



CORNING
NATURAL GAS CORPORATION

330 West William Street
P.O. Box 58
Corning, New York 14830-0058
607-936-3755
607-962-2844 fax

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PUBLIC SERVICE
EXECUTIVE
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November 19, 2010

Honorable Jaclyn A. Brillling, Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Re: Case 09-G-0488-Petition of Corning Natural Gas Corporation for authority, Pursuant to Public Service Law Section 69, to Issue Long Term Indebtedness in the Principal Amount of \$7,000,000 for the Purpose of Refinancing Existing Obligations and Financing New Construction.

Dear Secretary Brillling:

I, Firouzeh Sarhangi, Chief Financial Officer of Corning Natural Gas Corporation certify that the best possible loan terms were obtained for a Multiple Disbursement Term Note from M&T Bank issued October 27, 2010. The Note and associated documents pertaining to the Note are included with this package. Also included are a term sheet for the loan and an accounting of issuance expense. These enclosures are submitted for filing to satisfy the requirements of Ordering Paragraphs 4 and 7 of the New York State Public Service Commission Order Authorizing the Issuance of Long Term Indebtedness issued September 18, 2009 in this proceeding.

Sincerely,

Firouzeh Sarhangi

Chief Financial Officer



68 Exchange Street, Binghamton, NY 13901

June 16, 2010

Mrs. Firouzeh Sarhangi, Chief Finance Officer
Corning Natural Gas Corporation.
330 West William Street
P.O. Box 58
Corning, NY 14830

Re: Commercial Term Loan \$1,865,000

Dear Fi:

M&T Bank has reviewed your loan requests and is pleased to inform you that we have approved your request for a \$1,865,000 Term Loan to finance 60% of annual PSC capital expenditures requirement for infrastructure repair/ replacement.

The general terms and conditions of the Term Loan are outlined below in this letter.

I. \$1,865,000 MULTI-DISBURSEMENT TERM LOAN

BORROWER:	Corning Natural Gas Corporation
BANK:	Manufacturers and Traders Trust Company
AMOUNT OF LOAN:	\$1,865,000.00.
TYPE OF LOAN:	Multi-disbursement Term Loan facility
PURPOSE:	Provide financing for capital expenditure program for PSC required infrastructure repair/ replacement for 2010.

COLLATERAL: Pari-passeu First security interest in all fixed assets and equipment, contract rights, easements, right of ways, etc. of the Company.

INTEREST RATE: **Draw Period:** M&T Bank Prime Rate + 1.5%
Permanent Loan Period: Fixed Rate equal to M&T Bank Five (5) Year Cost of Funds plus 4.0% set two business days prior to conversion to permanent loan. For comparison purposes, the rate today would have been 6.40%

LOAN TERM: **Draw Period:** from date of closing until 10/31/2010.
Permanent Loan: 5 year term, 10 year amortization.

PAYMENTS: **Draw Period:** Billed Interest only monthly.
Permanent Loan Period: Monthly payment of principal and interest based on interest rate and outstanding loan balance at time of conversion to permanent loan.

GUARANTORS: None

COMMITMENT FEE: ½ of 1% of loan amount (\$ 9,325.00)

PREPAYMENT PENALTY: 5-4-3-2-1% with no prepayment the final three months of loan term.

FINANCIAL STATEMENTS: Annual Audited statements on the Borrower within 120 days of Fiscal Year End.
Quarterly accountant prepared statements within 60 days of Quarter-ending.
Monthly internally prepared statements with 30 days of each month end.

OTHER CONDITIONS: Evidence of 40% equity injection paid up front for PSC related capital expenditure projects prior to any Bank advance. Borrower to provide copy of PSC capital expenditure tracker report with any request for advance.

Approval from Great West Life Insurance Company to increase Bank debt financing under pari- passeu collateral agreement.

FINANCIAL COVENANTS: Financial covenants to be measured annually based on Company's fiscal year end statement.

Minimum Traditional Cash Flow of 1.10 to 1.0x.
Minimum Tangible Net Worth of \$7,000,000.
Maximum Total Funded Debt/ TNW of 1.40 to 1.0.

CLOSING COSTS: Borrower will be responsible for all closing costs, including but not limited to: Bank's attorney fees, filing and recording fees.

This Commitment Letter is not intended to set forth each and every requirement of the Bank with respect to this loan transaction. This loan shall be further contingent upon (i) the execution and delivery to the Bank of all agreements, instruments and other writings that the Bank or its counsel deems necessary or appropriate in connection with this loan; and (ii) there not having occurred or existed on or after the date of this letter and before the loan is closed any event or condition that we reasonably believe would or might have a material adverse affect on you or on your business, render any collateral less valuable than we had previously determined it to be or would cause us to deem ourselves insecure in making the loan.


This Commitment Letter constitutes the entire agreement and understanding between you and M&T Bank with respect to the Commitment and supersedes all prior negotiations, understandings and agreements between such parties with respect to this Commitment, including, without limitation, those expressed in any prior proposal or commitment letter delivered by us to you. No modification, rescission, waiver, release or amendment of any provision of this Commitment Letter shall be made, except by a written agreement signed by you and a duly authorized officer of M&T Bank.

This Commitment Letter, which is not assignable by you, shall automatically expire and be null and void if (i) we have not received an original of this letter executed by you, along with the fee(s) set forth above, on or before June 30, 2010; (ii) prior to any such receipt, we, orally or in writing, give notice of withdrawal hereof; or (iii) if this loan has not closed on or before August 30, 2010 (the "Closing Date"). We may extend the Closing Date, in our sole discretion, provided such extension is in writing and, if so extended, the interest rate has been adjusted to market conditions. You acknowledge and agree that the fee is non-refundable regardless of whether or not this loan is ultimately closed. This commitment letter replaces prior commitment letters.

Thank you for the opportunity to provide this financing. I am confident that you will be pleased with the quality service provided by M&T Bank. If you have any questions, please contact me at (607) 779-5909.

Sincerely,

MANUFACTURERS AND TRADERS TRUST COMPANY

By: 
Edgar B. Parsons III
Assistant Vice President

Agreed to and accepted this _____ day of _____, 2010

Corning Natural Gas Corporation

By: _____
Title

ISSUANCE EXPENSES

Bank Origination Fee	9,325.00
Attorney Fees	<u>8,419.38</u>
Total Expenses	17,744.38



M&T Bank
Manufacturers and Traders Trust Company

MULTIPLE DISBURSEMENT TERM NOTE
New York

October 27, 2010

\$1,865,000.00

BORROWER (Name): Corning Natural Gas Corporation
(Organizational Structure): Corporation
(State Law organized under): New York
(Address of residence/chief executive office): 330 West William Street, Corning, New York 14830

BANK: MANUFACTURERS AND TRADERS TRUST COMPANY, a New York banking corporation with its banking offices at One M&T Plaza, Buffalo, NY 14203 Attention: Office of the General Counsel.

Promise to Pay. For value received, and intending to be legally bound, Borrower promises to pay to the order of the Bank, in immediately available United States funds at any banking office of the Bank, as set forth below, the principal sum of **One Million Eight Hundred Sixty-Five Thousand and 00/100 Dollars (\$1,865,000.00)** (the "Maximum Principal Amount"), or if less, the aggregate unpaid principal amount of all loans ("Loans") made under this Note from time to time (the "Outstanding Principal Amount"), plus interest and all fees and Expenses (as defined below).

Definitions. As used in this Note, each capitalized term shall have the meaning specified herein. Additionally, the following terms shall have the indicated meanings:

- "Amortization Period" means the period from and including the Conversion Date to the Maturity Date, during which Borrower shall repay the Outstanding Principal Amount as set forth below, plus interest and Expenses.
- "Conversion Date" is the Payment Due Day in the month of November, 2010.
- "Credit" means the financial accommodation provided to Borrower by the Bank under this Note.
- "Disbursement Period" means the period from the date of this Note to, but not including, the Conversion Date, during which the Bank is disbursing Loans to Borrower.
- "Maturity Date" is the Payment Due Day in the month of November, 2015.
- "Payment Due Day" is the same day of a month as the date of this Note unless a different day of the month is inserted into the following space: the 27th day of the month. If there is no numerically corresponding day in a particular month, the Payment Due Day shall be the last day of such month.

Interest During the Disbursement Period. From and including the date of this Note to, but not including, the Conversion Date, the Outstanding Principal Amount shall earn interest calculated on the basis of a 360-day year for the actual number of days of each year (365 or 366) at a rate per year which shall be:

- fixed at _____ % ("Initial Fixed Rate").
- variable based on 1.50 percentage points above the rate in effect each day as the rate announced by the Bank as its prime rate of interest.

If no rate is specified above, interest during the Disbursement Period shall accrue at the Maximum Legal Rate (defined below).

Interest During Amortization Period. From and including the Conversion Date to, but not including, the date all amounts hereunder are paid in full, the Outstanding Principal Amount shall earn interest calculated on the basis of a 360-day year for the actual number of days of each year (365 or 366) at a rate per year which shall be:

- fixed at _____ %.
- variable based on the greater of (a) _____ percentage points above the rate in effect each day as the rate announced by the Bank as its prime rate of interest, or (b) the Interest Rate Floor.
- fixed at 4.0 percentage points above the Cost of Funds. The term "Costs of Funds" means the sum of (A) the most recent yield on United States Treasury Obligations adjusted to a constant maturity of five (5) years in effect two (2) business days prior to the Conversion Date as published by the Board of Governors of the Federal Reserve System in the Federal Reserve Statistical Release H.15(519), or by such other quoting service, index or commonly available source utilized by the Bank, plus (B) the "ask" side of the five (5) year swap spread in effect two (2) business days prior to the Conversion Date as set forth in Bloomberg, L.P. or by such other quoting service, index or commonly available source utilized by the Bank.

If no rate is specified above, interest during the Amortization Period shall accrue at the Maximum Legal Rate (defined below) fixed as of the Conversion Date.

Maximum Legal Rate. It is the intent of the Bank and Borrower that in no event shall interest be payable under this Note at a rate in excess of the maximum rate permitted by applicable law (the "Maximum Legal Rate"). Solely to the extent necessary to prevent interest under this Note from exceeding the Maximum Legal Rate, Borrower agrees that any amount that would be treated as excessive under a final judicial interpretation of applicable law shall be deemed to have been a mistake and automatically canceled, and, if received by the Bank, shall be refunded to Borrower, without interest.

Default Rate. If an Event of Default (defined below) occurs, the interest rate on the unpaid Outstanding Principal Amount shall be immediately and automatically increased to five (5) percentage points per year above the otherwise applicable rate per year (the "Default Rate"), and any judgment entered hereon or otherwise in connection with any suit to collect amounts due hereunder shall bear interest at such Default Rate.

Repayment of Principal and Interest.

- During the Disbursement Period, absent an Event of Default, Borrower shall pay all accrued and unpaid interest in amounts which may vary on the Outstanding Principal Amount in consecutive monthly installments commencing on the first Payment Due Day after the date of the Note and on the same Payment Due Day of each month thereafter to and including the Conversion Date.
- During the Amortization Period, absent an Event of Default, Borrower shall pay the Outstanding Principal Amount and interest owing under this Note to the Bank in installments as follows:
 - Borrower shall pay the entire Outstanding Principal Amount on the Maturity Date. In addition, until the Outstanding Principal Amount is paid in full, Borrower shall pay all accrued and unpaid interest, in amounts which may vary, in consecutive monthly installments commencing on the Payment Due Day occurring in the first month after the date of this Note and on the same Payment Due Day of each month thereafter.
 - Borrower shall pay the Outstanding Principal Amount in _____ consecutive monthly quarterly annual installments (check applicable box; if no box is checked, the monthly installment shall apply) commencing on the Payment Due Day occurring in the next month/quarter/year (as applicable) after the Conversion Date and on same Payment Due Day of each month/quarter/year (as applicable) thereafter, consisting of _____ equal installments of principal each in the amount of one-_____ (1/____) of the Outstanding Principal Amount as of the Conversion Date; and ONE (1) FINAL INSTALLMENT on the Maturity Date in an amount equal to the Outstanding Principal Amount at that time, together with all other amounts outstanding hereunder, including, without limitation, accrued interest and Expenses. In addition, until the Outstanding Principal Amount is paid in full, Borrower shall pay all accrued and unpaid interest, in amounts which may vary, in consecutive monthly installments commencing on the Payment Due Day occurring in the first month after the Conversion Date and on the same Payment Due Day of each month thereafter.
 - Borrower shall pay the Outstanding Principal Amount and interest in sixty (60) consecutive level monthly quarterly annual installments (check applicable box; if no box is checked, the monthly installment shall apply) consisting of both principal and interest, commencing on the Payment Due Day occurring in the next month/quarter/year (as applicable) after the Conversion Date and on the same Payment Due Day of each month/quarter/year (as applicable) consisting of fifty-nine (59) level installments of principal and interest, with each such installment being in an amount that would result in the Outstanding Principal Amount (as of the Conversion Date), plus interest at the rate elected above, being fully paid if amortized over ten (10) years; and ONE (1) FINAL INSTALLMENT on the Maturity Date in an amount equal to the Outstanding Principal Amount at that time, together with all other amounts outstanding hereunder, including, without limitation, accrued interest and Expenses. PLEASE NOTE: The Final Installment may be higher than expected if any payment is received after its due date. Furthermore, to the extent that (i) the repayment terms of this Note contemplate level installments of principal and interest during any period in which the applicable interest rate is a variable rate ("Variable Rate P&I Period"), and (ii) during any such Variable Rate P&I Period, the applicable interest rate changes in accordance with the terms of this Note, the following provisions shall apply: (a) if the amount of accrued interest during any installment period shall exceed the amount of Borrower's scheduled installment of principal and interest for that period, the amount of the installment due and payable to the Bank for that period shall be adjusted (i.e., increased) to equal the amount of interest accrued for that period, so as to avoid negative amortization; and (b) in all other instances of applicable interest rate fluctuation during a Variable Rate P&I Period, Borrower's scheduled installment of principal and interest will remain the same and, in such instances where the applicable interest rate increases, result in a greater portion of such installment amount being applied to interest due, leaving less available to reduce the Outstanding Principal Amount. Borrower understands that each scenario will result in a higher than expected Outstanding Principal Amount due and payable to the Bank on the Maturity Date, and agrees that, absent manifest error, the Bank's determination of any amount due in connection herewith shall be conclusive.

Authorized Representatives. During the Disbursement Period, the Bank may make any Loans in reliance upon any oral, telephonic, written, teletransmitted or other request (the "Request(s)") that the Bank in good faith believes to be valid and to have been made by Borrower or on behalf of Borrower by Michael I. German as President or Firouzeh Sarhangi as Chief Financial Officer (include name(s) and title(s), as appropriate) or any other officer, employee or representative of Borrower who is authorized or designated as a signer of loan documents under the provisions of Borrower's most recent resolutions or similar documents on file with the Bank (each an "Authorized Person"). Notwithstanding that individual names may have been provided to the Bank, the Bank shall be permitted at any time to rely solely on the title of an individual to ascertain whether that individual is an Authorized Person. The Bank may act on the Request of any Authorized Person until the Bank shall have received from Borrower, and had a reasonable time to act on, written notice revoking the authority of such Authorized Person. Borrower acknowledges that the transmission between Borrower and Bank of any Request or other instructions with respect to the Credit involves the possibility of errors, omissions, misinterpretations, fraud and mistakes, and agrees to adopt such internal measures and operational procedures as may be necessary to prevent such occurrences. By reason thereof, Borrower hereby assumes all risk of loss and responsibility for, and releases and discharges the Bank from any and all responsibility or liability for, and agrees to indemnify, reimburse on demand and hold Bank harmless from, any and all claims, actions, damages, losses, liability and expenses by reason of, arising out of, or in any way connected with or related to: (i) Bank's accepting, relying on and acting upon any Request or other instructions with respect to the Credit; or (ii) any such error, omission, misinterpretation, fraud or mistake, provided such error, omission, misinterpretation, fraud or mistake is not directly caused by the Bank's gross negligence or willful misconduct. The Bank shall incur no liability to Borrower or to any other person as a direct or indirect result of making any Loan pursuant to this paragraph. At no time can the requested

Loan and the Outstanding Principal Amount exceed the Maximum Principal Amount. AFTER THE AMORTIZATION PERIOD COMMENCES, NO FURTHER LOANS SHALL BE MADE PURSUANT TO THIS CREDIT. Both during the Disbursement Period and the Amortization Period, ONCE A LOAN HAS BEEN REPAID, IT CANNOT BE RE-BORROWED.

Late Charge. If payment is not received within five (5) days of its due date, Borrower shall pay a late charge equal to the greatest of (a) \$50.00, (b) five percent (5%) of the delinquent amount or (c) the Bank's then current late charge as announced from time to time; provided, however, that any excess collected by mistake shall be refunded on request, and each such late charge shall be separately charged and collected by the Bank. If this Note is secured by a one- to six-family owner-occupied residence, the late charge shall equal two percent (2%) of the delinquent amount and shall be payable if payment is not received within fifteen (15) days of its due date.

Application of Payments. Payments may be applied in any order in the sole discretion of the Bank but, prior to default, shall be applied first to past due interest, Expenses, late charges and principal, then to current interest, Expenses, late charges and principal, and last to remaining principal. Interest under this Note (whether during the Disbursement Period or the Amortization Period) will continue to accrue until payment is actually received.

Prepayment Premium. During the term of this Note, Borrower shall have the option of paying the Outstanding Principal Amount to the Bank, in whole or in part, in advance of the Maturity Date, at any time and from time to time upon written notice received by the Bank at least thirty (30) days prior to making such payment; provided, however, as consideration of the privilege of making such prepayment, Borrower shall pay to the Bank a premium in accordance with the Prepayment Premium Rider, attached hereto and made a part hereof. Any partial prepayment of principal shall be applied in inverse order of maturity. With any prepayment in full of the Outstanding Principal Amount, Borrower shall also pay to the Bank all accrued interest and Expenses owing pursuant to this Note. In the event the Maturity Date of this Note is accelerated following an Event of Default, any tender of payment of the amount necessary to satisfy the entire indebtedness made after such Event of Default shall be expressly deemed a voluntary prepayment. In such a case, to the extent permitted by law, the Bank shall be entitled to the amount necessary to satisfy the entire indebtedness, plus the appropriate prepayment premium calculated in accordance with the terms of this Note.

Bank Records Conclusive. The Bank shall set forth on a schedule attached to this Note or maintained on computer, the date and original principal amount of each Loan. The Outstanding Principal Amount set forth on any such schedule shall be presumptive evidence of the Outstanding Principal Amount of this Note and of all Loans. No failure by the Bank to make, and no error by the Bank in making, any annotation on any such schedule shall affect the Borrower's obligation to pay the principal and interest of each Loan or any other obligation of Borrower to the Bank pursuant to this Note.

Representations, Warranties and Covenants. Borrower represents and warrants to and agrees and covenants with the Bank that now and until this Note is paid in full:

- a. **Business Purpose.** The Loan proceeds shall be used only for a business purpose and not for any personal, family or household purpose.
- b. **Good Standing Authority.** Borrower is an entity or sole proprietor (i) duly organized and existing and in good standing under the laws of the jurisdiction in which it was formed, (ii) duly qualified, in good standing and authorized to do business in every jurisdiction in which failure to be so qualified might have a material adverse effect on its business or assets and (iii) has the power and authority to own each of its assets and to use them as contemplated now or in the future.
- c. **Legality.** The execution, issuance, delivery to the Bank and performance by Borrower of this Note (i) are in furtherance of Borrower's purposes and within its power and authority; (ii) do not (A) violate any statute, regulation or other law or any judgment, order or award of any court, agency or other governmental authority or of any arbitrator or (B) violate Borrower's certificate of incorporation or other governing instrument, constitute a default under any agreement binding on Borrower, or result in a lien or encumbrance on any assets of Borrower; and (iii) have been duly authorized by all necessary corporate or partnership action.
- d. **Compliance.** Borrower conducts its business and operations and the ownership of its assets in compliance with each applicable statute, regulation and other law, including without limitation environmental laws. All approvals, including without limitation authorizations, permits, consents, franchises, licenses, registrations, filings, declarations, reports and notices (the "Approvals") necessary to the conduct of Borrower's business and for Borrower's due issuance of this Note have been duly obtained and are in full force and effect. Borrower is in compliance with all conditions of each Approval.
- e. **Financial and Other Information.** For each year until this Note is paid in full, Borrower shall provide to the Bank in form and number of copies and by accountants satisfactory to the Bank, within ninety (90) days after the end of each fiscal year of Borrower, statements of income and cash flows and the financial position and balance sheet of Borrower as of the fiscal year end, each in reasonable detail and certified by an officer or member of Borrower to have been prepared in accordance with generally accepted accounting principles to present fairly the results of Borrower's operations and cash flows and its financial position in conformity with such principles, and to be correct, complete and in accordance with Borrower's records. Promptly upon the request of the Bank from time to time, Borrower shall supply all additional information requested and permit the Bank's officers, employees, accountants, attorneys and other agents to (i) visit and inspect each of Borrower's premises, (ii) examine, audit, copy and extract from Borrower's records and (iii) discuss Borrower's or its affiliates' business, operations, assets, affairs or condition (financial or other) with its responsible officers and independent accountants.
- f. **Accounting; Tax Returns and Payment of Claims.** Borrower will maintain a system of accounting and reserves in accordance with generally accepted accounting principles, has filed and will file each tax return required of it and, except as disclosed in an attached schedule, has paid and will pay when due each tax, assessment, fee, charge, fine and penalty imposed by any taxing authority upon Borrower or any of its assets, income or franchises, as well as all amounts owed to mechanics, materialmen, landlords, suppliers and the like in the ordinary course of business.
- g. **Title to Assets; Insurance.** Borrower has good and marketable title to each of its assets free of security interests and mortgages and other liens except as disclosed in its financial statements or on a schedule attached to this Note or pursuant to the Bank's prior written consent. Borrower will maintain its property in good repair and will maintain and on request provide the Bank with evidence of insurance coverage satisfactory to the Bank

including without limitation fire and hazard, liability, worker's compensation and business interruption insurance and flood hazard insurance as required.

h. Judgments and Litigation. There is no pending or threatened claim, audit, investigation, action or other legal proceeding or judgment, order or award of any court, agency or other governmental authority or arbitrator (each an "Action") which involves Borrower or its assets and might have a material adverse effect upon Borrower or threaten the validity of this Note or any related document or transaction. Borrower will immediately notify the Bank in writing upon acquiring knowledge of any such Action.

i. Notice of Change of Address and of Default. Borrower will immediately notify the Bank in writing (i) of any change in its address or of the location of any collateral securing this Note, (ii) of the occurrence of any Event of Default defined below, (iii) of any material change in Borrower's ownership or management and (iv) of any material adverse change in Borrower's ability to repay this Note.

j. No Transfer of Assets. Until this Note is paid in full, Borrower shall not without the prior written consent of the Bank (i) sell or otherwise dispose of substantially all of its assets, (ii) acquire substantially all of the assets of another entity, (iii) if it is a corporation, participate in any merger, consolidation or other absorption or (iv) agree to do any of these things.

Events of Default. The following constitute an event of default ("Event of Default") under this Note: (i) failure by Borrower to make any payment when due (whether at the stated maturity, by acceleration or otherwise) of the amounts due under this Note, or any part thereof, or there occurs any event or condition which after notice, lapse of time or both will permit such acceleration; (ii) Borrower defaults in the performance of any covenant or other provision with respect to this Note or any other agreement between Borrower and the Bank or any of its affiliates or subsidiaries (collectively, "Affiliates"); (iii) Borrower fails to pay when due (whether at the stated maturity, by acceleration or otherwise) any indebtedness for borrowed money owing to the Bank (other than under this Note), any third party or Affiliate or the occurrence of any event which could result in acceleration of payment of any such indebtedness or the failure to perform any agreement with any third party or Affiliate; (iv) the reorganization, merger, consolidation or dissolution of Borrower (or the making of any agreement therefor); the sale, assignment, transfer or delivery of all or substantially all of the assets of Borrower to a third party; or the cessation by Borrower as a going business concern; (v) the death or judicial declaration of incompetency of Borrower, if an individual; (vi) failure to pay, withhold or collect any tax as required by law; the service or filing against Borrower or any of its assets of any lien (other than a lien permitted in writing by the Bank), judgment, garnishment, order or award; (vii) if Borrower becomes insolvent or is generally not paying its debts as such debts become due; (viii) the making of any general assignment by Borrower for the benefit of creditors; the appointment of a receiver or similar trustee for Borrower or its assets; or the making of any, or sending notice of any intended, bulk sale; (ix) Borrower commences, or has commenced against it, any proceeding or request for relief under any bankruptcy, insolvency or similar laws now or hereafter in effect in the United States of America or any state or territory thereof or any foreign jurisdiction or any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against or winding up of affairs of Borrower; (x) any representation or warranty made in this Note, any related document, any agreement between Borrower and the Bank or any Affiliate or in any financial statement of Borrower proves to have been misleading in any material respect when made; Borrower omits to state a material fact necessary to make the statements made in this Note, any related document, any agreement between Borrower and the Bank or any Affiliate or any financial statement of Borrower not misleading in light of the circumstances in which they were made; or, if upon the date of execution of this Note, there shall have been any material adverse change in any of the facts disclosed in any financial statement, representation or warranty that was not disclosed in writing to the Bank at or prior to the time of execution hereof; (xi) any pension plan of Borrower fails to comply with applicable law or has vested unfunded liabilities that, in the opinion of the Bank, might have a material adverse effect on Borrower's ability to repay its debts; (xii) an adverse change in the Borrower, its business, assets, operations, management, ownership, affairs or condition (financial or otherwise) from the status shown on any financial statement or other document submitted to the Bank or any Affiliate, and which change the Bank determines will have a material adverse effect on (a) the Borrower, its business, assets, operations or condition (financial or otherwise), or (b) the ability of the Borrower to pay or perform any obligation to the Bank; (xiii) the occurrence of any event described in sub-paragraph (i) through and including (xii) hereof with respect to any guarantor or any other party liable for, or whose assets or any interest therein secures, payment of any of the amounts due under this Note ("Guarantor"); (xiv) Borrower fails to supply new or additional collateral within ten (10) days of request by the Bank; or (xv) the Bank in good faith deems itself insecure with respect to payment or performance under this Note.

Rights and Remedies Upon Default. Upon the occurrence of any Event of Default, the Bank without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law) to or upon the Borrower or any other person (all and each of which demands, presentments, protests, advertisements and notices are hereby waived), may exercise all rights and remedies under the Borrower's agreements with the Bank or its Affiliates, applicable law, in equity or otherwise and may declare all or any part of any amounts due hereunder not payable on demand to be immediately due and payable without demand or notice of any kind and terminate any obligation it may have to grant any additional loan, credit or other financial accommodation to the Borrower. All or any part of any amounts due hereunder whether or not payable on demand, shall be immediately due and payable automatically upon the occurrence of an Event of Default in sub-paragraph (ix) above, or at the Bank's option, upon the occurrence of any other Event of Default. The provisions hereof are not intended in any way to affect any rights of the Bank with respect to any amounts due hereunder which may now or hereafter be payable on demand.

Expenses. Borrower promises to pay, on demand, all costs and expenses incurred by the Bank from time to time with regard to this Note (including without limitation attorneys' fees and disbursements whether for internal or outside counsel), to negotiating or documenting a workout or restructuring, or to preserving its rights or realizing upon any guaranty or other security for the payment of this Note ("Expenses").

Right of Setoff. The Bank shall have the right to set off against the amounts owing under this Note any property held in a deposit or other account with the Bank or any Affiliates or otherwise owing by the Bank or any Affiliates in any capacity to Borrower or any Guarantor. Such set-off shall be deemed to have been exercised immediately at the time the Bank or such Affiliate elects to do so.

Miscellaneous. This Note, together with any related loan and security agreements and guaranties, contains the entire agreement between the Bank and Borrower with respect to the Note and the transaction related thereto, and supersedes every course of dealing, other conduct, oral agreement and representation previously made by the Bank. All rights and remedies of the Bank under applicable law and this Note or amendment of any provision of this Note are cumulative and not exclusive. No single, partial or delayed exercise by the Bank of any right or remedy shall preclude the subsequent exercise by the Bank at any time of any right or remedy of the Bank without notice. No waiver or amendment of any provision of this Note shall be effective unless made specifically in writing by the Bank. No course of dealing or other conduct, no oral agreement or representation

made by the Bank, and no usage of trade, shall operate as a waiver of any right or remedy of the Bank. Borrower agrees that in any legal proceeding, a copy of this Note kept in the Bank's course of business may be admitted into evidence as an original. This Note is a binding obligation enforceable against Borrower and its successors and assigns and shall inure to the benefit of the Bank and its successors and assigns. If a court deems any provision of this Note invalid, the remainder of the Note shall remain in effect. Section headings are for convenience only. Singular number includes plural and neuter gender includes masculine and feminine as appropriate.

Notices. Any demand or notice hereunder or under any applicable law pertaining hereto shall be in writing and duly given if delivered to Borrower (at its address on the Bank's records) or to the Bank (at the address on page one and separately to the Bank officer responsible for Borrower's relationship with the Bank). Such notice or demand shall be deemed sufficiently given for all purposes when delivered (i) by personal delivery and shall be deemed effective when delivered, or (ii) by mail or courier and shall be deemed effective three (3) business days after deposit in an official depository maintained by the United States Post Office for the collection of mail or one (1) business day after delivery to a nationally recognized overnight courier service (e.g., Federal Express). Notice by e-mail is not valid notice under this or any other agreement between Borrower and the Bank.

Joint and Several. If there is more than one Borrower, each of them shall be jointly and severally liable for all amounts which become due under this Note and the term "Borrower" shall include each as well as all of them.

Governing Law and Jurisdiction. This Note has been delivered to and accepted by the Bank and will be deemed to be made in the State of New York. Except as otherwise provided under federal law, this Note will be interpreted in accordance with the laws of the State of New York excluding its conflict of laws rules. **BORROWER HEREBY IRREVOCABLY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT IN THE STATE OF NEW YORK IN ANY COUNTY OR JUDICIAL DISTRICT WHERE THE BANK MAINTAINS A BRANCH, AND CONSENTS THAT THE BANK MAY EFFECT ANY SERVICE OF PROCESS IN THE MANNER AND AT BORROWER'S ADDRESS SET FORTH ABOVE FOR PROVIDING NOTICE OR DEMAND; PROVIDED THAT NOTHING CONTAINED IN THIS NOTE WILL PREVENT THE BANK FROM BRINGING ANY ACTION, ENFORCING ANY AWARD OR JUDGMENT OR EXERCISING ANY RIGHTS AGAINST BORROWER INDIVIDUALLY, AGAINST ANY SECURITY OR AGAINST ANY PROPERTY OF BORROWER WITHIN ANY OTHER COUNTY, STATE OR OTHER FOREIGN OR DOMESTIC JURISDICTION.** Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both the Bank and Borrower. Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Note.

Waiver of Jury Trial. BORROWER AND THE BANK HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY BORROWER AND THE BANK MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS NOTE OR THE TRANSACTIONS RELATED HERETO. BORROWER REPRESENTS AND WARRANTS THAT NO REPRESENTATIVE OR AGENT OF THE BANK HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE BANK WILL NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS JURY TRIAL WAIVER. BORROWER ACKNOWLEDGES THAT THE BANK HAS BEEN INDUCED TO ENTER INTO THIS NOTE BY, AMONG OTHER THINGS, THE PROVISIONS OF THIS SECTION.

Amended and Restated Note. The Borrower acknowledges, agrees and understands that this Note is given in replacement of and in substitution for, but not in payment of, a prior note dated on or about _____, _____, in the original principal amount of \$ _____, given by Borrower in favor of the Bank (or its predecessor-in-interest), as the same may have been amended or modified from time to time ("Prior Note"), and further, that: (a) the obligations of the Borrower as evidenced by the Prior Note shall continue in full force and effect, as amended and restated by this Note, all of such obligations being hereby ratified and confirmed by the Borrower; (b) any and all liens, pledges, assignments and security interests securing the Borrower's obligations under the Prior Note shall continue in full force and effect, are hereby ratified and confirmed by the Borrower, and are hereby acknowledged by the Borrower to secure, among other things, all of the Borrower's obligations to the Bank under this Note, with the same priority, operation and effect as that relating to the obligations under the Prior Note; and (c) nothing herein contained shall be construed to extinguish, release, or discharge, or constitute, create, or effect a novation of, or an agreement to extinguish, the obligations of the Borrower with respect to the indebtedness originally described in the Prior Note or any of the liens, pledges, assignments and security interests securing such obligations.

Preauthorized Transfers from Deposit Account. If a deposit account number is provided in the following blank Borrower hereby authorizes the Bank to debit Borrower's deposit account # _____ with the Bank automatically for any amount which becomes due under this Note.

Acknowledgment. Borrower acknowledges that it has read and understands all the provisions of this Note, including the **Governing Law, Jurisdiction and Waiver of Jury Trial**, and has been advised by counsel as necessary or appropriate.

CORNING NATURAL GAS CORPORATION

By: Michael I. German
Name: Michael I. German
Title: President

Signature of Witness

Typed Name of Witness

ACKNOWLEDGMENT

STATE OF NEW YORK)
) :SS.
COUNTY OF Broome)

On the 26th day of October, in the year 2010, before me, the undersigned, a Notary Public in and for said State, personally appeared **MICHAEL I. GERMAN**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Mark S. Gorgos

Notary Public
MARK S. GORGOS
Notary Public, State of New York
Residing in Broome County
Registration No. 020104131704
Commission Expires 1/31/11

FOR BANK USE ONLY

Authorization Confirmed: _____
Disbursement of Funds: _____
Credit A/C # _____ Off Ck # _____ Payoff Obligation # _____
\$ _____ \$ _____ \$ _____



PREPAYMENT PREMIUM RIDER

(Decreasing Percentage)

Borrower: Corning Natural Gas Corporation

Title of Promissory Note: Multiple Disbursement Term Note

Date of Promissory Note: October 27, 2010

Principal Amount of Promissory Note: \$1,865,000.00

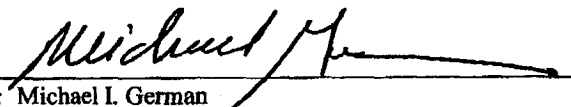
(The above-referenced promissory note is referred to herein as the "Note".)

Each capitalized term used herein shall have the meaning specified in the Note, except as otherwise defined herein.

Prepayment Premium. Borrower shall pay to M&T Bank ("Bank") a premium equal to the product of (a) one percent of the principal prepaid multiplied by (b) the number of years remaining in the term (*i.e.* the period from the date of the Note until the Maturity Date), rounded up to the next whole year. For example, if the term is five years, the premium shall equal 5% of any portion of the principal prepaid before the first anniversary of this Note, 4% of any portion of the principal prepaid before the second anniversary of this Note, etc.

Notwithstanding the foregoing, this prepayment premium shall not apply during the last six (6) months of the original term of this Note.

CORNING NATURAL GAS CORPORATION

By: 
Name: Michael I. German
Title: President



CREDIT AGREEMENT New York

Buffalo, New York October 27, 2010

Borrower: Corning Natural Gas Corporation

a(n) individual corporation general partnership limited liability company _____

organized under the laws of New York

having its chief executive office at 330 West William Street, Corning, New York 14830

Bank: **MANUFACTURERS AND TRADERS TRUST COMPANY**, a New York banking corporation with its chief executive office at One M&T Plaza, Buffalo, NY 14240. Attention: Office of General Counsel.

The Bank and the Borrower agree as follows:

1. DEFINITIONS.

- a. "Capital Expenditures" means, for any fiscal year, the aggregate of all expenditures (whether paid in cash or accrued as liabilities, and including expenditures for obligations under any lease with respect to which Borrower's obligations thereunder should, in accordance with G.A.A.P., be capitalized and reflected as a liability on the balance sheet of Borrower) by Borrower during such period that are required by G.A.A.P. to be included in or reflected by the property, plant or equipment or similar fixed asset accounts on the balance sheet of Borrower.
- b. "Cash Flow" means the sum of (i) net income after tax, dividends and distributions, plus (ii) depreciation expense and amortization, plus (iii) Interest Expense, all determined in accordance with G.A.A.P.
- c. "Cash Flow Coverage" means the ratio of Cash Flow to the sum of (i) the current portion of all Long Term Debt as specified in the financial statement dated twelve (12) months prior, plus (ii) Interest Expense, all determined in accordance with G.A.A.P.
- d. "Credit" means any and all credit facilities and any other financial accommodations made by the Bank in favor of the Borrower whether now or hereafter in existence.
- e. "Current Assets" means, at any time, the aggregate amount of all current assets, including, but not limited to, cash, cash equivalents, marketable securities, receivables maturing within twelve (12) months from such time, and inventory (net of LIFO Reserve), but excluding prepaid expenses and officer, stockholder, employee and related entity advances and receivables, all as determined in accordance with G.A.A.P.
- f. "Current Liabilities" means, at any time, the aggregate amount of all liabilities and obligations which are due and payable on demand or within twelve (12) months from such time, or should be properly reflected as attributable to such twelve (12) month period in accordance with G.A.A.P.
- g. "Current Ratio" means the ratio of Current Assets to Current Liabilities.
- h. "G.A.A.P." means, with respect to any date of determination, generally accepted accounting principles as used by the Financial Accounting Standards Board and/or the American Institute of Certified Public Accountants consistently applied and maintained throughout the periods indicated.
- i. "Interest Expense" means all finance charges reflected on the income statement as interest expense for all obligations of Borrower to any person, including, but not limited to, Bank, as shown on the balance sheet in accordance with G.A.A.P.
- j. "Long Term Debt" means all obligations of Borrower to any person, including, but not limited to, the Obligations, payable more than twelve (12) months from the date of their creation, which in accordance with G.A.A.P. are shown on the balance sheet as a liability (excluding reserves for deferred income taxes) for the period then ended.
- k. "Obligations" means any and all indebtedness or other obligations of the Borrower to the Bank in any capacity, now existing or hereafter incurred, however created or evidenced, regardless of kind, class or form, whether direct, indirect, absolute or contingent (including obligations pursuant to any guaranty, endorsement, other assurance of payment or otherwise), whether joint or several, whether from time to time reduced and thereafter increased, or entirely extinguished and thereafter reincurred, together with all extensions, renewals and replacements thereof, and all interest, fees, charges, costs or expenses which accrue on or in connection with the foregoing, including any indebtedness or obligations (i) not yet outstanding but contracted for, or with regard to which any other commitment by the Bank exists; (ii) arising prior to, during or after any pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding; (iii) owed by the Borrower to others and which the Bank obtained, or may obtain, by assignment or otherwise; and (iv) payable under this Agreement.

- l. **"Quick Ratio"** means the ratio of Current Assets less inventory (net of LIFO Reserve), to Current Liabilities.
- m. **"Subordinated Debt"** means all indebtedness of the Borrower which has been formally subordinated to payment and collection of the Obligations.
- n. **"Subsidiary"** means any corporation or other business entity of which at least fifty percent (50%) of the voting stock or other ownership interest is owned by the Borrower directly or indirectly through one or more Subsidiaries. If the Borrower has no Subsidiaries, the provisions of this Agreement relating to the Subsidiaries shall be disregarded, without affecting the applicability of such provisions to the Borrower alone.
- o. **"Tangible Net Worth"** means the aggregate assets of Borrower excluding all intangible assets, including, but not limited to, goodwill, licenses, trademarks, patents, copyrights, organization costs, appraisal surplus, officer, stockholder, related entity and employee advances or receivables, mineral rights and the like, less liabilities, plus Subordinated Debt, all determined in accordance with G.A.A.P. (except to the extent that under G.A.A.P. "tangible net worth" excludes leasehold improvements which are included in "Tangible Net Worth" as defined herein).
- p. **"Total Liabilities"** means the aggregate amount of all assets of the Borrower less the sum of shareholder equity and Subordinated Debt (if any), as shown on the balance sheet in accordance with G.A.A.P.
- q. **"Transaction Documents"** means this Agreement and all documents, instruments or other agreements by the Borrower in favor of the Bank in connection (directly or indirectly) with the Obligations, whether now or hereafter in existence, including promissory notes, security agreements, guaranties and letter of credit reimbursement agreements.
- r. **"Working Capital"** means that amount which is equal to the excess of Current Assets over Current Liabilities.

2. **REPRESENTATIONS AND WARRANTIES.** The Borrower makes the following representations and warranties and any "Additional Representations and Warranties" on the schedule attached hereto and made part hereof (the "Schedule"), all of which shall be deemed to be continuing representations and warranties as long as this Agreement is in effect:

- a. **Good Standing; Authority.** The Borrower and each Subsidiary (if either is not an individual) is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was formed. The Borrower and each Subsidiary is duly authorized to do business in each jurisdiction in which failure to be so qualified might have a material adverse effect on its business or assets and has the power and authority to own each of its assets and to use them in the ordinary course of business now and in the future.
- b. **Compliance.** The Borrower and each Subsidiary conducts its business and operations and the ownership of its assets in compliance with each applicable statute, regulation and other law, including environmental laws. All approvals, including authorizations, permits, consents, franchises, licenses, registrations, filings, declarations, reports and notices (the "Approvals") necessary for the conduct of the Borrower's and each Subsidiary's business and for the Credit have been duly obtained and are in full force and effect. The Borrower and each Subsidiary is in compliance with the Approvals. The Borrower and each Subsidiary (if either is not an individual) is in compliance with its certificate of incorporation, by-laws, partnership agreement, articles of organization, operating agreement or other applicable organizational or governing document as may be applicable to the Borrower or a Subsidiary depending on its organizational structure ("Governing Documents"). The Borrower and each Subsidiary is in compliance with each agreement to which it is a party or by which it or any of its assets is bound.
- c. **Legality.** The execution, delivery and performance by the Borrower of this Agreement and all related documents, including the Transaction Documents, (i) are in furtherance of the Borrower's purposes and within its power and authority; (ii) do not (A) violate any statute, regulation or other law or any judgment, order or award of any court, agency or other governmental authority or of any arbitrator with respect to the Borrower or any Subsidiary or (B) violate the Borrower's or any Subsidiary's Governing Documents (if either is not an individual), constitute a default under any agreement binding on the Borrower or any Subsidiary or result in a lien or encumbrance on any assets of the Borrower or any Subsidiary; and (iii) if the Borrower or any Subsidiary is not an individual, have been duly authorized by all necessary organizational actions.
- d. **Fiscal Year.** The fiscal year of the Borrower is the calendar year unless the following blank states otherwise: year ending **September 30th**.
- e. **Title to Assets.** The Borrower and each Subsidiary has good and marketable title to each of its assets free of security interests, mortgages or other liens or encumbrances, except as set forth on the Schedule titled "Permitted Liens" or pursuant to the Bank's prior written consent.
- f. **Judgments and Litigation.** There is no pending or threatened claim, audit, investigation, action or other legal proceeding or judgment, order or award of any court, agency or other governmental authority or arbitrator (any, an "Action") which involves the Borrower, its Subsidiaries or their respective assets and might have a material adverse effect upon the Borrower or any Subsidiary or threaten the validity of the Credit, any Transaction Document or any related document or action.
- g. **Full Disclosure.** Neither this Agreement nor any certificate, financial statement or other writing provided to the Bank by or on behalf of the Borrower or any Subsidiary contains any statement of fact that is incorrect or misleading in any material respect or omits to state any fact necessary to make any such statement not incorrect or misleading. The Borrower has not failed to disclose to the Bank any fact that might have a material adverse effect on the Borrower or any Subsidiary.

3. **AFFIRMATIVE COVENANTS.** So long as this Agreement is in effect, the Borrower will comply with any "Additional Affirmative Covenant" contained in the Schedule and shall:

- a. **Financial Statements and Other Information.** Promptly deliver to the Bank (i) within sixty (60) days after the end of each of its first three fiscal quarters, an unaudited accountant prepared consolidating and consolidated financial statement of the Borrower and each Subsidiary as of the end of such quarter, which financial statement shall consist of income and cash flows for the quarter, for the corresponding quarter in the previous fiscal year and for the period from the end of the previous fiscal year, with a consolidating and consolidated balance sheet as of the quarter end all in such detail as the Bank may request; (ii) within one hundred twenty (120) days after the end of each fiscal year, consolidating and consolidated statements of the Borrower's and each Subsidiary's income and cash flows and its consolidating and consolidated balance sheet as of the end of such fiscal year, setting forth comparative figures for the preceding fiscal year and to be (check applicable box, if no box is checked the financial statements shall be audited):

audited

reviewed

compiled

by an independent certified public accountant acceptable to the Bank; all such statements shall be certified by the Borrower's chief financial officer to be correct and in accordance with the Borrower's and each Subsidiary's records and to present fairly the results of the Borrower's and each Subsidiary's operations and cash flows and its financial position at year end; and (iii) with each statement of income, a certificate executed by the Borrower's chief executive and chief financial officers or other such person responsible for the financial management of the Borrower (A) setting forth the computations required to establish the Borrower's compliance with each financial covenant, if any, during the statement period, (B) stating that the signers of the certificate have reviewed this Agreement and the operations and condition (financial or other) of the Borrower and each of its Subsidiaries during the relevant period and (C) stating that no Event of Default occurred during the period, or if an Event of Default did occur, describing its nature, the date(s) of its occurrence or period of existence and what action the Borrower has taken with respect thereto. The Borrower shall also promptly provide the Bank with copies of all annual reports, proxy statements and similar information distributed to shareholders, partners or members, and copies of all filings with the Securities and Exchange Commission and the Pension Benefit Guaranty Corporation, and shall provide, in form satisfactory to the Bank, such additional information, reports or other information as the Bank may from time to time reasonably request regarding the financial and business affairs of the Borrower or any Subsidiary. If the Borrower is an individual, the Borrower shall provide annually a personal financial statement in form and detail acceptable to the Bank and such other financial information as the Bank may from time to time reasonably request. Borrower shall also provide to the Bank within thirty (30) days of each month, its monthly internally prepared statement.

- b. **Accounting; Tax Returns and Payment of Claims.** The Borrower and each Subsidiary will maintain a system of accounting and reserves in accordance with generally accepted accounting principles, has filed and will file each tax return required of it and, except as disclosed in the Schedule, has paid and will pay when due each tax, assessment, fee, charge, fine and penalty imposed by any taxing authority upon it or any of its assets, income or franchises, as well as all amounts owed to mechanics, materialmen, landlords, suppliers and the like in the normal course of business.
- c. **Inspections.** Promptly upon the Bank's request, the Borrower will permit, and cause its Subsidiaries to permit, the Bank's officers, attorneys or other agents to inspect its and its Subsidiary's premises, examine and copy its records and discuss its and its Subsidiary's business, operations and financial or other condition with its and its Subsidiary's responsible officers and independent accountants.
- d. **Intentionally omitted.**
- e. **Changes in Management and Control.** If the Borrower is not an individual, immediately upon any change in the identity of the Borrower's chief executive officers or in its beneficial ownership, the Borrower will provide to the Bank a certificate executed by its senior individual authorized to transact business on behalf of the Borrower, specifying such change.
- f. **Notice of Defaults and Material Adverse Changes.** Immediately upon acquiring reason to know of (i) any Event of Default, (ii) any event or condition that might have a material adverse effect upon the Borrower or any Subsidiary or (iii) any Action, the Borrower will provide to the Bank a certificate executed by the Borrower's senior individual authorized to transact business on behalf of the Borrower, specifying the date(s) and nature of the event or the Action and what action the Borrower or its Subsidiary has taken or proposes to take with respect to it.
- g. **Insurance.** Maintain its, and cause its Subsidiaries to maintain, property in good repair and will on request provide the Bank with evidence of insurance coverage satisfactory to the Bank, including fire and hazard, liability, workers' compensation and business interruption insurance and flood hazard insurance as required.
- h. **Further Assurances.** Promptly upon the request of the Bank, the Borrower will execute, and cause its Subsidiaries to execute, and deliver each writing and take each other action that the Bank deems necessary or desirable in connection with any transaction contemplated by this Agreement.

4. **NEGATIVE COVENANTS.** As long as this Agreement is in effect, the Borrower shall not violate, and shall not suffer or permit any of its Subsidiaries to violate, any of the following covenants and any "Additional Negative Covenant" on the Schedule. The Borrower shall not:

- a. **Intentionally omitted.**
- b. **Intentionally omitted.**

- c. Intentionally omitted.
- d. Intentionally omitted.
- e. Intentionally omitted.
- f. Intentionally omitted.

*EP 10/27/10
MB 10/26/2010*

g. **Changes In Form.** (i) Transfer or dispose of substantially all of its assets, (ii) ~~acquire substantially all of the assets of any other entity~~, (iii) do business under or otherwise use any name other than its true name or (iv) make any material change in its business, structure, purposes or operations that might have a material adverse effect on the Borrower or any of its Subsidiaries. If the Borrower or any Subsidiary is not an individual, (i) participate in any merger, consolidation or other absorption or (ii) make, terminate or permit to be revoked any election pursuant to Subchapter S of the Internal Revenue Code.

5. **FINANCIAL COVENANTS.** During the term of this Agreement, the Borrower shall not violate, and shall not suffer or permit any of its Subsidiaries to violate, any of the following covenants (complete applicable financial covenant) or any Additional Financial Covenants on the Schedule. For purposes of this Section, if the Borrower has any Subsidiaries all references to the Borrower shall include the Borrower and all of its Subsidiaries on a consolidated basis. Unless a different measurement period is specified, compliance for the financial covenants shall be required at all times.

- A. Borrower shall maintain Tangible Net Worth of not less than \$7,000,000.00, measured annually as of each fiscal year end.
- B. Borrower shall maintain a ratio of Total Liabilities to Tangible Net Worth of not greater than _____; _____, measured (select one: quarterly or annually) _____ as of each (select one; quarter or fiscal year) _____ end.
- C. Borrower shall maintain a ratio of Total Funded Debt to Tangible Net Worth of not greater than 1.4 : 1.0, measured annually as of each fiscal year end.
- D. **MINIMUM TRADITIONAL CASH FLOW COVERAGE RATIO.** Borrower shall maintain Cash Flow Coverage of not less than 1.10 : 1.0, measured annually based upon fiscal year end information. "Cash Flow Coverage" means the ratio of Cash Flow to the sum of (i) the current portion of all Long Term Debt as specified in the financial statement dated twelve (12) months prior, plus (ii) Interest Expense, all determined in accordance with G.A.A.P.

"Cash Flow" means the sum of (i) net income after tax, dividends and distributions, plus (ii) depreciation expense and amortization, plus (iii) Interest Expense, all determined in accordance with G.A.A.P.

"G.A.A.P." means, with respect to any date of determination, generally accepted accounting principles as used by the Financial Accounting Standards Board and/or the American Institute of Certified Public Accountants consistently applied and maintained throughout the periods indicated.

"Interest Expense" means all finance charges reflected on the income statement as interest expense for all obligations of Borrower to any person, including, but not limited to, Bank, as shown on the balance sheet in accordance with G.A.A.P.

"Long Term Debt" means all obligations of Borrower to any person, including, but not limited to, the Obligations, payable more than twelve (12) months from the date of their creation, which in accordance with G.A.A.P. are shown on the balance sheet as a liability (excluding reserves for deferred income taxes) for the period then ended.

- E. Borrower shall maintain Cash Flow Coverage of not less than _____; _____, measured for the previous four quarters as of each (select one: quarter or fiscal year) _____ end.
- F. Without the prior written consent of Bank, Borrower shall not make any Capital Expenditures in excess of \$ _____ in the aggregate during any fiscal year of Borrower.
- G. Borrower shall not pay or accrue during any fiscal year compensation (including but not limited to all salary, bonuses, consulting, management or other fees, rentals and other payments to any person owning or managing 5% or more of the Borrower or any relative or cohabitant of such a person, and to any entity under common control with or controlling the Borrower) exceeding \$ _____ in the aggregate.
- H. Borrower shall not become obligated as lessee pursuant to operating leases exceeding \$ _____ in the aggregate during any fiscal year.

6. **DEFAULT.**

a. **Events of Default.** Any of the following events or conditions shall constitute an "Event of Default": (i) failure by the Borrower to pay when due (whether at the stated maturity, by acceleration, upon demand or otherwise) the Obligations, or any part thereof, or there occurs any event or condition which after notice, lapse of time or after both notice and lapse of time will permit acceleration of any Obligation; (ii) default by the Borrower in the performance of any obligation, term or condition of this Agreement, the other Transaction Documents or any other agreement with the Bank or any of its affiliates or subsidiaries (collectively, "Affiliates"); (iii) failure by the Borrower to pay when due (whether at the

stated maturity, by acceleration, upon demand or otherwise) any indebtedness or obligation owing to any third party or any Affiliate, the occurrence of any event which could result in acceleration of payment of any such indebtedness or obligation or the failure to perform any agreement with any third party or any Affiliate; (iv) the Borrower is dissolved, becomes insolvent, generally fails to pay or admits in writing its inability generally to pay its debts as they become due; (v) the Borrower makes a general assignment, arrangement or composition agreement with or for the benefit of its creditors or makes, or sends notice of any intended, bulk sale; the sale, assignment, transfer or delivery of all or substantially all of the assets of the Borrower to a third party; or the cessation by the Borrower as a going business concern; (vi) the Borrower files a petition in bankruptcy or institutes any action under federal or state law for the relief of debtors or seeks or consents to the appointment of an administrator, receiver, custodian or similar official for the wind up of its business (or has such a petition or action filed against it and such petition action or appointment is not dismissed or stayed within forty-five (45) days); (vii) the reorganization, merger, consolidation or dissolution of the Borrower (or the making of any agreement therefor); (viii) the death or judicial declaration of incompetency of the Borrower, if an individual; (ix) the entry of any judgment or order of any court, other governmental authority or arbitrator against the Borrower; (x) falsity, omission or inaccuracy of facts submitted to the Bank or any Affiliate (whether in a financial statement or otherwise); (xi) an adverse change in the Borrower, its business, assets, operations, affairs or condition (financial or otherwise) from the status shown on any financial statement or other document submitted to the Bank or any Affiliate, and which change the Bank determines will have a material adverse effect on (a) the Borrower, its business, assets, operations or condition (financial or otherwise), or (b) the ability of the Borrower to pay or perform the Obligations; (xii) any pension plan of the Borrower fails to comply with applicable law or has vested unfunded liabilities that, in the opinion of the Bank, might have a material adverse effect on the Borrower's ability to repay its debts; (xiii) any indication or evidence received by the Bank that the Borrower may have directly or indirectly been engaged in any type of activity which, in the Bank's discretion, might result in the forfeiture of any property of the Borrower to any governmental authority; (xiv) the occurrence of any event described in Section 6(a)(i) through and including 6(a)(xiii) with respect to any Subsidiary or to any endorser, guarantor or any other party liable for, or whose assets or any interest therein secures, payment of any of the Obligations; or (xv) the Bank in good faith deems itself insecure with respect to payment or performance of the Obligations.

- b. **Rights and Remedies Upon Default.** Upon the occurrence of any Event of Default, the Bank without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law) to or upon the Borrower, any Subsidiary or any other person (all and each of which demands, presentments, protests, advertisements and notices are hereby waived), may exercise all rights and remedies under the Borrower's or its Subsidiaries' agreements with the Bank or its Affiliates, applicable law, in equity or otherwise and may declare all or any part of any Obligations not payable on demand to be immediately due and payable without demand or notice of any kind and terminate any obligation it may have to grant any additional loan, credit or other financial accommodation to the Borrower or any Subsidiary. All or any part of any Obligations whether or not payable on demand, shall be immediately due and payable automatically upon the occurrence of an Event of Default in Section 6(a)(vi) above. The provisions hereof are not intended in any way to affect any rights of the Bank with respect to any Obligations which may now or hereafter be payable on demand.
7. **EXPENSES.** The Borrower shall pay to the Bank on demand all costs and expenses (including all fees and disbursements of counsel retained for advice, suit, appeal or other proceedings or purpose and of any experts or agents it may retain), which the Bank may incur in connection with (i) the administration of the Obligations, including any administrative fees the Bank may impose for the preparation of discharges, releases or assignments to third-parties; (ii) the enforcement and collection of any Obligations or any guaranty thereof; (iv) the exercise, performance, enforcement or protection of any of the rights of the Bank hereunder; or (v) the failure of the Borrower or any Subsidiary to perform or observe any provisions hereof. After such demand for payment of any cost, expense or fee under this Section or elsewhere under this Agreement, the Borrower shall pay interest at the highest default rate specified in any instrument evidencing any of the Obligations from the date payment is demanded by the Bank to the date reimbursed by the Borrower. All such costs, expenses or fees under this Agreement shall be added to the Obligations.
8. **TERMINATION.** This Agreement shall remain in full force and effect until (i) all Obligations outstanding, or contracted or committed for (whether or not outstanding), shall be finally and irrevocably paid in full and (ii) all Transaction Documents have been terminated by the Bank.
9. **RIGHT OF SETOFF.** If an Event of Default occurs, the Bank shall have the right to set off against the amounts owing under this Agreement and the other Transaction Documents any property held in a deposit or other account or otherwise with the Bank or its Affiliates or otherwise owing by the Bank or its Affiliates in any capacity to the Borrower, its Subsidiary or any guarantor of, or endorser of any of the Transaction Documents evidencing, the Obligations. Such setoff shall be deemed to have been exercised immediately at the time the Bank or such Affiliate elect to do so.
10. **MISCELLANEOUS.**
- a. **Notices.** Any demand or notice hereunder or under any applicable law pertaining hereto shall be in writing and duly given if delivered to Borrower (at its address on the Bank's records) or to the Bank (at the address on page one and separately to the Bank officer responsible for Borrower's relationship with the Bank). Such notice or demand shall be deemed sufficiently given for all purposes when delivered (i) by personal delivery and shall be deemed effective when delivered, or (ii) by mail or courier and shall be deemed effective three (3) business days after deposit in an official depository maintained by the United States Post Office for the collection of mail or one (1) business day after delivery to a nationally recognized overnight courier service (e.g., Federal Express). Notice by e-mail is not valid notice under this or any other agreement between Borrower and the Bank.
- b. **Generally Accepted Accounting Principles.** Any financial calculation to be made, all financial statements and other financial information to be provided, and all books and records, system of accounting and reserves to be kept in connection with the provisions of this Agreement, shall be in accordance with generally accepted accounting principles consistently applied during each interval and from interval to interval; provided, however, that in the event changes in generally accepted accounting principles shall be mandated by the Financial Accounting Standards Board or any similar accounting body of comparable standing, or should be recommended by Borrower's certified public accountants, to the extent such changes would affect any financial calculations to be made in connection herewith, such changes shall be implemented in making such

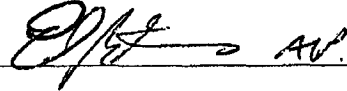
calculations only from and after such date as Borrower and the Bank shall have amended this Agreement to the extent necessary to reflect such changes in the financial and other covenants to which such calculations relate.

- c. **Indemnification.** If after receipt of any payment of all, or any part of, the Obligations, the Bank is, for any reason, compelled to surrender such payment to any person or entity because such payment is determined to be void or voidable as a preference, an impermissible setoff, or a diversion of trust funds, or for any other reason, the Transaction Documents shall continue in full force and the Borrower shall be liable, and shall indemnify and hold the Bank harmless for, the amount of such payment surrendered. The provisions of this Section shall be and remain effective notwithstanding any contrary action which may have been taken by the Bank in reliance upon such payment, and any such contrary action so taken shall be without prejudice to the Bank's rights under the Transaction Documents and shall be deemed to have been conditioned upon such payment having become final and irrevocable. The provisions of this Section shall survive the termination of this Agreement and the Transaction Documents.
- d. **Further Assurances.** From time to time, the Borrower shall take, and cause its Subsidiaries to take, such action and execute and deliver to the Bank such additional documents, instruments, certificates, and agreements as the Bank may reasonably request to effectuate the purposes of the Transaction Documents.
- e. **Cumulative Nature and Non-Exclusive Exercise of Rights and Remedies.** All rights and remedies of the Bank pursuant to this Agreement and the Transaction Documents shall be cumulative, and no such right or remedy shall be exclusive of any other such right or remedy. In the event of any unreconcilable inconsistencies, this Agreement shall control. No single or partial exercise by the Bank of any right or remedy pursuant to this Agreement or otherwise shall preclude any other or further exercise thereof, or any exercise of any other such right or remedy, by the Bank.
- f. **Governing Law; Jurisdiction.** This Agreement has been delivered to and accepted by the Bank and will be deemed to be made in the State of New York. Except as otherwise provided under federal law, this Agreement will be interpreted in accordance with the laws of the State of New York excluding its conflict of laws rules. **BORROWER HEREBY IRREVOCABLY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT IN THE STATE OF NEW YORK IN A COUNTY OR JUDICIAL DISTRICT WHERE THE BANK MAINTAINS A BRANCH AND CONSENTS THAT THE BANK MAY EFFECT ANY SERVICE OF PROCESS IN THE MANNER AND AT BORROWER'S ADDRESS SET FORTH ABOVE FOR PROVIDING NOTICE OR DEMAND; PROVIDED THAT NOTHING CONTAINED IN THIS AGREEMENT WILL PREVENT THE BANK FROM BRINGING ANY ACTION, ENFORCING ANY AWARD OR JUDGMENT OR EXERCISING ANY RIGHTS AGAINST BORROWER INDIVIDUALLY, AGAINST ANY SECURITY OR AGAINST ANY PROPERTY OF BORROWER WITHIN ANY OTHER COUNTY, STATE OR OTHER FOREIGN OR DOMESTIC JURISDICTION.** Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both the Bank and Borrower. Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Agreement.
- g. **Joint and Several; Successors and Assigns.** If there is more than one Borrower, each of them shall be jointly and severally liable for all amounts, which become due, and the performance of all obligations under this Agreement, and the term "the Borrower" shall include each as well as all of them. This Agreement shall be binding upon the Borrower and upon its heirs and legal representatives, its successors and assignees, and shall inure to the benefit of, and be enforceable by, the Bank, its successors and assignees and each direct or indirect assignee or other transferee of any of the Obligations; provided, however, that this Agreement may not be assigned by the Borrower without the prior written consent of the Bank.
- h. **Waivers; Changes in Writing.** No failure or delay of the Bank in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The Borrower expressly disclaims any reliance on any course of dealing or usage of trade or oral representation of the Bank (including representations to make loans to the Borrower) and agrees that none of the foregoing shall operate as a waiver of any right or remedy of the Bank. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless made specifically in writing by the Bank and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No modification to any provision of this Agreement shall be effective unless made in writing in an agreement signed by the Borrower and the Bank.
- i. **Interpretation.** Unless the context otherwise clearly requires, references to plural includes the singular and references to the singular include the plural; references to "individual" shall mean a natural person and shall include a natural person doing business under an assumed name (e.g., a "DBA"); the word "or" has the inclusive meaning represented by the phrase "and/or"; the word "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and captions or section headings are solely for convenience and not part of the substance of this Agreement. Any representation, warranty, covenant or agreement herein shall survive execution and delivery of this Agreement and shall be deemed continuous. Each provision of this Agreement shall be interpreted as consistent with existing law and shall be deemed amended to the extent necessary to comply with any conflicting law. If any provision nevertheless is held invalid, the other provisions shall remain in effect. The Borrower agrees that in any legal proceeding, a photocopy of this Agreement kept in the Bank's course of business may be admitted into evidence as an original.

j. **Waiver of Jury Trial. THE BORROWER AND THE BANK HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY THE BORROWER AND THE BANK MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTIONS RELATED HERETO. THE BORROWER REPRESENTS AND WARRANTS THAT NO REPRESENTATIVE OR AGENT OF THE BANK HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE BANK WILL NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS JURY TRIAL WAIVER. THE BORROWER ACKNOWLEDGES THAT THE BANK HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE PROVISIONS OF THIS SECTION.**

Acknowledgment. Borrower acknowledges that it has read and understands all the provisions of this Agreement, including the Governing Law, Jurisdiction and Waiver of Jury Trial, and has been advised by counsel as necessary or appropriate.

MANUFACTURERS AND TRADERS TRUST COMPANY

By 

Name: Edgar B. Parsons III

Title: Assistant Vice President

CORNING NATURAL GAS CORPORATION

By 

Name: Michael I. German

Title: President

ACKNOWLEDGMENT

STATE OF NEW YORK)
: SS.
COUNTY OF BROOME)

On the 27th day of October in the year 2010, before me, the undersigned, a Notary Public in and for said State, personally appeared EDGAR B. PARSONS III, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Mary C. Cifaratta

Notary Public

MARY C. CIFARATTA
Notary Public, State of New York
No. 4768245
Qualified in Broome County
Commission Expires December 31, 2010

ACKNOWLEDGMENT

STATE OF NEW YORK)
: SS.
COUNTY OF Broome)

On the 26th day of October, in the year 2010, before me, the undersigned, a Notary Public in and for said State, personally appeared MICHAEL I. GERMAN, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Mark S. Gorgos

Notary Public

MARK S. GORGOS
Notary Public, State of New York
Residing in Broome County
Registration No. 02604731704
Commission Expires 12/31/11

BANK USE ONLY

Authorization Confirmed: _____
Signature

SCHEDULE

Additional Representations and Warranties (§2)

Additional Affirmative Covenants (§3)

Permitted Indebtedness (§4(a))

Permitted Guaranties (§4(b))

Permitted Liens (§4(c))

purpose of this Agreement. This power of attorney, being created with an interest in real estate and shall not be affected by the absence of Debtor or the incompetency of Debtor.

3. Representations and Warranties. Debtor represents, warrants and agrees as follows:

3.1. Title. Debtor holds good and marketable title to the Collateral free and clear from any security interest or other lien or encumbrance of any nature other than the Security Interest or such liens, security interests or other liens or encumbrances specifically permitted by Secured Party and set forth on Exhibit A hereto ("Permitted Liens"). Debtor has not made any prior sale, pledge, or encumbrance, assignment or other disposition of any of the Collateral except for the Permitted Liens.

3.2. Authority. If Debtor is a business entity, it is duly organized, validly existing and in good standing under the laws of the incorporated state of organization. Debtor has the full power and authority to grant the Security Interest and to execute, deliver and perform its obligations in accordance with this Agreement. The execution and delivery of this Agreement will not (i) violate any applicable law of any governmental authority or a judgment or order of any court, other governmental authority or arbitrator, (ii) violate any agreement governing Debtor or to which Debtor is a party, or (iii) result in a security interest or other lien or encumbrance on any of Debtor's assets, except in favor of Secured Party. Debtor's certificate of incorporation, bylaws or other organizational documents do not prohibit any term or condition of this Agreement. Each authorization, approval or consent from each registration and filing with, each declaration and notice to, and each other act by or relating to, any party required as a condition of Debtor's execution, delivery or performance of this Agreement (including any shareholder or board of directors or similar approval) has been duly obtained and is in full force and effect. Debtor has the power and authority to transact the business in which it is engaged and is duly licensed or qualified and in good standing in each jurisdiction in which the conduct of its business or ownership of property requires such licensing or such qualification.

3.3. Judgments and Litigation. There is no pending or threatened claim, audit, investigation, action or other legal proceeding or judgment or order of any court, agency or other governmental authority or arbitrator which involves Debtor or the Collateral and which might have a material adverse effect upon the Collateral, the Debtor, its business, operations, affairs or condition (financial or otherwise), or threaten the validity of this Agreement or any related document or action. Debtor will immediately notify Secured Party upon acquiring knowledge of the foregoing.

3.4. Enforceability of Collateral. Instruments, chattel paper, accounts or documents which constitute any part of the Collateral are genuine and enforceable in accordance with their terms, comply with the applicable law of any governmental authority concerning form, content, manner of preparation and execution, and all persons appearing to be obligated on such Collateral have authority and capacity to contract and are in fact obligated as they appear to be on such Collateral. There are no restrictions on any assignment or other transfer or grant of the Security Interest by Debtor. Each sum represented by Debtor from time to time as owing on accounts, instruments, deposit accounts, chattel paper and general intangibles constituting any part of the Collateral by account debtors and other parties with respect to such Collateral is the sum actually and unconditionally owing by account debtors or other parties with respect thereto at such time, except for applicable normal cash discounts. None of the Collateral is subject to any defense, set-off, claim or counterclaim of a material nature against Debtor except as to which Debtor has notified Secured Party in writing.

3.5. Location of Chief Executive Office, Records, Collateral. The locations of the following are listed on page one of this Agreement or, if different or additional, on Exhibit A hereto: (i) Debtor's residence, principal place of business and chief executive office; (ii) the office in which Debtor maintains its books or records relating to the Collateral; (iii) the facility (including any storage facility) at which now owned or subsequently acquired inventory, equipment and fixtures constituting any part of the Collateral shall be kept; and (iv) the real property or which any crop included in the Collateral is growing or is to be grown, or on which any timber constituting any part of the Collateral is or is to be standing. Debtor will not effect or permit any change in any of the foregoing locations (or remove or permit the removal of the records or Collateral therefrom), except for mobile equipment included in the Collateral which may be moved to another location for not more than 30 days without 30 days prior written notice to Secured Party and all actions deemed necessary by Secured Party to maintain the Security Interest intended to be granted hereby at all times fully perfected and in full force and effect have been taken. All of the locations listed on page one of Exhibit A are owned by Debtor, or if not, by the party (ies) identified on Exhibit A.

3.6. Structure, Name. Debtor's organizational structure, state of registration and organizational identification number (if any) are stated accurately on page one of this Agreement, and its full legal name and any trade name used to identify it are stated accurately on page one of this Agreement, or if different or additional are listed on Exhibit A hereto. Debtor will not change its name, any trade names or its identity, its organizational structure, state of registration or organizational identification number without 30 days prior written notice to Secured Party. All actions deemed necessary by Secured Party to maintain the Security Interest intended to be granted hereby at all times fully perfected and in full force and effect have been taken.

4. **Performance and Expenditures by Secured Party.** If Debtor fails to perform or comply with any of the terms hereof, Secured Party, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such terms including the payment or discharge of all taxes, fees, security interest or other liens, encumbrances or claims, at any time levied or placed on the Collateral. An election to make expenditures or to take action or perform an obligation of Debtor under this Agreement, after Debtor's failure to perform, shall not affect Secured Party's right to declare an Event of Default and to exercise its remedies. Nor shall the provisions of this Section relieve Debtor of any of its obligations hereunder with respect to the Collateral or impose any obligation on Secured Party to proceed in any particular manner with respect to the Collateral.

5. **Duty of Secured Party.** Secured Party's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession shall be to deal with it in the same manner as Secured Party deals with similar property for its own account. Neither Secured Party nor its directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of the Collateral upon the request of Debtor or any other person or to take any other action whatsoever with regard to the Collateral. The powers conferred on Secured Party hereunder are solely to protect Secured Party's interests in the Collateral and shall not impose any duty upon any Secured Party to exercise any such powers. Secured Party shall be accountable only for monies that actually result as a result of the exercise of its powers under this Agreement, and neither its directors, officers, directors, employees or agents shall be responsible to Debtor for any act or failure to act hereunder, except for its own gross negligence or willful misconduct.

6. Certain Rights and Remedies.

6.1. Inspection, Verification. Secured Party, and such persons as it may designate, shall have the right, from time to time in its individual capacity, to inspect (i) all books and records related thereto and make extracts and copies from such records; and (ii) the premises upon which any of the Collateral or books and records may be located; (iii) discuss Debtor's business, operations, affairs or condition (financial or otherwise) with its officers, accountants, and (iv) verify the validity, amount, quality, quantity, value, condition and status of, or any other matter relating to the Collateral in any manner and through any means Secured Party may consider appropriate (including contacting account debtors or third party possessors of the Collateral for

10.3. Security Interest Assignment. All rights of Secured Party hereunder, the Security Interest and all obligations of Debtor hereunder shall be enforceable and enforceable against the estate of Debtor or any other Debtor or any person in bankruptcy or any action in a federal or state law court. The rights of Debtor or the seeking or consenting to of the appointment of an administrator, receiver, custodian or similar officer for the winding up of its business, in any lack of validity or enforceability of any agreement with respect to any of the Obligations, in any change in the time, nature or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from any agreement or instrument with respect to the Obligations, in any exchange, release or non-perfection of any lien or any release or amendment or waiver of or consent under or departure from any guarantee, securing or guaranteeing all or any of the Obligations, or any other circumstance that might otherwise constitute a defense available to, or a discharge of, Debtor in respect of the Obligations or this Agreement. If after receipt of any payment of all or any part of the Obligations, Secured Party is for any reason compelled to surrender such payment to any person or entity, because such payment is determined to be void or avoidable as a preference, impermissible setoff, or a diversion of trust funds, or for any other reason, such payment shall be reinstated as part of the Obligations and this Agreement shall continue in full force notwithstanding any contrary action which may have been taken by Secured Party or reliance upon such payment, and any such contrary action so taken shall be without prejudice to Secured Party's rights under this Agreement and shall be deemed to have been conditioned upon such payment having been final and irrevocable.

10.4. Remedies Cumulative, Preservation of Rights. The rights and remedies herein are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies which Secured Party may have under other agreements now or hereafter in effect between Debtor and Secured Party or law (including under the UCC) or in equity. No failure or delay of Secured Party in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. Debtor expressly disclaims any reliance in any course of dealing or usage of trade or oral representation of Secured Party including representations to make loans to Debtor. No notice to or demand on Debtor in any case shall entitle Debtor to any other or further notice or demand in similar or other circumstances.

10.5. Joint and Several, Successors and Assigns. If there is more than one Debtor, each of them shall be jointly and severally liable for all amounts which become due, and the performance of all obligations under this Agreement and the term "Debtor" shall include each as well as all of them. This Agreement shall be binding upon Debtor and upon its heirs and legal representatives, its successors and assignees, and shall inure to the benefit of, and be enforceable by, Secured Party, its successors and assignees and each direct or indirect assignee or other transferee of any of the Obligations, provided, however, that this Agreement may not be assigned by Debtor without the prior written consent of Secured Party.

10.6. Waivers, Changes in Writing. No course of dealing or other conduct, no oral agreement or representation made by Secured Party or its agent or trade shall operate as a waiver of any right or remedy of Secured Party. No waiver of any provision of this Agreement or consent to any departure by Debtor therefrom shall in any event be effective unless made specifically in writing by Secured Party and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No modification to any provision of this Agreement shall be effective unless made in writing in an agreement signed by Debtor and Secured Party.

10.7. Interpretation. Unless the context otherwise clearly requires, references to plural includes the singular and references to the singular include the plural. The word "or" has the inclusive meaning represented by the phrase "and/or". The word "including", "includes" and "include" shall be deemed to be followed by the words "without limitation". All captions or section headings are solely for convenience and not part of the substance of this Agreement. Any representation, warranty, covenant or agreement herein shall survive execution and delivery of this Agreement and shall be deemed continued as if such provision of this Agreement shall be interpreted as consistent with existing law and shall be deemed amended to the extent necessary to comply with any conflicting law. If any provision nevertheless is held invalid, the other provisions shall remain in effect. Debtor agrees that in any legal proceeding, a photocopy of this Agreement kept in Secured Party's course of business may be admitted into evidence as an original. Terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the UCC.

10.8. **Waiver of Jury Trial. DEBTOR AND SECURED PARTY HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY. DEBTOR AND SECURED PARTY MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTIONS RELATED HERETO. DEBTOR REPRESENTS AND WARRANTS THAT NO REPRESENTATIVE OR AGENT OF SECURED PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SECURED PARTY WILL NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS JURY TRIAL WAIVER. DEBTOR ACKNOWLEDGES THAT SECURED PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE PROVISIONS OF THIS SECTION.**

Dated October 27, 2010

CORNING NATURAL GAS CORPORATION

By: Michael J. German
Name: Michael J. German
Title: President

ACKNOWLEDGMENT

STATE OF NEW YORK
COUNTY OF DECATUR

On the 27 day of November, in the year 2010, before me, the undersigned, a Notary Public in and for said State, personally appeared MICHAEL J. GERMAN, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he, she, they executed the same in his, her, their capacity(ies) and that he, she, he, their signatures on the instrument, the red ink marks, or the marks upon behalf of which the individual(s) acted, executed the instrument.

Michael J. German
Notary Public

FOR SECURED PARTY USE ONLY.
Authorization confirmed
If Debtor's Obligations arise under a guaranty in favor of Secured Party, list the name of each party whose indebtedness is being guaranteed under such provision.

Exhibit A

1. Grant (§3.1): Debtor grants the Security Interest in its property described below (mark applicable box)

- All Equipment.** If marked here, all equipment, including equipment which is or becomes fixtures, and any general intangibles associated with such equipment and fixtures.
- Specific Equipment.** If marked here, in the following described equipment, including equipment which is or becomes fixtures and any general intangibles associated with such equipment:

All Fixtures and Equipment of the Debtor, now owned or hereafter acquired, including but not limited to fixtures and equipment affixed to, or used in connection with, the premises described on attached Schedule A and any and all replacements thereof and additions thereto and in the proceeds arising from same. All present and future debts between the parties are hereby secured.

- All Inventory.** If marked here, in all inventory.
- Specific Inventory.** If marked here, in the following described inventory and in all inventory of the same class:
.....
- All Accounts, General Intangibles and Chattel Paper.** If marked here, in all accounts, general intangibles or chattel paper.
- Specific Accounts, General Intangibles or Chattel Paper.** If marked here, in the following described accounts, general intangibles or chattel paper:
.....
- Other Types of Property.** If marked here, in the following described property:

All rights, tangible and intangible (including pipelines, easements, rights of way and compressors) in the Debtor's gas distribution system pursuant to municipal franchises or otherwise.

2. Permitted Liens (§3.1)

Liens in favor of Community Bank, N.A. secured by receivables, gas inventory and "Rabbi" Trust Investment Account

3. Residence, principal place of business or chief executive office (§3.5(i))

330 West William Street, Corning, New York 14830

4. Location of Books and Records (§3.5(ii))

330 West William Street, Corning, New York 14830

5. Location of Inventory, Equipment, Fixtures, Crops or Timber (§3.5(iii) and §3.5(iv))

330 West William Street, Corning, New York 14830

6. Locations Not Owned by Debtor and Name of Record Owner (§3.5)

N/A

7. Trade Name, "Doing Business As" Name or Assumed Name (§3.6)

N/A

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional] MARK S. GORGOS, ESQ. 607-723-9511
B. SEND ACKNOWLEDGMENT TO: (Name and Address) COUGHLIN & GERHART, L.L.P. 19 CHENANGO STREET BINGHAMTON, NY 13901 ATTN: MARY C. CIFARATTA

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME CORNING NATURAL GAS CORPORATION						
OR	1b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX	
1c. MAILING ADDRESS 330 WEST WILLIAM STREET			CITY CORNING	STATE NY	POSTAL CODE 14830	COUNTRY USA
1d. SEE INSTRUCTIONS	ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION CORPORATION	1f. JURISDICTION OF ORGANIZATION NEW YORK	1g. ORGANIZATIONAL ID #, if any		
					<input checked="" type="checkbox"/> NONE	

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME						
OR	2b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX	
2c. MAILING ADDRESS			CITY	STATE	POSTAL CODE	COUNTRY
2d. SEE INSTRUCTIONS	ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID #, if any		
					<input type="checkbox"/> NONE	

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME MANUFACTURERS AND TRADERS TRUST COMPANY - ATTN: COLLATERAL AND DOCUMENTATION DEPT.						
OR	3b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX	
3c. MAILING ADDRESS M&T CENTER, ONE FOUNTAIN PLAZA, 3RD FLOOR			CITY BUFFALO	STATE NY	POSTAL CODE 14203	COUNTRY USA

4. This FINANCING STATEMENT covers the following collateral:

ALL FIXTURES AND EQUIPMENT NOW OWNED OR HEREAFTER ACQUIRED, INCLUDING BUT NOT LIMITED TO FIXTURES AND EQUIPMENT AFFIXED TO, OR USED IN CONNECTION WITH, THE PREMISES DESCRIBED ON ATTACHED SCHEDULE A AND ANY AND ALL REPLACEMENTS THEREOF AND ADDITIONS THERETO AND IN THE PROCEEDS ARISING FROM SAME.

ALL RIGHTS, TANGIBLE AND INTANGIBLE (INCLUDING PIPELINES, EASEMENTS, RIGHTS OF WAY AND COMPRESSORS) IN THE DEBTOR'S GAS DISTRIBUTION SYSTEM PURSUANT TO MUNICIPAL FRANCHISES OR OTHERWISE.

ALL PRESENT AND FUTURE DEBTS BETWEEN THE PARTIES ARE HEREBY SECURED.

5. ALTERNATIVE DESIGNATION (if applicable):	<input type="checkbox"/> LESSEE/LESSOR	<input type="checkbox"/> CONSIGNEE/CONSIGNOR	<input type="checkbox"/> BAILEE/BAILOR	<input type="checkbox"/> SELLER/BUYER	<input type="checkbox"/> AG. LIEN	<input type="checkbox"/> NON-UCC FILING
6. <input checked="" type="checkbox"/> This FINANCING STATEMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS. Attach Addendum (if applicable)	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) (optional)		<input type="checkbox"/> All Debtors	<input type="checkbox"/> Debtor 1	<input type="checkbox"/> Debtor 2	<input type="checkbox"/> ADDITIONAL FEE
8. OPTIONAL FILER REFERENCE DATA						

SPECIFIC SECURITY AGREEMENT - STEUBEN COUNTY

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME CORNING NATURAL GAS CORPORATION			
OR	9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one name (11a or 11b) - do not abbreviate or combine names

11a. ORGANIZATION'S NAME					
OR	11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
11c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
11d. SEE INSTRUCTIONS	ADD'L INFO RE ORGANIZATION DEBTOR	11e. TYPE OF ORGANIZATION	11f. JURISDICTION OF ORGANIZATION	11g. ORGANIZATIONAL ID #, if any	
					<input type="checkbox"/> NONE

12. ADDITIONAL SECURED PARTY'S or ASSIGNOR S/P'S NAME - insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME					
OR	12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
12c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

13. This FINANCING STATEMENT covers timber to be cut or as-extracted collateral, or is filed as a fixture filing.

14. Description of real estate:

330 WEST WILLIAM STREET
CITY OF CORNING, TOWN OF CORNING, VILLAGE OF RIVERSIDE
STEBEN COUNTY, NEW YORK
PARCEL IDENTIFICATION #299.19-05-025.000 and 519.00-05-009.000

SEE SCHEDULE A ATTACHED HERETO

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

16. Additional collateral description:

17. Check only if applicable and check only one box.

Debtor is a Trust or Trustee acting with respect to property held in trust or Decedent's Estate

18. Check only if applicable and check only one box.

Debtor is a TRANSMITTING UTILITY

Filed in connection with a Manufactured-Home Transaction — effective 30 years

Filed in connection with a Public-Finance Transaction — effective 30 years

SCHEDULE A

ALL THAT TRACT OR PARCEL OF LAND, situate in the City of Corning and in the Village of Riverside, Town of Corning (Township No.2 - North Range No. 1-West), County of Steuben, and State of New York, bounded and described according to a plat of survey prepared by J. Patrick Moore, P.L.S., Job No. R-3056, dated April 4, 2008, as follows:

Beginning at an iron pin located on the south line of West William Street and at the northwest corner of Lot No. 4 in Block No. 7 of the Crystal City Improvement Association Grounds shown on a map prepared by F. H. Bailey, dated 1895 and filed in the Steuben County Clerk's Office; thence running South $20^{\circ}16'42''$ West along the west line of Lot No. 4, a distance of 120.00 feet to an iron pin at the southwest corner of said Lot; thence running South $68^{\circ}47'18''$ East in part along the south line of Lot No. 4, a distance of 20.00 feet to an iron pin at the northeasterly corner of lands owned by the City of Corning and occupied by the William Street Park; thence running South $66^{\circ}52'54''$ West along the north line of William Street Park, a distance of 80.75 feet to an iron pin at the northwest corner of William Street Park; thence running South $23^{\circ}07'06''$ East in part along the west line of William Street Park, a distance of 93.65 feet to an iron pin at the northeast corner of lands reputedly owned by New York State Electric and Gas Corporation; thence running South $66^{\circ}52'54''$ West along the north line of said lands owned by New York State Electric and Gas Corporation, a distance of 85.00 feet to an iron pin at the northwest corner of said parcel; thence running South $23^{\circ}07'06''$ East along the west line of said lands owned by New York State Electric and Gas Corporation, a distance of 46.37 feet to an iron pin at the southwest corner of said parcel and on the north line of lands appropriated by the State of New York for N.Y.S. Route No. 17; running thence North $67^{\circ}54'33''$ West along the State of New York lands, a distance of 166.98 feet to a New York State Concrete Monument; running thence North $34^{\circ}25'09''$ West along the northerly line of the highway, a distance of 455.06 feet to another N.Y.S. Concrete Monument; thence running North $11^{\circ}02'37''$ East along the east line of lands of Pulteney Plaza, Inc., and continuing along the east line of land formerly acquired by the New York and Erie Railroad Company as by reference to a Warranty Deed recorded in the Steuben County Clerk's Office in Liber 57 of Deeds at page 136, a total distance of 482.98 feet, more or less, to a point at or near the southerly boundary of West Pulteney Street; thence S $28^{\circ}03'15''$ E, in part along the southerly boundary of Lot No. 17, a distance of 199.42 feet to an iron pin at the northwesterly corner of Lot No. 15 of the Crystal City Improvement Association Grounds; thence running South $25^{\circ}14'14''$ East along the westerly line of Lot No. 15, a distance of 50.03 feet to an iron pin at the northwest corner of Lot No. 14; thence running South $24^{\circ}08'58''$ East along the westerly line of Lot No. 14, a distance of 10.00 feet to an iron pin; thence running North $66^{\circ}52'54''$ East, through Lot No. 14, a distance of 125.42 feet to an iron pin on the westerly right of way limit of West William Street; thence running South $23^{\circ}07'06''$ East along the west line of West William Street, a distance of 440.19 feet to an iron pin at the southeast corner of Lot No. 6 of the Crystal City Improvement Association Grounds; thence running South $68^{\circ}47'18''$ East along the southerly line of West William Street, which line is the northerly line of Lot No. 5 of the Crystal City Improvement Association Grounds, a distance of 34.80 feet to the point of beginning.

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]
 MARK S. GORGOS, ESQ. 607-723-9511

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

COUGHLIN & GERHART, L.L.P.
 19 CHENANGO STREET
 BINGHAMTON, NY 13901
 ATTN: MARY C. CIFARATTA

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME
 CORNING NATURAL GAS CORPORATION

OR

1b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

1c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
 330 WEST WILLIAM STREET CORNING NY 14830 USA

1d. SEE INSTRUCTIONS ADD'L INFO RE ORGANIZATION DEBTOR 1e. TYPE OF ORGANIZATION CORPORATION 1f. JURISDICTION OF ORGANIZATION NEW YORK 1g. ORGANIZATIONAL ID #, if any NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

2c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

2d. SEE INSTRUCTIONS ADD'L INFO RE ORGANIZATION DEBTOR 2e. TYPE OF ORGANIZATION 2f. JURISDICTION OF ORGANIZATION 2g. ORGANIZATIONAL ID #, if any NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME
 MANUFACTURERS AND TRADERS TRUST COMPANY - ATTN: COLLATERAL AND DOCUMENTATION DEPT.

OR

3b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

3c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
 M&T CENTER, ONE FOUNTAIN PLAZA, 3RD FLOOR BUFFALO NY 14203 USA

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8. OPTIONAL FILER REFERENCE DATA

SPECIFIC SECURITY AGREEMENT - NYS

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME			
CORNING NATURAL GAS CORPORATION			
OR	9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME, SUFFIX

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STEBEN COUNTY, NEW YORK
PARCEL IDENTIFICATION #299.19-05-025.000 and 519.00-05-009.000

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SCHEDULE A

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MANUFACTURERS AND TRADERS TRUST COMPANY

DISBURSEMENT CLOSING STATEMENT

BORROWER: Corning Natural Gas Corporation

BANK ATTORNEY: Mark Gorgos, Esq.

**BORROWER'S
ATTORNEY: George Welch, Esq.**

**AMOUNT OF
LOAN: \$1,865,000.00 Multiple Disbursement Term Loan**

CLOSING DATE: October 27, 2010

MONIES DISBURSED AS FOLLOWS:

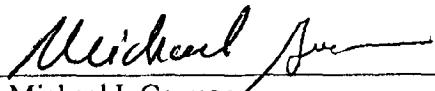
Corning Natural Gas Corporation (Loan Proceeds) \$1,865,000.00

TOTAL DISBURSEMENTS..... \$1,865,000.00

The undersigned Borrower approves the payments made above by Manufacturers and Traders Trust Company, confirms obligation to pay the fees listed and acknowledges receipt from Manufacturers and Traders Trust Company of the full amount described as Total Disbursements.

Borrower:

CORNING NATURAL GAS CORPORATION

By: 
Name: Michael I. German
Title: President

Dated: October 27, 2010



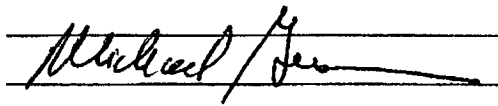
COMPANY GENERAL CERTIFICATE

FROM: Corning Natural Gas Corporation (the "Company")

The undersigned hereby certifies that he/she has the power and authority to execute and deliver this Company General Certificate to Manufacturers and Traders Trust Company, M&T Bank, National Association, M&T Real Estate Trust, and any of their affiliates (any or collectively, a "Lender") on behalf of the Company. The undersigned further certifies that the following are true and correct:

1. **Resolutions.** The resolutions attached as Schedule A (the "Resolutions") were duly adopted by the Company's board of directors (if a corporation), membership (if a limited liability company), partners (if a general partnership) or such other governing body as may be applicable to the Company, at a meeting duly called and held, or by unanimous consent, on October 27, 2010; that none of the Resolutions have been rescinded, revoked or modified in any way; that each Resolution is in full force and effect on the date of this Certificate; and that neither any of the Resolutions nor any action taken or to be taken pursuant to any of the Resolutions violates, or will result in any violation of, any statute, regulation or other law applicable to the Company or the governing documents applicable to the Company, or any instrument, agreement or document to which the Company is a party, or by which the Company or any of its assets is bound.


2. **Incumbency.** Each person whose name appears below, opposite a title/position ("Position"), has been duly elected or appointed to and qualified for such Position at the Company and that on the date of this Certificate such person holds such Position; and that each signature appearing below is a true specimen of the signature of the person whose signature it purports to be.

<u>NAME</u>	<u>TITLE/POSITION</u>	<u>SIGNATURE</u>
Michael I. German	President	

3. **Organization and Standing.** The Company is duly organized, validly existing and in good standing under the laws of the State/Commonwealth of New York. No petition for dissolution has been filed or is pending. The Company has, and at the time of adoption of the Resolutions had, full power and lawful authority to adopt the Resolutions and to confer the powers granted in them to the Position or persons named or referenced in said Resolutions including any delegation of powers; and any person holding such Position or the person so named shall have full power and lawful authority to exercise those powers. No other action or consent of any other person or entity is necessary in order for this Certificate or the Resolutions to be effective.

4. **Shareholder Consent to Guaranty (Corporation Only).** If the Company is a corporation and the Company is guarantying the debt of another party, subordinating debt in favor of a Lender or pledging assets to secure the debt of another party, the shareholders holding at least b of the shares entitled to vote consented and approved at a shareholders' meeting, duly called and held on _____, 20____, that the Company is empowered to execute and deliver to the Lender the Agreements which were authorized per the attached Resolutions. If the shareholder approval was by written consent, then attached as Schedule B is a Shareholder Consent which constitutes the unanimous written consent of each shareholder of the Company.

October 27, 2010
Date


Stanley G. Steve, Secretary

NOTE: If the person signing above is authorized to transact business by any Resolutions, this Certificate should be attested by a second officer, director, member or partner of the Company, unless the Company is owned by a single owner (e.g., shareholder, member) and has no other officer, director or member.

Bank Use Only

Borrower: _____ Obligation No: _____

BORROWING RESOLUTION

SCHEDULE A TO GENERAL CERTIFICATE

From: Corning Natural Gas Corporation (the "Company").

Re: Company General Certificate dated October 27, 2010

RESOLVED, that any person with the following title or position:

President

(by title or position only (each severally, an "Authorized Person") (is)/(are) may on behalf of and in the name of the Company or otherwise, transact with and through Manufacturers and Traders Trust Company, M&T Bank, National Association, M&T Real Estate Trust, and any of their affiliates (any or collectively, a "Lender"), all such business as he or she (they) shall deem advisable upon such terms as he or she (they) shall deem proper including, but not limited to (i) obtaining loans, credits and other financial accommodations; (ii) discounting, selling, assigning, delivering and negotiating checks, drafts, bills of exchange, acceptances, notes and other writings containing a promise of, or order for, the payment of money (individually an "Item" and collectively "Items"); (iii) guaranteeing and otherwise becoming contingently liable for obligations of others; (iv) applying for services or products from a Lender ("Services and Products") including, without limitation, letters of credit, electronic funds transfers, Internet products, capital markets products, deposit and cash management products; and (v) pledging, hypothecating, assigning, mortgaging, encumbering, granting security interests in and otherwise creating liens upon property, whether real or personal, tangible or intangible ("Property"), as security for credits and for guaranties and other contingent liabilities. In connection with any such transaction of business, each Authorized Person has the power and authority on behalf of the Company to do all such acts and other things as he or she (they) shall deem proper, including but not limited to (i) signing, drawing, accepting, endorsing, executing and delivering Items; (ii) executing and delivering notes, guaranties, assignments, pledges, hypothecations, mortgages, deeds of trust, security agreements, powers of attorney, indemnifications, receipts, waivers, releases and other instruments, agreements and documents; (iii) making and receiving delivery of Property; (iv) accepting, receiving, withdrawing and waiving demands and notices; (v) incurring and paying liabilities, costs and expenses; and (vi) delegating to one or more people (who may be, but need not be, an Authorized Person) the power and authority granted to any Authorized Person herein or as set forth in an agreement with respect to any credit, Service or Product, including the authority to request advances from a Lender under one or more credits with a Lender. Without limiting the generality of the foregoing, each Authorized Person has the power and the authority on behalf of the Company to obtain from a Lender from time to time upon such terms as he or she (they) shall deem proper, credits in such amounts as they deem necessary; and be it further

RESOLVED, that without limiting the generality of the foregoing, the Company hereby specifically authorizes the following:

a loan in the principal amount of \$1,865,000.00; and be it further

loans the total of the outstanding principal amounts of which shall not at any one time exceed \$ _____; and be it further

RESOLVED, that the authority given hereunder shall be deemed retroactive and any and all signatures, endorsements heretofore executed and all other actions heretofore taken (including agreements made electronically (e.g., over the Internet)) by one or more of the Company's officers, members, partners or other persons, employees acting on behalf of the Company in any capacity (including Authorized Persons), and their delegates, (acting jointly or separately) are hereby adopted, ratified and confirmed; and be it further

RESOLVED, that any individual who holds the position or title identified above as an Authorized Person, and each person or persons designated by an Authorized Person to act on behalf of the Company (who may, but need not be, an Authorized Person), shall have the power and authority to transact business and bind the Company through electronic medium (e.g., the Internet) and the Lender may rely on any of the following to the same extent as the actual signature and proof of identity of each such person to bind the Company: any electronic signature or digital signature, under applicable law, of such person; any identifier issued by the Lender, its affiliates or any other party (e.g., Personal Identification Number associated with ATM or other card or any access device) to such person; or any other criteria that the Lender may reasonably rely on which may serve as an indicator of authentication for such person; and be it further

RESOLVED, that the foregoing resolutions shall remain in full force and effect and may be relied upon by a Lender, notwithstanding the dissolution or termination of existence of the Company or any change in the identity of, or any modification or termination of any authority of, any Authorized Person, until a copy of a subsequent resolution revoking or amending them, duly certified by an Authorized Person of the Company, shall be actually received by the account officer of a Lender responsible for the obligations of the Company and such Lender shall have had a reasonable time to act thereon; and any action taken by a Lender prior to such actual receipt and passage of time shall be binding upon the Company, irrespective of when such resolutions may have been adopted.