

BUSINESS CODE OF CONDUCT AND ETHICS  
OF  
DELTA NATURAL GAS COMPANY, INC.

Approved by the Board of Directors  
August 24, 2007

*Purpose of Code of Conduct and Ethics*

The purpose of this Code of Business Conduct and Ethics (the “Code”) is: to promote the honest and ethical conduct of all employees, officers and the Board of Directors (hereinafter collectively referred to as the “employees”) of Delta Natural Gas Company, Inc. (the “Company”), including, without limitation, the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; to promote full, fair, accurate, timely and understandable disclosure in reports and documents required to be filed by the Company; and to promote compliance with all applicable laws, rules and regulations that apply to the Company and its officers. For purposes of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, this Code shall be Delta’s Code of Ethics for the Chief Executive Officer, the Chief Financial Officer and the Principal Accounting Officer.

*Introduction*

This Code is applicable to all of the Company’s employees, including the chief executive officer, chief financial officer, chief operating officers, general counsel, chief administrative officer, chief accounting officer and controller (or any persons performing similar functions) (collectively, the “Senior Executive and Financial Officers”). References in this Code to the Company means the Company or any of its subsidiaries.

While the Company expects honest and ethical conduct in all aspects of its business from all employees, the Company expects the highest possible honest and ethical conduct from its Senior Executive and Financial Officers. Senior Executive or Financial Officers are an example for other employees and are expected to foster a culture of transparency, integrity and honesty. Compliance with this Code is a condition to employment and any violations of the Code may result in disciplinary action, up to and including termination.

Waivers of this Code may be made only by the Board or the Board’s Executive Committee, after full disclosure by the conflicted party and all other interested parties, with any conflicted Director not voting, and will be disclosed in accordance with applicable law.

Any waiver of the Code with respect to any Director or Executive Officer of the Company may only be made by the Board, and not a committee of the Board. Such waiver may only be made after full disclosure by the conflicted party and all other interested parties, with any conflicted Director not voting. Any waiver of the Code with respect to any Director or Executive Officer of the Company must be disclosed within four business days in a Form 8-K and promptly disclosed to the shareholders, along with the reasons for the waiver, in such manner as is required by law and as the Board deems appropriate. The process for any waivers with respect to employees that are not Directors or Executive Officers shall not be affected by this paragraph.

### ***Conflicts of Interest***

A conflict of interest occurs when private interests interfere, or appear to interfere, in any way, with the interests of the Company as a whole. Conflicts of interest can also arise when action is taken, or family members have interests, that may make it difficult to perform duties to the Company effectively.

Although every conceivable conflict cannot be listed, following are some common examples that illustrate actual or apparent conflicts of interest that should be avoided:

- Conflicts of interest arise when an employee, or a member of his or her family receives improper personal benefits as a result of his or her position in the Company. Employees may not accept any benefits from the Company that have not been duly authorized and approved pursuant to Company policies and procedures, including any Company loans or guarantees of personal obligations.
- Avoid having an ownership interest in any other enterprise if that interest compromises or appears to compromise loyalty to the Company. For example, employees should not own an interest in a company that competes with the Company or that does business with the Company (such as a supplier) unless they obtain the written approval of the Chief Executive Officer before making any such investment. However, it is not typically considered, and the Company does not consider it, a conflict of interest (and therefore prior written approval is not required) to make investments in competitors, clients or suppliers that are listed or traded on a national securities exchange or market so long as the total value of the investment is less than one percent (1%) of the outstanding stock of the corporation and the amount of the investment is not so significant that it would affect business judgment on behalf of the Company.
- Without the prior written approval of the Chief Executive Officer, employees may not participate in a joint venture, partnership or other business arrangement with the Company.

- Employees who learn of a business or investment opportunity through the use of Company property or information or their position at the Company, such as from a competitor or actual or potential supplier or business associate of the Company (including a principal, officer, director or employee of any of the above), may not participate in the business or make the investment without the prior written approval of the Chief Executive Officer. Such an opportunity should be considered an investment opportunity for the Company in the first instance.
- Simultaneous employment with or serving as a director of a competitor of the Company is strictly prohibited, as is any activity that is intended to or that should reasonably be expected to advance a competitor's interests at the expense of the Company's interests. Employees may not market products or services in competition with the Company's current or potential business activities. It is each employee's responsibility to consult with the Chief Executive officer to determine whether a planned activity will compete with any of the Company's business activities before pursuing the activity in question.
- Without the prior written approval of the Chief Executive Officer, employees may not be a supplier or employed by, serve as a director or represent a supplier to the Company. Without the prior written approval of the Chief Executive officer, employees may not accept money or benefits of any kind from a third party as compensation or payment for any advice or services that they provide to a client, supplier or anyone else in connection with its business with the Company.
- Employees may accept gifts from third parties as long as such gifts do not compromise the employee's judgment, or do not in any way compromise or otherwise affect the employee's actions to properly perform their jobs and to represent Delta's best interests at all times. Any such gift or series of gifts received during any 12 month period by an employee in excess of \$200 in value shall be disclosed in writing to Delta's Chief Executive Officer.
- If employees' spouses or significant others, children, parents, or in-laws, or someone else with whom employees have a familial relationship is a competitor or supplier, the employee must disclose the situation to the Chief Executive Officer so that the Company may assess the nature and extent of any concern and how it can be resolved. Employees must carefully guard against inadvertently disclosing Company confidential information and being involved in decisions on behalf of the Company that involve the other enterprise.

If employees have any doubt as to whether or not conduct would be considered a conflict of interest, they should consult with the Chief Executive Officer.

### ***Accurate Reports and Other Public Communications***

Full, fair, accurate, timely and understandable disclosure in Delta's reports and documents filed with (or submitted to) the Securities and Exchange Commission and in Delta's other public communications is required by Securities and Exchange Commission rules and is essential to Delta's continued success. All employees should exercise the highest standard of care in preparing such materials. The following guidelines have been established in order to ensure the quality of such reports and documents:

- All Company accounting records, as well as reports produced from those records, must be presented in accordance with the laws of each applicable jurisdiction.
- All records must fairly and accurately reflect the transactions or occurrences to which they relate.
- All records must fairly and accurately reflect in reasonable detail the Company's assets, revenues and expenses.
- The Company's account records must not contain any false or intentionally misleading entries.
- No transaction may be intentionally misclassified as to accounts, departments or accounting periods in any other manner.
- All transactions must be supported by accurate documentation in reasonable detail and in the proper account and in the proper accounting period.
- No information may be concealed from the internal auditors or the independent auditors.
- Compliance with Generally Accepted Accounting Principles and the Company's system of accounting controls is required at all times.

### ***Compliance with Laws and Ethics Code***

Employees are expected to comply with both the letter and spirit of all applicable governmental rules and regulations and this Code, and to report any suspected violations of applicable governmental rules and regulations or this Code to the Chief Executive Officer. No one will be subject to retaliation because of a good faith report of a suspected violation. Failure to comply with this Code or any applicable laws or regulations, may be grounds for disciplinary measures, up to and including discharge.

### ***Procedure for the Receipt, Retention and Treatment of Complaints***

The following procedures, established by the Audit Committee of the Board of Directors of Delta Natural Gas Company, Inc. for the receipt, retention and treatment of complaints received by the company regarding questionable accounting, internal audit controls, or auditing matters, are to be followed by all employees:

- Employees and others are encouraged to bring to the attention of the Chairman of the Audit Committee any concerns regarding accounting, internal audit controls, or auditing matters.
- Any such complaints should be submitted directly in writing to the Chairman of the Audit committee in a sealed envelope. Any such complaints submitted to Delta will be provided to the Chairman of the Audit Committee.
  - ◆ Complaints may be submitted anonymously, if desired, by mail or the Company's internal distribution system.
  - ◆ No attempt to identify the author of anonymous complaints shall be made by the Audit Committee or any other employee of the Company.
  - ◆ No attempt will be made to retaliate against an employee submitting a complaint, whether it is anonymous or not.
- Complaints may be submitted to Delta's Director - Internal Control by telephone to the internal auditor at 859-744-6171, by email to [internalauditor@deltagas.com](mailto:internalauditor@deltagas.com) or anonymously in writing. All complaints reported to the Director - Internal Control will be communicated directly to the Chairman of the Audit Committee.
- Upon receipt of a complaint, the Chairman of the Audit Committee shall designate a member or members of the Committee to investigate the Complaint and to prepare a written report of that investigation to be presented at the next meeting of the Audit Committee.
- The designated investigators shall be authorized to meet with any employee of the Company as necessary to determine the legitimacy of the complaint, to request and review any relevant documents produced by or in the possession of the Company, to request statements, sworn or unsworn, from any employee with information relevant to the complaint, and to retain legal counsel and/or other experts to assist them in the investigation.
- The Audit Committee shall take action as deemed appropriate by the Committee to include, if appropriate, a report to the Board of Directors of the Company concerning the Committee's findings with regard to the subject of the complaint.
- All complaints, reports of investigations, and reports to the Board of Directors shall be kept in a permanent file by the Audit Committee.

### ***Confidentiality***

Employees shall respect and preserve the confidentiality of information acquired in the course of performing duties on behalf of the Company, except for instances when disclosure of such information is authorized by the Chief Executive Officer or required by law. Confidential information respecting the Company is at no time to be used for personal advantage.

### ***No Rights Created***

This Code is a statement of certain fundamental principles, policies and procedures that govern the Company's employees, including Senior Executive and Financial Officers in the conduct of the Company's business. It is not intended to and does not create any rights in any employee, customer, supplier, competitor, shareholder or any other person or entity.

### ***Acknowledgement***

Each employee and each member of the Company's Board of Directors is required to complete the attached Acknowledgement Form.

*Delta Natural Gas Company, Inc.  
Business Code of Conduct and Ethics  
As Approved By the Board of Directors  
On August 24, 2007*

**ACKNOWLEDGEMENT FORM**

I have received and read the Business Code of Conduct and Ethics and I understand its contents. I agree to comply fully with the standards contained in the Business Code of Conduct and Ethics and the Company's related policies and procedures. I understand that I have an obligation to appropriately report any suspected violations of the Business Code of Conduct and Ethics.

Printed Name \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_