effect to the Acquisition and certain financing transactions (as described in Note 6 of the accompanying notes) as if they were completed on January 1, 2019.

The historical consolidated financial information has been adjusted in the pro forma financial statements to give effect to pro forma events that are: (1) directly attributable to the Acquisition and the related transactions described herein; (2) factually supportable; and (3) with respect to the pro forma statement of net income, expected to have continuing impact on the combined results of the Company and Peoples. As such, the impacts of non-recurring Acquisition-related expenses are not included in the pro forma statement of net income. However, the impacts of such expenses are reflected in the pro forma balance sheet. Assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the pro forma financial statements.

The pro forma financial statements were based on, and should be read in conjunction with, the following:

- the separate historical audited consolidated financial statements of the Company as of and for the year ended December 31, 2019 and the related notes, included in the Company's Annual Report on Form 10-K filed with the SEC on February 28, 2020; and
- the separate historical audited consolidated financial statements of Peoples as of December 31, 2019 and 2018, and for the three years ended December 31, 2019 and related notes included as Exhibit 99.1 to this Form 8-K/A.

The unaudited pro forma consolidated combined financial information has been prepared using the acquisition method of accounting in accordance with the business combination accounting guidance as provided in Accounting Standards Codification ("ASC") 805, *Business Combinations*. The applicable guidance also requires that one party to an acquisition be identified as the acquirer. In accordance with such principles, the Acquisition will be accounted for as an acquisition of Peoples by the Company.

Accounting for the Acquisition is dependent upon certain valuation and other studies that have yet to progress to a stage where there is sufficient information for a definitive measurement. The assets and liabilities of Peoples have been measured based on various preliminary estimates using assumptions that the Company believes are reasonable based on information that is currently available. Differences between these preliminary estimates and the final acquisition accounting could have a material impact on the accompanying pro forma financial statements and the combined company's future results of operations and financial position. The pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma combined financial statements prepared in accordance with the rules and regulations of the SEC. The Company intends to finalize the acquisition accounting as soon as practicable within the required measurement period, but in no event later than one year following completion of the Acquisition, which closed on March 16, 2020.

The pro forma financial statements have been presented for informational purposes only and do not purport to represent the actual results of operations that the Company and Peoples would have achieved had the companies been combined during the periods presented in the pro forma financial statements and are not intended to project the future results of operations that the combined company may achieve after the Acquisition. The pro forma financial statements do not reflect any cost savings that may be realized as a result of the Acquisition and also do not reflect any restructuring or integration-related costs to achieve those potential cost savings.

		Unau	dited Pro Forma Co	nsolidate	ed Combined Balance Sl	neet as o	f December 31, 2019		
	Historical	Results	Reclassification	Pro Forma Adjustments on Acquisition-related		6	Financing-related		Pro
			Adjustments		Âdjustments		Adjustments		Forma
(in thousands) Assets	Essential	Peoples	(Note 3)		(Note 5)		(Note 6)		Combined
Property, plant and									
equipment, at cost	8,201,936	3,582,247	147,134	3(a)	(1,281,010)	5(a)			10,650,307
Less: accumulated	0,201,550	5,502,247	147,104	5(a)	(1,201,010)	J(a)			10,050,507
depreciation	1,856,146	1,213,628	67,382	3(a)	(1,281,010)	5(a)	_		1,856,146
Net property, plant and	1,000,110	1,210,020	07,002	5(4)	(1,201,010)	0(u)			1,000,110
equipment	6,345,790	2,368,619	79,752						8,794,161
	0,040,750	2,000,010	/ 5,/ 52						0,754,101
Current assets: Cash and cash equivalents	1,868,922	4,785			(3,511,979)	5(b)	1,679,564	6(2)	41,292
Accounts receivable, net	1,000,922 67,137	4,765	(74,009)	2(i)	(3,250)	5(b) 5(k)	1,0/9,504	6(a)	41,292
Unbilled revenues	40,483	104,244	74,009)	3(j)	(3,250)	Э(К)	—		154,122
	40,405		74,009	3(j)					114,492
Inventory, materials and supplies	18,379	4,320							22,699
Gas stored—current portion	10,575	40,887			_				40,887
Prepayments and other		40,007							40,007
current assets	16,259	12,661	4,163	3(g)	_		_		33,083
Assets held for sale	1,558	12,001	4,105	J(g)	_		_		1,558
Regulatory assets, current	1,550								1,550
portion		4,120							4,120
Other		4,163	(4,163)	3(g)					.,120
Total current assets	2,012,738	235,180	(1,100)	0(8)	(3,515,229)		1,679,564		412,253
	2,012,730	233,100			(3,313,229)		1,079,304		412,233
Regulatory assets, excluding	070 100	242 556			00.001	= (1)			1 101 500
current portion	878,132	213,556	_	$\mathbf{D}(\mathbf{L})$	89,881	5(i)	_		1,181,569
Deferred charges and other assets,				3(b),					
net	40.050		26 100	3(g),	1 050	50		$\mathcal{C}(\mathbf{x})$	50 550
T	42,652		26,190	3(h)	1,253	5(l)	675	6(c)	70,770
Investment in joint venture Goodwill	5,984 63,822	5,406	(5,406)	3(h)	1 974 246	E(a)	_		5,984
	03,022	431,839			1,874,246	5(c)	—		2,369,907
Operating lease right-of-use assets	12,867				55,962	5(j)			68,829
Intangible assets, net	12,007			3(a),	55,902	2()			00,029
intaligible assets, het		88,894	(88,894)	3(a), 3(b)					
Other		11,642	(11,642)						—
Total Assets	0.201.005	3,355,136	(11,042)	3(g)	(1 402 007)		1,680,239		12 002 472
	9,361,985	3,333,130			(1,493,887)		1,000,239		12,903,473
Liabilities and Equity									
Stockholders' equity:									
Common stock	111,935		—			- ( )	10,831	6(b)	122,766
Member's equity		1,023,095	—		(1,023,095)	5(d)			
Capital in excess of par value	2,636,555		_		(00 555)	= ( )	719,408	6(b)	3,355,963
Retained earnings	1,210,072	—	—		(33,577)	5(e)	—		1,176,495
Treasury stock	(77,702)	_	_		_		_		(77,702)
Accumulated other		F 440			(5.440)	<b>F</b> (1)			
comprehensive income		5,448			(5,448)	5(d)			
Total Equity	3,880,860	1,028,543			(1,062,120)		730,239		4,577,522
Long-term debt, excluding									
current portion	2,972,349	1,659,409	6,495	3(d)	(659,886)	5(f)	800,000	6(c)	4,778,367
Less: debt issuance costs	29,022		6,495	3(d)	(6,495)	5(f)			29,022
Long-term debt, excluding									
current portion, net of debt									
issuance costs	2,943,327	1,659,409			(653,391)		800,000		4,749,345

Current liabilities:									
Current portion of long-term debt	105,051	7,436	—		(2,300)	5(f)	—		110,187
Loans payable	25,724		—		181,000	5(f)	150,000	6(d)	356,724
Accounts payable	74,919	91,458	—						166,377
Book overdraft	10,944		—		—				10,944
Accrued interest	29,818	48,034	(41,862)	3(c)					35,990
Accrued taxes	22,775	—	10,128	3(c)	(13,058)	5(g)	—		19,845
Other accrued liabilities				3(c),					
	49,618	26,427	31,097	3(i)	6,291	5(j)	_		113,433
Interest rate swap agreements			—						
Regulatory liabilities, current portion		31,207	—						31,207
Total current liabilities	318,849	204,562	(637)		171,933		150,000		844,707
Deferred credits and other liabilities:									
Deferred income taxes and investment tax									
credits	936,158	233,459	—		20	5(h)	—		1,169,637
Customers' advances for construction	95,556	—	763	3(i)			—		96,319
Regulatory liabilities, excluding current									
portion	517,599	138,167	—		—				655,766
Asset retirement obligations		48,432	(48,432)	3(e)					—
Pension and other postretirement benefits									
liabilities		23,548	(23,452)	3(f)			—		96
Operating lease liabilities	11,645		—		49,671	5(j)			61,316
Other accrued liabilities, excluding current				3(f),					
portion				3(i),					
	102,465	19,016	71,758	3(e)					193,239
Total deferred credits and other liabilities	1,663,423	462,622	637		49,691				2,176,373
Contributions in aid of construction	555,526	_					_		555,526
Total Liabilities and Equity	9,361,985	3,355,136			(1,493,887)		1,680,239		12,903,473

See the accompanying notes to the unaudited pro forma consolidated combined financial statements, which are an integral part of these statements.

	Unaudited Pro Forma Consolidated Combined Statement of Net Income for the Year Ended December 31, 2019								
	Historica	l Results	Pro Forma Adjustments						
(in thousands, except per share amounts)	Essential	Peoples	Reclassification Adjustments (Note 3)		Acquisition- related Adjustments (Note 5)		Financing- related Adjustments (Note 6)		Pro Forma Combined
Operating revenues	889,692	908,654							1,798,346
Operating expenses:									
Operations and maintenance						5(m),			
	333,102	214,487	10,983	3(k)	(26,564)	5(n)	—		532,008
Purchased gas	—	367,388	—		—				367,388
Depreciation	158,179	95,401	(2,599)	3(l)	—				250,981
Amortization	(1,703)	—	2,599	3(l)	(477)	5(o)			419
Taxes other than income taxes	59,955	16,898			—				76,853
Total operating expenses	549,533	694,174	10,983		(27,041)				1,227,649
Operating income	340,159	214,480	(10,983)		27,041				570,697
Other expense (income):									
Interest expense	125,383	67,124	748	3(m)	(22,887)	5(p)	29,444	6(e)	199,812
Interest income	(25,406)		(421)	3(n)	(22,007)	9(b)	(23,377)	6(f)	(49,204)
Affiliated interest charges	(20,100)		(121)	0(11)			(20,077)	0(1)	(15,201)
Allowance for funds used during									
construction	(16,172)	_	(748)	3(m)					(16,920)
Change in fair value of interest rate swap	(,)		()	-()					(;===)
agreements	23,742		_		(23,742)	5(q)			
Loss on debt extinguishment	18,528		_		(18,528)	5(r)			_
Gain on sale of other assets	(923)		_		(,) 	-(-)			(923)
Equity earnings in joint venture	(2,210)	_	_		_				(2,210)
Other expense (income)				3(k),					
	5,691	7,600	(10,562)	3(n)					2,729
Income before income taxes	211,526	139,756			92,198		(6,067)		437,413
Provision for income taxes (benefit)	(13,017)	29,092			25,682	5(s)	(1,699)	6(g)	40,058
Net income	224,543	110,664			66,516	0(0)	(4,368)	(8)	397,355
Net income per share:		110,001					(1,000)		
Basic net income per share (See Note 7)	1.04								1.57
Diluted net income per share (See Note 7)	1.04								1.57
Weighted-average number of shares (in	1.04								1.50
thousands):									
Basic (See Note 7)	215,550								253,670
Diluted (See Note 7)	215,931								254,051
	210,001								204,001

See the accompanying notes to the unaudited pro forma consolidated combined financial statements, which are an integral part of these statements.

## NOTES TO UNAUDITED PRO FORMA CONSOLIDATED COMBINED FINANCIAL STATEMENTS

#### Note 1. Basis of Presentation

On March 16, 2020, pursuant to the terms of a purchase agreement, dated October 22, 2018 (the "Peoples purchase agreement"), the Company completed the Acquisition of Peoples for cash consideration of \$3,465,344, which was the base cash purchase price as adjusted pursuant to the terms of the Peoples purchase agreement by \$43,935 for the estimated change in working capital, by \$247,500 for certain estimated capital expenditures, and by \$1,101,091 for indebtedness of Peoples outstanding as of the closing date. The cash consideration is subject to further adjustment upon completion of a closing balance sheet and the finalization of other adjustments. The acquisition of Peoples and related transactions, including the related costs, were financed through the following financing transactions that were completed in connection with the Acquisition:

- Issuance of \$749,907 of the Company's common stock, par value \$0.50 per share ("Common Stock"), pursuant to a Stock Purchase Agreement with Canada Pension Plan Investment Board ("CPPIB") (the "Private Placement") at a per share price of \$34.62. The Private Placement was completed on March 16, 2020;
- Borrowings of \$150,000 under a credit agreement the Company entered into with PNC Bank, National Association on March 13, 2020 (the "PNC Credit Agreement");
- Borrowings of approximately \$800,000, including approximately \$22,000 designated for letter of credit usage, aggregate principal
  amount of long-term debt under the Company's five-year unsecured revolving credit agreement (the "Revolving Credit
  Agreement");
- Issuance of \$ 1,293,750 of Common Stock and \$690,000 of the Company's 6.00% tangible equity units ("TEUs") in public offerings, which were completed on April 23, 2019; and
- Issuance of \$900,000 aggregate principal amount of senior notes in a public offering that was completed on April 26, 2019. A
  portion of the proceeds from the senior notes were used to redeem \$313,500 of the Company's outstanding debt (the "Company Debt
  Refinancing"), and remaining proceeds were used prior to December 31, 2019 to temporarily repay borrowings under the Revolving
  Credit Agreement. On the Acquisition closing date, the Company borrowed under the Revolving Credit Agreement to complete the
  Acquisition as described above.

On October 23, 2018, the Company entered into interest rate swap agreements to mitigate interest rate risk associated with \$850,000 of thenanticipated future debt issuances to fund a portion of the Acquisition. The interest rate swaps were settled on April 24, 2019 in conjunction with the senior notes offering described above, which resulted in a payment by Essential in the amount of \$83,520. The interest rate swaps did not qualify for hedge accounting and any changes in the fair value of the swaps was included in our earnings.

Since the pro forma financial statements have been prepared based upon preliminary estimates, the final amounts recorded at the closing date of the Acquisition may differ materially from the information presented herein. These preliminary estimates are subject to change pending further review of the assets acquired and the liabilities assumed.

Certain reclassifications have been made to the historical presentation of Peoples' financial statements in order to conform to the financial statement presentation of the Company. These reclassifications are discussed further at Note 3.

The pro forma financial statements have been prepared using the acquisition method of accounting. In accordance with the acquisition method, Peoples' assets acquired and liabilities assumed have been measured at their estimated fair value. For purpose of measuring the estimated fair value of assets acquired and liabilities assumed, the Company utilizes estimates based on key assumptions of the Acquisition, including historical and current market information. The pro forma adjustments included herein are preliminary and will be revised at the time the Company has finalized its fair value valuations and analyses.

Costs related to the Acquisition recorded by both Peoples and the Company in each of the respective historical financial statements have been excluded from the pro forma statement of net income for the year ended December 31, 2019 as they reflect non-recurring charges directly related to the transaction. However, these acquisition-related costs have been reflected within the pro forma balance sheet as of December 31, 2019 when appropriate.

Following the closing of the Acquisition, we granted stock-based awards under a long-term incentive plan to employees of Peoples. However, the impact of these awards was immaterial and therefore is not reflected within the pro forma statement of net income.

#### Note 2. Significant Accounting Policies

The accounting policies used in the preparation of the pro forma financial statements are those set out in the Company's audited financial statements as of December 31, 2019, and those related to ASU No. 2016-02, *Leases* ("ASC 842"), which was adopted by the Company on January 1, 2019. The Adoption of ASC 842 resulted in the recording of operating lease liabilities and corresponding right-of-use assets presented in the Company's historical audited balance sheet as of December 31, 2019. Adoption of ASC 842 is not yet required for Peoples, and ASC 842 was not voluntarily adopted by Peoples in its historical audited consolidated financial statements. Accordingly, for purposes of these pro forma financial statements, the Company and Peoples have completed their preliminary assessment of financial statement impact of ASC 842 to align the accounting policies of Peoples to those of the Company, which resulted in pro forma adjustment for \$55,962 of operating lease liabilities and corresponding right-of-use assets within the pro forma balance sheet as of December 31, 2019.

Additionally, management has substantially completed the review of Peoples' other accounting policies and based on its analysis to date has determined that no other significant adjustments are necessary to conform Peoples' financial statements to the accounting policies used by the Company in the preparation of the pro forma financial statements.

Certain reclassifications have been reflected in the pro forma adjustments to conform Peoples' presentation to the Company's in the pro forma financial statements (Note 3). These reclassifications have no effect on previous reported total assets, total liabilities, and shareholders' equity, or income of the Company or Peoples.

## Note 3. Reclassification Adjustments

Certain historical consolidated financial statement balances of Peoples have been reclassified in the unaudited pro forma financial statements to conform to the historical consolidated financial statement presentation of the Company.

#### Adjustments to the Pro Forma Balance Sheet

- (*a*) *Internal-use Software.* Represents the reclassification of Peoples' capitalized internal-use software costs and related amortization within "Intangible assets, net" into the Company's "Property, plant and equipment, at cost, net" line item in order to conform to the Company's balance sheet presentation.
- (b) Intangibles, net. Represents the reclassification of Peoples' other intangible assets within Peoples' "Intangible assets, net" into the Company's "Deferred charges and other assets, net" line item in order to conform to the Company's balance sheet presentation.
- (c) Accrued Taxes and Payroll. Represents the reclassification of Peoples' current accrued payroll and accrued taxes within "Accrued interest, payroll and taxes" into the Company's "Other accrued liabilities" and "Accrued taxes" line items, respectively in order to conform to the Company's balance sheet presentation.
- (d) Debt Issuance Costs. Represents the reclassification of Peoples' unamortized debt issuance costs within "Long-term debt, excluding current portion" into the Company's "Less: debt issuance costs" line item in order to conform to the Company's balance sheet presentation.
- *(e) Asset Retirement Obligation.* Represents the reclassification of Peoples' "Asset retirement obligation" into the Company's "Other" line item of non-current liabilities in order to conform to the Company's balance sheet presentation.
- (f) Pension and Other Postretirement Benefits, Non-current. Represents the reclassification of Peoples' "Pension and other postretirement benefits liabilities" to the Company's "Other" line item of non-current liabilities in order to conform to the Company's balance sheet presentation.
- (g) Other Current Assets and Other Assets. Represents the reclassification of Peoples' prepaid gas costs and restricted cash within Peoples' "Other" to the Company's "Prepayments and other current assets" line item in order to conform to the Company's balance sheet presentation. In addition, the amounts presented within Peoples' "Other" are reclassified to "Deferred charges and other assets, net."
- (*h*) *Investments*. Represents the reclassification of Peoples' investments to the Company's "Deferred charges and other assets, net" line item in order to conform to the Company's balance sheet presentation.

- (i) *Customer Advances*. Represents the reclassification of Peoples' customer advances for construction reclassified within both other current and other noncurrent liabilities into the Company's "Customers' advances for construction" line item in order to conform to the Company's balance sheet presentation.
- (*j*) *Unbilled Revenue*. Represents the reclassification of Peoples' unbilled revenue within "Accounting receivable, net" into the Company's "Unbilled revenue" line item in order to conform to the Company's balance sheet presentation.

### Adjustments to the Pro Forma Statement of Net Income for the Year Ended December 31, 2019

- (*k*) *Donations, Penalties and Other Expenses.* Represents the reclassification of Peoples' donations, penalties and other miscellaneous expenses to the Company's "Operations and maintenance" line item in order to conform to the Company's statement of net income presentation.
- (*l*) *Amortization*. Represents the reclassification of certain expenses from Peoples' "Depreciation and amortization" into the Company's "Amortization" line item in order to conform to the Company's statement of net income presentation.
- (m) Allowance for Funds Used in Construction. Represents the reclassification of allowance for funds used in construction within Peoples' "Interest expense" to the Company's "Allowance for funds used during construction" line item in order to conform to the Company's statement of net income presentation.
- (*n*) *Interest and Other Income.* Represents the reclassification of certain interest income recorded by Peoples within "Other" to the Company's "Interest income" line item in order to conform to the Company's statement of net income presentation.

#### Note 4. Estimated Purchase Price and Preliminary Purchase Price Allocation

On March 16, 2020, pursuant to the terms of the Peoples purchase agreement, the Company completed the Acquisition of Peoples for cash consideration of \$3,465,344, which was the base cash purchase price as adjusted pursuant to the terms of the Peoples purchase agreement by \$43,935 for the estimated change in working capital, by \$247,500 for certain estimated capital expenditures, and by \$1,101,091 for indebtedness of Peoples outstanding as of the closing date. The cash consideration is subject to further adjustment upon completion of a closing balance sheet and the finalization of other adjustments.

The allocation of the purchase price to the fair values of the assets acquired and liabilities assumed includes pro forma adjustments to the fair values of Peoples' assets and liabilities. As of the time of this filing, the Company has not yet finalized the detailed valuation analysis related to the fair values of identifiable assets to be acquired and liabilities to be assumed. The final amounts recorded for the Acquisition may differ materially from the information presented below.

The preliminary calculation of assets acquired and liabilities assumed performed for the purposes of these unaudited pro forma financial statements includes the calculation of preliminary values for goodwill, assumed debt, and deferred taxes, all of which resulted in differing fair values when compared to the amounts historically recorded by Peoples. Property, plant, and equipment, net is valued at Peoples' net book value at December 31, 2019 as the net book value is assumed to approximate fair value. Peoples operations are primarily comprised of regulated distribution and transportation of natural gas to customers. The operations are subject to regulation by various rate-setting authorities including the West Virginia Public Service Commission, the Pennsylvania Public Utility Commission and the Kentucky Public Service Commission, which have broad administrative power and authority to regulate billing rates, determine franchise areas and conditions of service, approve acquisitions and authorize the issuance of securities. Therefore, the carrying value of certain Peoples' assets and liabilities, which are subject to these rate-setting provisions, are expected to approximate fair value. As of the date of this filing, the calculations necessary to estimate the fair values of the assets acquired and liabilities assumed have been performed based on preliminary analyses involving a variety of other assumptions, including market participant assumptions. The Company will continue to refine its identification and valuation of assets acquired and liabilities assumed as further information becomes available during the measurement period.

The total cash purchase price is as follows:

In thousands	Total
Base cash purchase price pursuant to the Peoples purchase agreement	\$ 4,275,000
Add: working capital adjustment	43,935
Add: capital expenditure adjustment	247,500
Less: adjustment for Peoples' debt outstanding as of the Acquisition closing date	(1,101,091)
Total cash purchase price	\$ 3,465,344

The preliminary purchase price allocation is as follows:

In thousands	December 31, 2019 Peoples' Historical Information	Assets and Liabilities Not Assumed and New Loan Payable (See Note 5)	Fair Value Adjustments (See Note 5)	Purchase Price Allocation
Cash and cash equivalents	4,785			4,785
Accounts receivable and unbilled revenues, net	164,244	—	(3,250)	160,994
Inventory, materials and supplies	45,207	—	—	45,207
Prepayments and other current assets	12,661	—	—	12,661
Regulatory assets, current portion	4,120	—	—	4,120
Other current assets	4,163	—	—	4,163
Property, plant and equipment, net	2,368,619	—	—	2,368,619
Regulatory assets, excluding current portion	213,556	—	89,881	303,437
Intangible assets, net	88,894	—	—	88,894
Other non-current assets	17,048	_	1,253	18,301
Operating lease right-of-use assets	—	—	55,962	55,962
Goodwill	431,839		1,874,246	2,306,085
Total assets acquired	3,355,136		2,018,092	5,373,228
Accounts payable	91,458	_		91,458
Current portion of long-term debt	7,436	(2,300)	—	5,136
Loans Payable	—	181,000	—	181,000
Other accrued liabilities, current portion	105,668	—	6,291	111,959
Long-term debt, excluding current portion, net of debt				
issuance costs	1,659,409	(744,454)	91,063	1,006,018
Deferred income taxes and investment tax credits	233,459	—	20	233,479
Regulatory liabilities, excluding current portion	138,167	—	—	138,167
Operating lease liabilities	—	—	49,671	49,671
Other accrued liabilities, excluding current portion	90,996			90,996
Total liabilities assumed	2,326,593	(565,754)	147,045	1,907,884
Net assets acquired / purchase price	1,028,543	565,754	1,871,047	3,465,344

Goodwill represents excess of Acquisition consideration over the fair value of the underlying net assets acquired. In accordance with ASC 350, *Goodwill and Other Intangible Assets*, goodwill is not amortized, but instead is reviewed for impairment at least annually, absent any indicators of impairment. Goodwill is attributable to the assembled workforce of Peoples, planned growth in new markets, and planned growth in rate base through continued investment in utility infrastructure. Goodwill recorded in the Acquisition is not expected to be deductible for tax purposes.

## Note 5. Acquisition-related Adjustments

#### Adjustments to the Pro Forma Balance Sheet

- (a) *Property, Plant and Equipment.* Reflects the elimination of accumulated depreciation. The net carrying amount of property, plant and equipment of Peoples' regulatory operations is expected to approximate fair value. The Company is currently finalizing its fair value analysis of the property, plant and equipment related to non-regulated activities, but the fair value adjustments are not expected to be material.
- (b) Cash. The pro forma adjustment reflects the payment of cash purchase price and estimated acquisition-related costs, as follows:

In thousands	Total
Total cash purchase price	\$(3,465,344)
Acquisition-related costs	(14,811)
Payment of change in control severance and retention bonus	(8,824)
Issuance of one-time rate credits to customers(1)	(23,000)
Total adjustment to cash and cash equivalents	\$(3,511,979)

- (1) In connection with the Acquisition, the Company has agreed to issue one-time rate credits of \$23,000 in aggregate based on a regulatory order from the Pennsylvania Public Utility Commission. Such arrangement will be accounted for separate from the business combination and therefore will be expensed following the Acquisition. However, as the arrangement was contemplated and directly attributable to the Acquisition, an adjustment to the pro forma balance sheet is reflected.
- (c) Goodwill. Reflects the elimination of Peoples' historical goodwill of \$431,839 and the preliminary estimate of the purchase price paid over the fair value of Peoples' preliminary calculation of identifiable assets acquired and liabilities assumed related to the Acquisition.
- (*d*) *Member's Equity and Accumulated Other Comprehensive Income*. Reflects the elimination of Peoples' historical members' equity and accumulated other comprehensive income.
- (e) Retained Earnings. Reflects the payment of additional Acquisition-related expenses, net of tax, that were incurred to complete the Acquisition. These Acquisition-related expenses are directly attributable to the Acquisition and consist principally of legal, and advisory fees in connection with the Acquisition. Retained earnings also reflects the payment of a change in control severance to two of Peoples' executives in connection with the Acquisition, net of tax, and the issuance of one-time rate credits, net of tax, as described in Note (b). These costs are not reflected in the pro forma statement of net income because they are nonrecurring in nature.
- (f) Long-Term Debt and Loan Payable. Reflects (i) the elimination of the portion of the Peoples' debt that was outstanding as of December 31, 2019 and was not assumed by Essential upon consummation of the Acquisition (including Peoples' senior notes that matured in February 2020, as described below), (ii) the fair value adjustments related to the portion of the Peoples' debt that was outstanding as of December 31, 2019 and was assumed by Essential upon consummation of the Acquisition, (iii) the elimination of the unamortized debt issuance costs of \$6,495 upon the fair value re-measurement and (iv) the assumption by the Company of Peoples' short-term borrowings of \$181,000 that were incurred by Peoples in February 2020. The fair value of long-term debt was determined based on prevailing market prices for similar debt issuances as of March 16, 2020, the Acquisition completion date. The fair value adjustment to Peoples' debt will be amortized as an adjustment to interest expense over the remaining life of the debt. As the debt is related to regulated operations, this adjustment to interest expense will be offset equally by an amortization of a corresponding regulatory asset. The proceeds from the \$181,000 of short-term borrowing were used to repay Peoples' senior notes of \$181,000 that matured in February 2020. The following table summarizes the pro forma adjustments:

	(in the	ousands)
Current portion of long-term debt:		
Current portion of long-term debt assumed from Peoples		5,136
Less: Historical current portion of long-term debt of Peoples		(7,436)
Total pro forma adjustment to current portion of long-term debt	\$	(2,300)
Long-term debt, excluding current portion:		
Long-term debt, excluding current portion, assumed from Peoples	9	14,955
The fair value adjustment to the debt assumed from Peoples (not including the		
\$181,000 loan payable)		91,063
Less: Historical debt issuance costs		(6,495)
Less: Historical long-term debt of Peoples, excluding current portion and net of		
debt issuance costs	(1,6	59,409)
Total pro forma adjustment to long-term debt, excluding current portion	\$ (6	59,886)
Loan payable assumed from Peoples	<b>\$</b> 1	81,000

- (g) Accrued Taxes. Reflects the income tax-effect related to the Acquisition-related costs, change in control severance and retention bonus, and customer rate credits of \$13,058, using an estimated statutory income tax rate of 28%. The statutory rate may differ materially from the Company's effective tax rate following the Acquisition and does not consider any historical or future tax events that may impact the combined company.
- (h) Deferred Income Taxes. Reflects the income tax differences and related impact on deferred income tax liabilities of the fair value adjustments, exclusive of goodwill, applying an estimated statutory income tax rate of 28%. The statutory rate may differ materially from the Company's effective tax rate following the Acquisition and does not consider any historical or future tax events that may impact the combined company.
- (i) Regulatory Assets. Reflects an increase of the combined company's non-current regulatory assets related to the fair value adjustment to long-term debt, including the write-off of certain debt issuance costs, related to regulated companies. As the debt is expected to be related entirely to regulatory activities, the fair value adjustments to debt are adjusted to the regulatory asset as they are expected to be recovered as part of the rate making.

In thousands	Total
Debt issuance costs related to regulatory operations	\$ 5,313
Estimated fair value adjustment to debt, excluding debt issuance costs related to	
regulatory operations	84,568
Total	\$89,881

- (*j*) *Lease-related Balances.* As described in Note 2, pro forma adjustments were recorded to align the accounting policies of Peoples to reflect the adoption of ASC 842, including adjustments to the operating lease right-of-use assets and corresponding operating lease liabilities, including the current portion reflected in other accrued liabilities, current portion.
- (*k*) Accounts receivable, net. Represents an adjustment to a note receivable balance that was deemed uncollectible prior to the Acquisition. As a result, no fair value was allocated to the acquired receivable on the Acquisition date.
- (*l*) *Deferred charges and other assets, net.* Represents the recognition of intangible assets identified related to the non-regulated businesses of Peoples. The identified intangible assets are expected as the following:

(in thousands)	Estimated Useful Life	Estimated Fair Value
Customer List	11	5,750
Trade Name	13	80
Total		5,830
Historical Net Book Value		4,577
Pro forma adjustment		1,253

The fair value estimate for all identifiable intangible assets is preliminary and is based on assumptions that market participants would use in pricing an asset, based on the most advantageous market for the asset (i.e., its highest and best use). This preliminary fair value estimate could include assets that are not intended to be used, may be sold or are

intended to be used in a manner other than their best use. The final determination of fair value of intangible assets, as well as estimated useful lives, remains subject to change. The finalization may have a material impact on the valuation of intangible assets and the purchase price allocation, which is expected to be finalized during the measurement period.

#### Adjustments to the Pro Forma Statement of Net Income for the Year Ended December 31, 2019

- (*m*) *Management Fee.* Reflects the elimination of Peoples' management fee charged by its parent, SteelRiver Infrastructure Partners, of approximately \$4,979 during the year ended December 31, 2019, respectively. The management fee has been eliminated in the unaudited pro forma financial statements as the management fee agreements will be terminated in connection with the Acquisition.
- (n) Transaction Costs. Reflects the elimination of Acquisition-related expenses recorded by both the Company and Peoples of \$21,585, excluding approximately \$1,845 of integration-related costs for which the related impact on the combined results is not factually supportable for the year ended December 31, 2019. The Acquisition-related expenses consisted principally of legal and advisory fees, including underwriter structuring and opinion letter fees, and have been eliminated as they were directly related to the Acquisition and were nonrecurring in nature.
- (*o*) Amortization expense. All amortization adjustments relate to identified intangible assets as a result of the acquisition for non-regulated businesses and are recorded to Amortization. The estimated amortization expense was computed using the straight-line method based on an estimated useful life of the identifiable definite-lived intangible assets.

(in thousands)	Estimated Useful Life	Estimated Fair Value	December 31, 2019 Amortization Estimates
Customer List	11	5,750	523
Trade Name	13	80	6
Total		5,830	529
Historical amortization expense			1,006
Pro forma adjustment			(477)

- (p) Interest Expense. Reflects the elimination of interest expense of \$26,081 for the year ended December 31, 2019 related to Peoples' debt outstanding as of December 31, 2019 that was not assumed by Essential upon the consummation of the Acquisition, including interest expenses related to certain loans with the parent company of Peoples, offset by additional estimated interest expense of \$3,194 related to assumed short-term borrowings of \$181,000 that were incurred by Peoples in February 2020 and bear interest at LIBOR plus 0.875%.
- (q) Change in Fair Value of Interest Rate Swap Agreements. Reflects the elimination of the change in fair value of the interest rate swap agreements for the year ended December 31, 2019. This amount will not have a continuing impact on the ongoing results of the combined company as the interest rate swap agreements were executed in October 2018 and were settled in connection with Essential's senior notes offering in April 2019.
- (r) Loss on Debt Extinguishment. Reflects the elimination of the loss recorded by the Company for the year ended December 31, 2019, due to the redemption of \$313,500 principal amount of the Company's outstanding notes in the Company Debt Refinancing and corresponding make whole payments. These notes would have been callable in connection with the Acquisition if they had remained outstanding and therefore their repayment is considered directly attributable to the Acquisition.
- (s) *Income Tax Expense*. Reflects the income tax effects of the pro forma adjustments calculated using an estimated statutory income tax rate of 28% for the year ended December 31, 2019. The statutory rate may differ materially from the Company's effective tax rate following the Acquisition and does not consider any historical or future tax events that may impact the combined company.

### Note 6. Financing-related Adjustments

The Company has reflected the following financing transactions, which were completed subsequent to December 31, 2019, in the pro forma balance sheet to fund the Acquisition and related transactions, including the related costs as if the transactions were completed as of December 31, 2019:

• *Private Placement*. On March 29, 2019, the Company entered into a Stock Purchase Agreement with CPPIB pursuant to which CPPIB purchased 21,661 newly issued shares of Common Stock from the Company on March 16, 2020 at \$34.62 per share. The total net proceeds for the Private Placement was \$730,239, which is net of issuance costs of \$19,668.

- *PNC Credit Agreement*. On March 13, 2020, the Company borrowed \$150,000 under the PNC Credit Agreement, which the Company entered into on March 13, 2020. The PNC Credit Agreement will mature on March 12, 2021 and the loan bears interest at LIBOR plus 0.875%, in respect of LIBOR borrowings, and the alternate base rate plus 0.775%, in respect of alternate base rate borrowings. The debt issuance costs were not material and therefore are not reflected in the pro forma financial statements.
- *Revolving Credit Agreement Borrowings*. The Company drew approximately \$800,000, including approximately \$22,000 designated for letter of credit usage, aggregate principal amount of long-term debt under the Revolving Credit Agreement. The Revolving Credit Agreement was amended on March 13, 2020 and provided the Company with an additional \$450,000 of borrowing capacity upon closing of the Acquisition on March 16, 2020. The total net proceeds of \$799,325 are net of issuance costs of \$675.

The Company has also reflected the foregoing financing transactions, as well as the following additional financing transactions that were completed in April 2019 to fund the Acquisition and related transactions, including the related costs, in the pro forma statement of net income as if the transactions were completed as of January 1, 2019:

- *Common Stock Offering*. On April 23, 2019, the Company issued 37,370 shares of Common Stock in a public offering (the "Common Stock Offering"). The total net proceeds for the Common Stock public offering was \$1,262,857, which is net of expenses of \$30,893.
- *TEUs Offering.* On April 23, 2019, the Company issued 13,800 TEUs in a public offering (the "TEU Offering"). The total net proceeds of the TEUs offering was \$674,400, which is net of expenses of \$15,600. Each TEU consists of a prepaid stock purchase contract (the "stock purchase contracts") and a senior amortizing note due April 30, 2022 (the "amortizing notes"), each issued by the Company. Unless earlier settled or redeemed, each stock purchase contract will automatically settle on April 30, 2022 (subject to postponement in limited circumstances) for between 1.1790 and 1.4442 shares of Common Stock, subject to adjustment, based upon the applicable market value of the Common Stock, in accordance with the terms of the Purchase Contract Agreement, dated as of April 23, 2019, relating to the TEUs. The amortizing notes were issued with an initial principal amount of \$8.62909 per amortizing note, or \$119,081 in aggregate, and bear interest at a rate of 3.00% per year, and pay equal quarterly cash installments of \$0.75000 per amortizing note (except for the July 30, 2019 installment payment, which was \$0.80833 per amortizing note), which constitute a payment of interest and a partial repayment of principal, and which cash payment in the aggregate is equivalent to 6.00% per year with respect to the \$50.00 stated amount per TEU. The amortizing notes represent unsecured senior obligations of the Company. The Company recorded the issuance of the stock purchase contract portion of the TEUs as additional paid-in-capital of \$570,919, less allocable issuance costs of \$12,845, in its historical audited consolidated financial statements. The Company recorded the amortizing notes costs.
- Senior Notes Offering. On April 26, 2019, the Company issued \$400,000 aggregate principal amount of senior notes due 2029(the "2029 Notes") and \$500,000 aggregate principal amount of senior notes due 2049 (the "2049 Notes" and, together with the 2029 Notes, the "Senior Notes") in a public offering. The total net proceeds of the Senior Notes offering was \$892,069, which is net of expenses of \$7,931. The 2029 Notes and the 2049 Notes have interest rates of 3.566% and 4.276%, respectively. Of these proceeds, approximately \$313,500 was used to redeem certain of the Company's privately placed notes in the Company Debt Refinancing. These notes would have been callable in connection with the Acquisition if they had remained outstanding and therefore their repayment is considered directly attributable to the Acquisition. Prior to December 31, 2019, the remaining proceeds were temporarily used to repay borrowings under the Revolving Credit Agreement. On the Acquisition closing date, the Company borrowed under the Revolving Credit Agreement to complete the Acquisition as noted above.

### Adjustments to the Pro Forma Balance Sheet

(a) Cash and Cash Equivalents. Reflects the anticipated impacts to cash from the financing transactions, as described above.

In thousands	Total
Proceeds from the Private Placement, net of equity issuance costs and reimbursed	
costs incurred by CPPIB	\$ 730,239
Proceeds from the PNC Credit Agreement	150,000
Proceeds from the Revolving Credit Agreement net of debt issuance costs	799,325
Total	\$1,679,564

- (b) Common Stock and Capital in Excess of Par Value. Reflects the adjustment to Common Stock based on the sale of 21,661 shares of Common Stock at \$34.62 per share in the Private Placement.
- *(c) Revolving Credit Agreement Borrowings.* Reflects the issuance of an additional \$800,000 aggregate principal amount under the Revolving Credit Agreement. The pro forma adjustment also reflects an estimated debt issuance costs of \$675 which will be capitalized as a long-term other asset and amortized over the remaining term of the five-year revolver term.
- (*d*) *PNC Credit Agreement Borrowings*. Reflects the issuance of an additional \$150,000 aggregate principal amount of a short-term loan under the PNC Credit Agreement.

#### Adjustments to the Pro Forma Statement of Net Income for the Year Ended December 31, 2019

(e) Interest Expense. Reflects the following:

For the year ended December 31, 2019:

Incremental interest expense related to the amortization of the Senior Notes (\$36,143),         less actual interest paid (\$24,257)       \$11,88         Incremental interest expense related to the amortization of the amortizing notes (\$3,198),       92         less actual interest paid (\$2,276)       92         Incremental interest expense related to the amortization of borrowings under the PNC       2,64         Credit Agreement       2,64         Incremental interest expense related to the amortization of borrowings under the       23,54	
Incremental interest expense related to the amortization of the amortizing notes (\$3,198), less actual interest paid (\$2,276)92Incremental interest expense related to the amortization of borrowings under the PNC Credit Agreement2,64Incremental interest expense related to the amortization of borrowings under the Revolving Credit Agreement23,54	
less actual interest paid (\$2,276)92Incremental interest expense related to the amortization of borrowings under the PNC Credit Agreement2,64Incremental interest expense related to the amortization of borrowings under the Revolving Credit Agreement23,54	36
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Incremental interest expense related to the amortization of borrowings under the Revolving Credit Agreement 23,54	
Revolving Credit Agreement 23,54	ŀ7
	17
Subtotal \$39,00	)2
Less: Elimination of privately placed senior notes pursuant to the Company Debt	
Refinancing that occurred on May 5, 2019 (9,55)	<u>(8</u>
Total \$29,44	4

A 1/8 percent change in the interest assumed above would result in an aggregate increase or decrease to interest expense of approximately \$1,200 for the year ended December 31, 2019.

- (f) Interest Income. Reflects the removal of the interest income earned on cash on hand.
- *(g) Income Tax Expense*. Reflects the income tax effects of the pro forma adjustments calculated using an estimated statutory income tax rate of 28% for the year ended December 31, 2019. The statutory rate may differ materially from the Company's effective tax rate following the Acquisition and does not consider any historical or future tax events that may impact the combined company.

#### Note 7. Pro Forma Earnings Per Share

The earnings per share calculations reflect the shares issuable upon settlement of the stock purchase contracts portion of the TEUs and the shares issued in the Private Placement and the Common Stock Offering. The basic earnings per share includes the minimum shares issuable under the stock purchase contracts portion of the TEUs and the diluted earnings per share includes the incremental shares, if any, that would be issuable assuming a settlement of the stock purchase contract at the end of the period. As the Private Placement was not completed until after the year ended December 31, 2019, pro forma adjustments reflect the issuance of common shares in the Private Placement assuming it occurred on January 1, 2019. As the shares pertaining to the stock purchase contracts and the Common Stock Offering were only reflected in the historical basic and diluted weighted average share counts for a portion of the year ended December 31, 2019, pro forma adjustments reflect the impact on weighted average common shares outstanding from assuming the Common Stock Offering and the TEU Offering occurred on January 1, 2019.

In thousands		For the Year Ended December 31, 2019	
Pro forma net income	\$	397,355	
Basic weighted average common shares outstanding			
Basic average common shares outstanding during historic period 2019		215,550	
Additional issuance of common shares in the Private Placement		21,661	
Additional weighted average impact of minimum shares issuable under			
the stock purchase contracts portion of the TEUs		4,992	
Additional weighted average impact of common shares in the Common			
Stock Offering		11,467	
Basic weighted average common shares outstanding used in pro			
forma net earnings per share		253,670	
Pro forma net earnings per common share, basic	\$	1.57	
Diluted weighted average common shares outstanding			
Diluted average common shares outstanding during historic period 2019		215,931	
Additional issuance of common shares in the Private Placement		21,661	
Additional weighted average impact of minimum shares issuable under			
the stock purchase contracts portion of the TEUs		4,992	
Additional weighted average impact of common shares in the Common			
Stock Offering		11,467	
Diluted weighted average common shares outstanding used in pro			
forma net earnings per share	_	254,051	
Pro forma net earnings per common share, diluted	\$	1.56	