

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-11590

CHESAPEAKE UTILITIES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

51-0064146
(I.R.S. Employer
Identification No.)

909 Silver Lake Boulevard, Dover, Delaware 19904
(Address of principal executive offices, including Zip Code)

(302) 734-6799
(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock - par value per share \$0.4867	CPK	New York Stock Exchange, Inc.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Common Stock, par value \$0.4867 — 16,493,573 shares outstanding as of July 31, 2020.

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GLOSSARY OF DEFINITIONS

ASC: Accounting Standards Codification issued by the FASB

Aspire Energy: Aspire Energy of Ohio, LLC

ASU: Accounting Standards Update issued by the FASB

Boulden: Boulden, Inc., an entity from whom we acquired certain propane operating assets

CARES Act: Coronavirus Aid, Relief, and Economic Security Act

CDC: U.S. Centers for Disease Control and Prevention

CDD: Cooling Degree-Day

CGS: Community Gas Systems

Chesapeake or Chesapeake Utilities: Chesapeake Utilities Corporation, and its direct and indirect subsidiaries, as appropriate in the context of the disclosure

CHP: Combined heat and power plant

Company: Chesapeake Utilities Corporation, and its direct and indirect subsidiaries, as appropriate in the context of the disclosure

COVID-19: An infectious disease caused by a newly discovered coronavirus

Degree-Day: A degree-day is the measure of the variation in the weather based on the extent to which the average daily temperature (from 10:00 am to 10:00 am) falls above (CDD) or below (HDD) 65 degrees Fahrenheit

Delmarva Peninsula: A peninsula on the east coast of the U.S. occupied by Delaware and portions of Maryland and Virginia

Dt(s): Dekatherm(s), which is a natural gas unit of measurement that includes a standard measure for heating value

Dts/d: Dekatherms per day

Eastern Shore: Eastern Shore Natural Gas Company, a wholly-owned subsidiary of Chesapeake Utilities

Eight Flags: Eight Flags Energy, LLC, a subsidiary of Chesapeake OnSight Services, LLC

Elkton Gas: Elkton Gas Company, a subsidiary of SJI that we entered into an agreement to acquire in December 2019

FASB: Financial Accounting Standards Board

FERC: Federal Energy Regulatory Commission

FPU: Florida Public Utilities Company, a wholly-owned subsidiary of Chesapeake Utilities

GAAP: Accounting principles generally accepted in the United States of America

GRIP: Gas Reliability Infrastructure Program

Gross Margin: a non-GAAP measure defined as operating revenues less the cost of sales. The Company's cost of sales includes purchased fuel cost for natural gas, electricity and propane and the cost of labor spent on direct revenue-producing activities and excludes depreciation, amortization and accretion

HDD: Heating Degree-Day

Marlin Gas Services: Marlin Gas Services, LLC, a wholly-owned subsidiary of Chesapeake Utilities that acquired certain operating assets of Marlin Gas Transport, Inc.

MetLife: MetLife Investment Advisors, an institutional debt investment management firm, with which we have previously issued Senior Notes and which is a party to the current MetLife Shelf Agreement, as amended

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MGP: Manufactured gas plant, which is a site where coal was previously used to manufacture gaseous fuel for industrial, commercial and residential use

NYL: New York Life Investors LLC, an institutional debt investment management firm, with which Chesapeake Utilities entered into a Shelf Agreement and issued Shelf Notes

Peninsula Pipeline: Peninsula Pipeline Company, Inc., a wholly-owned subsidiary of Chesapeake Utilities

Peoples Gas: Peoples Gas System division of Tampa Electric Company

PESCO: Peninsula Energy Services Company, Inc., a wholly-owned subsidiary of Chesapeake Utilities

Prudential: Prudential Investment Management Inc., an institutional investment management firm, with which Chesapeake Utilities entered into a previous Shelf Agreement, which has been subsequently amended, and issued Shelf Notes

PSC: Public Service Commission, which is the state agency that regulates utility rates and/or services in certain of our jurisdictions

Revolver: Our unsecured revolving credit facility with certain lenders

Sandpiper Energy: Sandpiper Energy, Inc., a wholly-owned subsidiary of Chesapeake Utilities

SEC: U.S. Securities and Exchange Commission

Sharp: Sharp Energy, Inc., a wholly-owned subsidiary of Chesapeake Utilities

Shelf Agreement: An agreement entered into by Chesapeake Utilities and a counterparty pursuant to which Chesapeake Utilities may request that the counterparty purchase our unsecured senior debt with a fixed interest rate and a maturity date not to exceed 20 years from the date of issuance

Shelf Notes: Unsecured senior promissory notes issuable under the Shelf Agreement executed with various counterparties

SICP: 2013 Stock and Incentive Compensation Plan

SJI: South Jersey Industries, Inc.

TCJA: Tax Cuts and Jobs Act enacted on December 22, 2017

TETLP: Texas Eastern Transmission, LP, an interstate pipeline interconnected with Eastern Shore's pipeline

Uncollateralized Senior Notes: Our unsecured long-term debt issued primarily to insurance companies on various dates

U.S.: The United States of America

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

Chesapeake Utilities Corporation and Subsidiaries
Condensed Consolidated Statements of Income (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
<i>(in thousands, except shares and per share data)</i>				
Operating Revenues				
Regulated Energy	\$ 73,518	\$ 73,403	\$ 176,473	\$ 177,021
Unregulated Energy and other	23,533	21,139	73,268	77,984
Total Operating Revenues	97,051	94,542	249,741	255,005
Operating Expenses				
Regulated Energy cost of sales	16,387	18,317	51,219	54,833
Unregulated Energy and other cost of sales	6,573	6,857	24,609	31,267
Operations	34,607	31,531	70,559	66,945
Maintenance	4,143	3,600	7,979	7,280
Gain from a settlement	(130)	(130)	(130)	(130)
Depreciation and amortization	12,247	11,464	24,500	22,392
Other taxes	5,247	4,738	10,894	10,131
Total Operating Expenses	79,074	76,377	189,630	192,718
Operating Income	17,977	18,165	60,111	62,287
Other income (expense), net	(279)	(320)	3,039	(380)
Interest charges	5,054	5,552	10,868	11,180
Income from Continuing Operations Before Income Taxes	12,644	12,293	52,282	50,727
Income Taxes on Continuing Operations	1,983	3,379	12,580	13,002
Income from Continuing Operations	10,661	8,914	39,702	37,725
Income (loss) from Discontinued Operations, Net of Tax	295	(610)	184	(757)
Net Income	\$ 10,956	\$ 8,304	\$ 39,886	\$ 36,968
Weighted Average Common Shares Outstanding:				
Basic	16,448,490	16,401,028	16,431,724	16,393,022
Diluted	16,503,603	16,445,743	16,487,807	16,439,333
Basic Earnings Per Share of Common Stock:				
Earnings from Continuing Operations	\$ 0.65	\$ 0.55	\$ 2.42	\$ 2.31
Earnings (loss) from Discontinued Operations	0.02	(0.04)	0.01	(0.05)
Basic Earnings Per Share of Common Stock	\$ 0.67	\$ 0.51	\$ 2.43	\$ 2.26
Diluted Earnings Per Share of Common Stock:				
Earnings from Continuing Operations	\$ 0.64	\$ 0.54	\$ 2.41	\$ 2.30
Earnings (loss) from Discontinued Operations	0.02	(0.04)	0.01	(0.05)
Diluted Earnings Per Share of Common Stock	\$ 0.66	\$ 0.50	\$ 2.42	\$ 2.25

The accompanying notes are an integral part of these financial statements.

Chesapeake Utilities Corporation and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
<i>(in thousands)</i>				
Net Income	\$ 10,956	\$ 8,304	\$ 39,886	\$ 36,968
Other Comprehensive Income (Loss), net of tax:				
Employee Benefits, net of tax:				
Amortization of prior service cost, net of tax of \$(5), \$(5), \$(10) and \$(10), respectively	(14)	(14)	(28)	(29)
Net gain, net of tax of \$28, \$42, \$55 and \$86, respectively	80	121	160	242
Cash Flow Hedges, net of tax:				
Unrealized gain (loss) on commodity contract cash flow hedges, net of tax of \$651, \$(850), \$653 and \$343, respectively	1,703	(2,115)	1,710	868
Unrealized loss on interest rate swap cash flow hedges, net of tax of \$(14), \$0, \$(14) and \$0, respectively	(37)	—	(37)	—
Total Other Comprehensive Income (Loss), net of tax	1,732	(2,008)	1,805	1,081
Comprehensive Income	\$ 12,688	\$ 6,296	\$ 41,691	\$ 38,049

The accompanying notes are an integral part of these financial statements.

Chesapeake Utilities Corporation and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)

Assets	June 30, 2020	December 31, 2019
<i>(in thousands, except shares and per share data)</i>		
Property, Plant and Equipment		
Regulated Energy	\$ 1,499,389	\$ 1,441,473
Unregulated Energy	277,209	265,209
Other businesses and eliminations	39,798	39,850
Total property, plant and equipment	1,816,396	1,746,532
Less: Accumulated depreciation and amortization	(357,303)	(336,876)
Plus: Construction work in progress	66,267	54,141
Net property, plant and equipment	1,525,360	1,463,797
Current Assets		
Cash and cash equivalents	3,590	6,985
Trade and other receivables	48,799	50,899
Less: Allowance for credit losses	(2,104)	(1,337)
Trade receivables, net	46,695	49,562
Accrued revenue	12,076	20,846
Propane inventory, at average cost	3,951	5,824
Other inventory, at average cost	5,397	6,067
Regulatory assets	3,625	5,144
Storage gas prepayments	1,943	3,541
Income taxes receivable	9,827	20,050
Prepaid expenses	9,167	13,928
Derivative assets, at fair value	1,270	—
Other current assets	1,017	2,879
Total current assets	98,558	134,826
Deferred Charges and Other Assets		
Goodwill	32,684	32,668
Other intangible assets, net	7,520	8,129
Investments, at fair value	9,571	9,229
Operating lease right-of-use assets	11,546	11,563
Regulatory assets	74,814	73,407
Receivables and other deferred charges	62,122	49,579
Total deferred charges and other assets	198,257	184,575
Total Assets	\$ 1,822,175	\$ 1,783,198

The accompanying notes are an integral part of these financial statements.

Chesapeake Utilities Corporation and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)

Capitalization and Liabilities	June 30, 2020	December 31, 2019
<i>(in thousands, except shares and per share data)</i>		
Capitalization		
Stockholders' equity		
Preferred stock, par value \$0.01 per share (authorized 2,000,000 shares), no shares issued and outstanding	\$ —	\$ —
Common stock, par value \$0.4867 per share (authorized 50,000,000 shares)	8,013	7,984
Additional paid-in capital	263,272	259,253
Retained earnings	326,454	300,607
Accumulated other comprehensive loss	(4,462)	(6,267)
Deferred compensation obligation	5,659	4,543
Treasury stock	(5,659)	(4,543)
Total stockholders' equity	593,277	561,577
Long-term debt, net of current maturities	430,106	440,168
Total capitalization	1,023,383	1,001,745
Current Liabilities		
Current portion of long-term debt	15,600	45,600
Short-term borrowing	286,405	247,371
Accounts payable	46,382	54,069
Customer deposits and refunds	30,707	30,939
Accrued interest	2,169	2,554
Dividends payable	7,244	6,644
Accrued compensation	9,260	16,236
Regulatory liabilities	10,328	5,991
Derivative liabilities, at fair value	802	1,844
Other accrued liabilities	20,926	12,076
Total current liabilities	429,823	423,324
Deferred Credits and Other Liabilities		
Deferred income taxes	193,595	180,656
Regulatory liabilities	130,180	127,744
Environmental liabilities	4,520	6,468
Other pension and benefit costs	28,185	30,569
Operating lease - liabilities	10,055	9,896
Deferred investment tax credits and other liabilities	2,434	2,796
Total deferred credits and other liabilities	368,969	358,129
Environmental and other commitments and contingencies (Notes 6 and 7)		
Total Capitalization and Liabilities	\$ 1,822,175	\$ 1,783,198

The accompanying notes are an integral part of these financial statements.

Chesapeake Utilities Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended	
	June 30,	
	2020	2019
<i>(in thousands)</i>		
Operating Activities		
Net income	\$ 39,886	\$ 36,968
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24,500	22,684
Depreciation and accretion included in other costs	4,807	4,322
Deferred income taxes	12,232	7,746
Gain on sale of discontinued operations	(200)	—
Realized gain on commodity contracts and sale of assets	(3,496)	(572)
Unrealized loss (gain) on investments/commodity contracts	130	(1,089)
Employee benefits and compensation	21	764
Share-based compensation	2,322	1,095
Changes in assets and liabilities:		
Accounts receivable and accrued revenue	11,455	51,362
Propane inventory, storage gas and other inventory	4,140	6,458
Regulatory assets/liabilities, net	4,133	(1,610)
Prepaid expenses and other current assets	6,016	9,660
Accounts payable and other accrued liabilities	(1,604)	(56,902)
Income taxes (payable) receivable	(1,480)	4,316
Customer deposits and refunds	(232)	(4,316)
Accrued compensation	(7,086)	(5,365)
Other assets and liabilities, net	(3,866)	(946)
Net cash provided by operating activities	<u>91,678</u>	<u>74,575</u>
Investing Activities		
Property, plant and equipment expenditures	(82,779)	(90,443)
Proceeds from sale of assets	4,273	207
Proceeds from the sale of discontinued operations	200	—
Environmental expenditures	(1,948)	(644)
Net cash used in investing activities	<u>(80,254)</u>	<u>(90,880)</u>
Financing Activities		
Common stock dividends	(12,976)	(11,759)
Issuance (repurchase) of stock under the Dividend Reinvestment Plan	359	(368)
Tax withholding payments related to net settled stock compensation	(977)	(692)
Change in cash overdrafts due to outstanding checks	(3,431)	548
Net borrowings under line of credit agreements	42,319	6,220
Proceeds from issuance of long-term debt, net of offering fees	(13)	29,956
Repayment of long-term debt and capital lease obligation	(40,100)	(6,435)
Net cash (used) provided by financing activities	<u>(14,819)</u>	<u>17,470</u>
Net (Decrease) Increase in Cash and Cash Equivalents	<u>(3,395)</u>	<u>1,165</u>
Cash and Cash Equivalents—Beginning of Period	6,985	6,089
Cash and Cash Equivalents—End of Period	<u>\$ 3,590</u>	<u>\$ 7,254</u>

The accompanying notes are an integral part of these financial statements.

Chesapeake Utilities Corporation and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

<i>(in thousands, except shares and per share data)</i>	Common Stock ⁽¹⁾		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Deferred Compensation	Treasury Stock	Total
	Number of Shares ⁽²⁾	Par Value						
Balance at March 31, 2019	16,397,017	\$ 7,980	\$ 255,307	\$ 284,111	\$ (3,739)	\$ 4,376	\$ (4,376)	\$ 543,659
Net income	—	—	—	8,304	—	—	—	8,304
Other comprehensive loss	—	—	—	—	(2,008)	—	—	(2,008)
Dividend declared (\$0.4050 per share)	—	—	—	(6,653)	—	—	—	(6,653)
Dividend reinvestment plan	—	—	(1)	—	—	—	—	(1)
Share-based compensation and tax benefit ⁽³⁾⁽⁴⁾	6,759	4	1,079	—	—	—	—	1,083
Treasury stock activities	—	—	—	—	—	318	(318)	—
Balance at June 30, 2019	16,403,776	\$ 7,984	\$ 256,385	\$ 285,762	\$ (5,747)	\$ 4,694	\$ (4,694)	\$ 544,384
Balance at December 31, 2018	16,378,545	\$ 7,971	\$ 255,651	\$ 261,530	\$ (6,713)	\$ 3,854	\$ (3,854)	\$ 518,439
Net income	—	—	—	36,968	—	—	—	36,968
Prior period reclassification	—	—	—	115	(115)	—	—	—
Other comprehensive income	—	—	—	—	1,081	—	—	1,081
Dividend declared (\$0.775 per share)	—	—	—	(12,851)	—	—	—	(12,851)
Dividend reinvestment plan	—	—	(2)	—	—	—	—	(2)
Share-based compensation and tax benefit ⁽³⁾⁽⁴⁾	25,231	13	736	—	—	—	—	749
Treasury stock activities	—	—	—	—	—	840	(840)	—
Balance at June 30, 2019	16,403,776	\$ 7,984	\$ 256,385	\$ 285,762	\$ (5,747)	\$ 4,694	\$ (4,694)	\$ 544,384
Balance at March 31, 2020	16,433,105	\$ 7,998	\$ 259,521	\$ 322,804	\$ (6,194)	\$ 5,468	\$ (5,468)	584,129
Net income	—	—	—	10,956	—	—	—	10,956
Other comprehensive income	—	—	—	—	1,732	—	—	1,732
Dividend declared (\$0.440 per share)	—	—	—	(7,306)	—	—	—	(7,306)
Retirement Savings Plan and Dividend Reinvestment Plan	21,833	11	1,921	—	—	—	—	1,932
Share-based compensation and tax benefit ^{(3) (4)}	8,870	4	1,830	—	—	—	—	1,834
Treasury stock activities	—	—	—	—	—	191	(191)	—
Balance at June 30, 2020	16,463,808	\$ 8,013	\$ 263,272	\$ 326,454	\$ (4,462)	\$ 5,659	\$ (5,659)	\$ 593,277
Balance at December 31, 2019	16,403,776	\$ 7,984	\$ 259,253	\$ 300,607	\$ (6,267)	\$ 4,543	\$ (4,543)	\$ 561,577
Net income	—	—	—	39,886	—	—	—	39,886
Other comprehensive income	—	—	—	—	1,805	—	—	1,805
Dividend declared (\$0.8450 per share)	—	—	—	(14,009)	—	—	—	(14,009)
Retirement Savings Plan and Dividend Reinvestment Plan	25,576	13	2,273	—	—	—	—	2,286
Share-based compensation and tax benefit ^{(3) (4)}	34,456	16	1,746	—	—	—	—	1,762
Treasury stock activities	—	—	—	—	—	1,116	(1,116)	—
Cumulative effect of the adoption of ASU 2016-13	—	—	—	(30)	—	—	—	(30)
Balance at June 30, 2020	16,463,808	\$ 8,013	\$ 263,272	\$ 326,454	\$ (4,462)	\$ 5,659	\$ (5,659)	\$ 593,277

- (1) 2,000,000 shares of preferred stock at \$0.01 par value have been authorized. No shares have been issued or are outstanding; accordingly, no information has been included in the statements of stockholders' equity.
- (2) Includes 107,141 shares at June 30, 2020, 95,329 shares at December 31, 2019, 105,409 shares at June 30, 2019 and 97,053 shares at December 31, 2018, respectively, held in a Rabbi Trust related to our Non-Qualified Deferred Compensation Plan.
- (3) Includes amounts for shares issued for directors' compensation.
- (4) The shares issued under the SICP are net of shares withheld for employee taxes. For the six months ended June 30, 2020 and 2019, we withheld 10,319 and 7,635 shares, respectively, for employee taxes.

The accompanying notes are an integral part of these financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Summary of Accounting Policies***Basis of Presentation***

References in this document to the “Company,” “Chesapeake Utilities,” “we,” “us” and “our” are intended to mean Chesapeake Utilities Corporation, its divisions and/or its subsidiaries, as appropriate in the context of the disclosure.

The accompanying unaudited condensed consolidated financial statements have been prepared in compliance with the rules and regulations of the SEC and GAAP. In accordance with these rules and regulations, certain information and disclosures normally required for audited financial statements have been condensed or omitted. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto, included in our latest Annual Report on Form 10-K for the year ended December 31, 2019. In the opinion of management, these financial statements reflect all adjustments that are necessary for a fair presentation of our results of operations, financial position and cash flows for the interim periods presented.

Where necessary to improve comparability, prior period amounts have been changed to conform to current period presentation.

Due to the seasonality of our business, results for interim periods are not necessarily indicative of results for the entire fiscal year. Revenue and earnings are typically greater during the first and fourth quarters, when consumption of energy is highest due to colder temperatures.

Beginning in the third quarter of 2019, our management began executing a strategy to sell the operating assets of PESCO. In the fourth quarter of 2019, we closed on four separate transactions to sell PESCO's assets and contracts. As a result of these sales, we have fully exited the natural gas marketing business, which provided natural gas management and supply services to commercial and industrial customers in Florida, Delaware, Maryland, Pennsylvania, Ohio and other states. Accordingly, PESCO's historical financial results are reflected in our condensed consolidated financial statements as discontinued operations, which required retrospective application to financial information for all periods presented. Refer to Note 3, *Acquisitions and Divestitures*, for further information

Effects of COVID-19

On March 13, 2020, the CDC declared a national emergency due to the rapidly growing outbreak of COVID-19. In response to this declaration and the rapid spread of COVID-19 within the United States, federal, state and local governments throughout the country imposed varying degrees of restrictions on social and commercial activity to promote social distancing in an effort to slow the spread of the illness. These restrictions have continued to significantly impact economic conditions in the United States. We are considered an “essential business,” which allows us to continue our operational activities and construction projects while the social distancing restrictions remain in place. In response to the COVID-19 pandemic and related restrictions, we implemented our pandemic response plan, which includes having all employees who can work remotely do so in order to promote social distancing and providing personal protective equipment to field employees to reduce the spread of COVID-19. Impacts from the restrictions imposed in our service territories and the implementation of our pandemic response plan, included reduced energy consumption primarily in the commercial and industrial sectors, incremental expenses associated with COVID-19 including protective personal equipment, premium pay for field employees and higher bad debt expense. The additional operating expenses we incurred support the ongoing delivery of our essential services during these unprecedented times. The negative impact was partially offset by reduced federal income tax expense recognized in connection with implementation of the CARES Act and lower short-term borrowing costs resulting from a decrease in interest rates. As the COVID-19 pandemic is still ongoing, to date we have not established regulatory assets associated with the incremental expense impacts, as currently authorized by the Delaware and Maryland PSCs. In Florida, the PSC requires utility companies seeking regulatory asset treatment for COVID-19 related expenses to individually file a formal petition for consideration. We are committed to communicating timely updates and will continue to monitor developments affecting our employees, customers, suppliers, stockholders and take additional precautions as warranted to operate safely and to comply with the CDC, Occupational Safety and Health Administration, state and local requirements in order to protect our employees, customers and the communities we serve, and update and communicate the ongoing financial impact on our results once determined. Refer to Note 5, *Rates and Other Regulatory Activities*, for further information on the potential deferral of incremental expenses associated with COVID-19.

FASB Statements and Other Authoritative Pronouncements***Recently Adopted Accounting Standards***

Financial Instruments - Credit Losses (ASC 326) - In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which changes how entities account for credit losses for most financial assets and certain other instruments, and subsequent guidance which served to clarify or amend the original standard. ASU 2016-13 and the related amendments require entities to estimate lifetime expected credit losses for trade receivables and to provide additional disclosure related to credit losses. We adopted ASU 2016-13 on January 1, 2020 and recorded an immaterial cumulative effect in retained earnings as of that date. As a result, prior period financial information has not been recast and continues to be reported under the accounting guidance that was effective during those periods.

Our estimate for expected credit losses has been developed by analyzing our portfolio of financial assets that present potential credit exposure risk. These assets consist solely of our trade receivables from customers and contract assets. The estimate is based on five years of historical collections experience, a review of current economic and operating conditions in our service territories, and an examination of economic indicators which provide a reasonable and supportable basis of potential future activity. Those indicators include metrics which we believe provide insight into the future collectability of our trade receivables such as unemployment rates and economic growth statistics in our service territories.

When determining estimated credit losses we analyzed the balance of our trade receivables based on the underlying service line they pertain to. This resulted in an examination of trade receivables from our energy distribution, energy transmission, energy delivery services and propane operations service lines. Our energy distribution service line consists of all our regulated distribution utility operations on the Delmarva Peninsula and throughout Florida. These business units have the ability to recover their costs through the rate making process, which can include consideration for amounts historically written off as a component of their rate base. Therefore, they possess a mechanism to recover credit losses which we believe reduces their exposure to credit risk. Our energy transmission and energy delivery services business units consist of our natural gas pipelines and our mobile compressed natural gas ("CNG") delivery operations. The majority of the customer base these business units serve are regulated distribution utilities who also have the ability to recover their costs. We believe this cost recovery mechanism significantly reduces the amount of credit risk they present. Our propane operations are unregulated and do not have the same ability to recover their costs as our regulated operations. However, historically our propane operations have not had material write offs relative to the amounts of revenues earned.

Our estimate of expected credit losses reflects our anticipated losses associated with our trade receivables as a result of non-payment from our customers beginning the day the trade receivable is established. We believe the risk of loss associated with trade receivables classified as current presents the least amount of credit exposure risk and therefore, we assign a lower estimate to our current trade receivables. As our trade receivables age outside of their expected due date, our estimate increases. Our allowance for credit losses relative to the balance of our trade receivables has historically been immaterial as a result of on time payment activity from our customers.

During the first quarter of 2020, COVID-19 began to rapidly spread within the United States. Federal, state and local governments throughout the country imposed restrictions to promote social distancing to slow the spread of the virus, which has also had the effect of limiting commercial activity. These measures have resulted in significant job losses and a slowing of economic activity across the United States and in the areas that we serve. We have been identified as an "essential business," which allowed us to continue operational activity and construction projects with social distancing restrictions in place. We have considered the impact of COVID-19 for the six months ended June 30, 2020, monitored developments that impact our customers' ability to pay and have revised our estimates of expected credit losses.

Our prior estimates for expected credit losses had not included an evaluation of current conditions or forward-looking economic indicators as we were not required to consider those factors under the previous incurred loss accounting guidance. The below table provides a reconciliation of our allowance for credit losses at June 30, 2020:

(in thousands)

Balance at December 31, 2019	\$	1,337
Additions:		
Provision for credit losses		794
Recoveries		450
Deductions:		
Write offs		(477)
Balance at June 30, 2020	\$	2,104

Fair Value Measurement (ASC 820) - In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which removes, modifies and adds certain disclosure requirements on fair value measurements in ASC 820. We adopted ASU 2018-13 beginning January 1, 2020 and, since

the changes only impacted disclosures, its adoption did not have a material impact on our financial position or results of operations.

Intangibles - Goodwill (ASC 350) - In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. ASU 2017-04 was effective beginning January 1, 2020. The amendments included in this ASU are to be applied prospectively, and are not expected to have a material impact on our financial position or results of operations.

2. Calculation of Earnings Per Share

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
<i>(in thousands, except shares and per share data)</i>				
Calculation of Basic Earnings Per Share:				
Income from Continuing Operations	\$ 10,661	\$ 8,914	\$ 39,702	\$ 37,725
Income (Loss) from Discontinued Operations	295	(610)	184	(757)
Net Income	<u>\$ 10,956</u>	<u>\$ 8,304</u>	<u>\$ 39,886</u>	<u>\$ 36,968</u>
Weighted average shares outstanding	16,448,490	16,401,028	16,431,724	16,393,022
Basic Earnings Per Share from Continuing Operations	\$ 0.65	\$ 0.55	\$ 2.42	\$ 2.31
Basic Earnings (Loss) Per Share from Discontinued Operations	0.02	(0.04)	0.01	(0.05)
Basic Earnings Per Share	<u>\$ 0.67</u>	<u>\$ 0.51</u>	<u>\$ 2.43</u>	<u>\$ 2.26</u>
Calculation of Diluted Earnings Per Share:				
Reconciliation of Denominator:				
Weighted shares outstanding—Basic	16,448,490	16,401,028	16,431,724	16,393,022
Effect of dilutive securities—Share-based compensation	55,113	44,715	56,083	46,311
Adjusted denominator—Diluted	<u>16,503,603</u>	<u>16,445,743</u>	<u>16,487,807</u>	<u>16,439,333</u>
Diluted Earnings Per Share from Continuing Operations	\$ 0.64	\$ 0.54	\$ 2.41	\$ 2.30
Diluted Earnings (Loss) Per Share from Discontinued Operations	0.02	(0.04)	0.01	(0.05)
Diluted Earnings Per Share	<u>\$ 0.66</u>	<u>\$ 0.50</u>	<u>\$ 2.42</u>	<u>\$ 2.25</u>

3. Acquisitions and Divestitures

Pending Acquisition of Elkton Gas

In July 2020, we closed on the acquisition of Elkton Gas, which provides natural gas distribution service to approximately 7,000 residential and commercial customers within a franchised area of Cecil County, Maryland. The purchase price is approximately \$15.0 million. Elkton Gas' territory is contiguous to our franchised service territory in Cecil County, Maryland. Elkton Gas will continue to operate out of its existing office with the same local personnel who are also expected to serve our existing franchised service territory in Cecil County.

Acquisition of Boulden

In December 2019, Sharp acquired certain propane operating assets of Boulden, which provides propane distribution service to approximately 5,200 customers in Delaware, Maryland and Pennsylvania, for approximately \$24.6 million, net of cash acquired. Additionally, the purchase price included \$0.2 million of working capital. We recorded contingent consideration of \$0.6 million related to the seller's adherence to various provisions contained in the contract through the first anniversary of the transaction closing. We accounted for the purchase of the operating assets of Boulden as a business combination and integrated the business into our Sharp operation. There are multiple strategic benefits to this acquisition including it: (i) overlays with the pending Elkton Gas acquisition to establish an integrated energy delivery platform in Cecil County, Maryland; (ii) includes an established customer base with opportunities for future growth; (iii) enables operational synergies, including supply, for the northern Delmarva Peninsula; and (iv) provides opportunities to market additional services and pricing programs to these customers.

In connection with this acquisition, we recorded \$8.3 million in property, plant and equipment, \$5.1 million in intangible assets associated with customer relationships and non-compete agreements and \$11.2 million in goodwill, all of which is deductible for income tax purposes. The amounts recorded in conjunction with the acquisition are preliminary, and subject to adjustment based on contractual provisions and will be finalized in the fourth quarter of 2020. For the three months ended June 30, 2020, Boulden generated operating revenue and income of \$0.8 million and \$0.1 million, respectively. For the six months ended June 30, 2020, Boulden generated operating revenue and income of \$3.6 million and \$1.4 million, respectively.

Divestiture of PESCO

During the fourth quarter of 2019, we sold PESCO's assets and contracts in four separate transactions and exited the natural gas marketing business. As a result of the sales agreements, we began to report PESCO as discontinued operations during the third quarter of 2019, excluded PESCO's performance from continuing operations for all periods presented and classified its assets and liabilities as held for sale where applicable. We received a total of \$23.1 million in cash consideration from the buyers, inclusive of working capital of \$8.0 million and recognized total pre-tax gain of \$7.5 million (\$5.5 million after tax) in connection with these transactions, \$7.3 million of this gain was recognized in the fourth quarter of 2019.

Operating revenues and costs of sales from the previous reporting periods, which were previously eliminated in consolidation, have been grossed up and are now reflected as a component of operating revenues and costs of sales for the three and six months ended June 30, 2019. We recast these amounts because, upon completion of the sales transactions, we continued to provide and receive services from the buyers through the remainder of the contractual terms.

A summary of discontinued operations presented in the condensed consolidated statements of income includes the following:

	Three Months		Six Months	
	June 30,		June 30,	
(in thousands)	2020	2019	2020	2019
Operating revenues ⁽¹⁾	\$ 3	\$ 41,280	\$ 23	\$ 118,302
Cost of sales ⁽¹⁾	10	40,539	1	115,701
Other operating expenses	39	1,470	197	3,460
Operating loss	(46)	(729)	(175)	(859)
Interest and other expense	(6)	(101)	(29)	(166)
Loss from Discontinued Operations before income taxes	(52)	(830)	(204)	(1,025)
Gain on sale of Discontinued Operations	200	—	200	
Income tax benefit	(147)	(220)	(188)	(268)
Gain (Loss) from Discontinued Operations, Net of Tax	\$ 295	\$ (610)	\$ 184	\$ (757)

⁽¹⁾ Included in operating revenues and cost of sales for the three and six months ended June 30, 2019, is \$4.9 million and \$14.8 million, respectively, representing amounts which had been previously eliminated in consolidation related to intercompany activity that continued with the buyers after the disposition of the assets of PESCO.

Since the disposition of the assets and contracts of PESCO was completed in the fourth quarter of 2019, there were no assets or liabilities classified as held for sale at June 30, 2020 and December 31, 2019.

We have elected not to separately disclose discontinued operations on the condensed consolidated statements of cash flows. The following table summarizes significant statements of cash flows data related to the discontinued operations of PESCO:

<i>(in thousands)</i>	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Depreciation and amortization	\$ 146	\$ 291
Deferred income taxes	\$ (1,021)	\$ 375
Realized loss on commodity contracts	\$ (97)	\$ (681)

Our Delmarva Peninsula natural gas distribution operations had asset management agreements with PESCO to manage their natural gas transportation and storage capacity. The agreements were effective as of April 1, 2017, and expired on March 31, 2020. As a result of the sale of the assets of PESCO, effective October 1, 2019, these agreements were managed by New Jersey Resource Energy Services Company through the remainder of the contract term. In March 2020, our Delmarva Peninsula natural gas distribution operations entered into asset management agreements with a third party to manage their natural gas transportation and storage capacity. The agreements were effective as of April 1, 2020, and expire on March 31, 2023. In addition to the asset management agreements, Eastern Shore had several firm transportation and capacity arrangements with PESCO, which were included in the assets sold to United Energy Trading, LLC. Eastern Shore will continue to fulfill these arrangements throughout the remainder of their contractual term. These agreements currently have expiration dates of November 30, 2021.

4. Revenue Recognition

We recognize revenue when our performance obligations under contracts with customers have been satisfied, which generally occurs when our businesses have delivered or transported natural gas, electricity or propane to customers. We exclude sales taxes and other similar taxes from the transaction price. Typically, our customers pay for the goods and/or services we provide in the month following the satisfaction of our performance obligation. The revenues in the following tables exclude operating revenues from PESCO that are reflected as discontinued operations. The following table displays our revenue from continuing operations by major source based on product and service type for the three months ended June 30, 2020 and 2019:

(in thousands)	Three months ended June 30, 2020				Three Months Ended June 30, 2019			
	Regulated Energy	Unregulated Energy	Other and Eliminations	Total	Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Energy distribution								
Delaware natural gas division	\$ 11,758	\$ —	\$ —	\$ 11,758	\$ 8,256	\$ —	\$ —	\$ 8,256
Florida natural gas division	7,231	—	—	7,231	7,015	—	—	7,015
FPU electric distribution	15,701	—	—	15,701	20,464	—	—	20,464
FPU natural gas distribution	19,498	—	—	19,498	18,663	—	—	18,663
Maryland natural gas division	3,979	—	—	3,979	3,186	—	—	3,186
Sandpiper natural gas/propane operations	2,858	—	—	2,858	3,482	—	—	3,482
Total energy distribution	61,025	—	—	61,025	61,066	—	—	61,066
Energy transmission								
Aspire Energy	—	4,555	—	4,555	—	5,422	—	5,422
Eastern Shore	18,277	—	—	18,277	17,740	—	—	17,740
Peninsula Pipeline	5,361	—	—	5,361	3,565	—	—	3,565
Total energy transmission	23,638	4,555	—	28,193	21,305	5,422	—	26,727
Energy generation								
Eight Flags	—	3,694	—	3,694	—	4,235	—	4,235
Propane operations								
Propane delivery operations	—	17,260	—	17,260	—	17,488	—	17,488
Energy delivery services								
Marlin Gas Services	—	2,248	—	2,248	—	1,108	—	1,108
Other and eliminations								
Eliminations	(11,145)	(16)	(4,340)	(15,501)	(8,968)	(2,628)	(4,618)	(16,214)
Other	—	—	132	132	—	—	132	132
Total other and eliminations	(11,145)	(16)	(4,208)	(15,369)	(8,968)	(2,628)	(4,486)	(16,082)
Total operating revenues⁽¹⁾	\$ 73,518	\$ 27,741	\$ (4,208)	\$ 97,051	\$ 73,403	\$ 25,625	\$ (4,486)	\$ 94,542

(1) Total operating revenues for the three months ended June 30, 2020, include other revenue (revenues from sources other than contracts with customers) of \$0.1 million and \$0.04 million for our Regulated and Unregulated Energy segments, respectively, and \$(0.3) million and \$0.1 million for our Regulated and Unregulated Energy segments, respectively, for the three months ended June 30, 2019. The sources of other revenues include revenue from alternative revenue programs related to revenue normalization for the Maryland division and Sandpiper and late fees.

The following table displays our revenue from continuing operations by major source based on product and service type for the six months ended June 30, 2020 and 2019:

(in thousands)	Six months ended June 30, 2020				Six months ended June 30, 2019			
	Regulated Energy	Unregulated Energy	Other and Eliminations	Total	Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Energy distribution								
Delaware natural gas division	\$ 38,325	\$ —	\$ —	\$ 38,325	\$ 35,805	\$ —	\$ —	\$ 35,805
Florida natural gas division	15,708	—	—	15,708	14,915	—	—	14,915
FPU electric distribution	29,920	—	—	29,920	34,842	—	—	34,842
FPU natural gas distribution	44,942	—	—	44,942	42,449	—	—	42,449
Maryland natural gas division	13,117	—	—	13,117	13,233	—	—	13,233
Sandpiper natural gas/propane operations	9,150	—	—	9,150	10,564	—	—	10,564
Total energy distribution	151,162	—	—	151,162	151,808	—	—	151,808
Energy transmission								
Aspire Energy	—	14,336	—	14,336	—	18,892	—	18,892
Eastern Shore	37,556	—	—	37,556	36,796	—	—	36,796
Peninsula Pipeline	10,185	—	—	10,185	7,131	—	—	7,131
Total energy transmission	47,741	14,336	—	62,077	43,927	18,892	—	62,819
Energy generation								
Eight Flags	—	8,017	—	8,017	—	8,377	—	8,377
Propane operations								
Propane delivery operations	—	55,883	—	55,883	—	64,017	—	64,017
Energy delivery services								
Marlin Gas Services	—	3,557	—	3,557	—	3,541	—	3,541
Other and eliminations								
Eliminations	(22,430)	(40)	(8,749)	(31,219)	(18,714)	(8,123)	(8,984)	(35,821)
Other	—	—	264	264	—	—	264	264
Total other and eliminations	(22,430)	(40)	(8,485)	(30,955)	(18,714)	(8,123)	(8,720)	(35,557)
Total operating revenues⁽¹⁾	\$ 176,473	\$ 81,753	\$ (8,485)	\$ 249,741	\$ 177,021	\$ 86,704	\$ (8,720)	\$ 255,005

(1) Total operating revenues for the six months ended June 30, 2020, include other revenue (revenues from sources other than contracts with customers) of \$0.8 million and \$0.1 million for our Regulated and Unregulated Energy segments, respectively, and \$(0.2) million and \$0.2 million for our Regulated and Unregulated Energy segments, respectively, for the six months ended June 30, 2019. The sources of other revenues include revenue from alternative revenue programs related to revenue normalization for the Maryland division and Sandpiper and late fees.

Contract balances

The timing of revenue recognition, customer billings and cash collections results in trade receivables, unbilled receivables (contract assets), and customer advances (contract liabilities) in our condensed consolidated balance sheets. The balances of our trade receivables, contract assets, and contract liabilities as of June 30, 2020 and December 31, 2019 were as follows:

	Trade Receivables	Contract Assets (Current)	Contract Assets (Non-current)	Contract Liabilities (Current)
<i>(in thousands)</i>				
Balance at 12/31/2019	\$ 47,430	\$ 18	\$ 3,465	\$ 589
Balance at 6/30/2020	35,764	18	4,338	347
Increase (decrease)	\$ (11,666)	\$ —	\$ 873	\$ (242)

Our trade receivables are included in trade and other receivables in the condensed consolidated balance sheets. Our current contract assets are included in other current assets in the condensed consolidated balance sheet. Our non-current contract assets are included in other assets in the condensed consolidated balance sheet and primarily relate to operations and maintenance costs incurred by Eight Flags that have not yet been recovered through rates for the sale of electricity to our electric distribution operation pursuant to a long-term service agreement.

At times, we receive advances or deposits from our customers before we satisfy our performance obligation, resulting in contract liabilities. Contract liabilities are included in other accrued liabilities in the condensed consolidated balance sheets and relate to non-refundable prepaid fixed fees for our Mid-Atlantic propane delivery operation's retail offerings. Our performance obligation is satisfied over the term of the respective retail offering plan on a ratable basis. For each of the three months ended June 30, 2020 and 2019, we recognized revenue of \$0.2 million. For the six months ended June 30, 2020 and 2019, we recognized revenue of \$0.6 million and \$0.5 million, respectively.

Remaining performance obligations

Our businesses have long-term fixed fee contracts with customers in which revenues are recognized when performance obligations are satisfied over the contract term. Revenue for these businesses for the remaining performance obligations, at June 30, 2020, are expected to be recognized as follows:

<i>(in thousands)</i>	2020	2021	2022	2023	2024	2025	2026 and thereafter
Eastern Shore and Peninsula Pipeline	\$ 19,059	\$ 35,720	\$ 28,513	\$ 22,930	\$ 20,641	\$ 19,283	\$ 175,743
Natural gas distribution operations	1,950	4,124	5,167	4,936	4,699	4,166	32,996
FPU electric distribution	283	566	566	566	566	275	825
Total revenue contracts with remaining performance obligations	\$ 21,292	\$ 40,410	\$ 34,246	\$ 28,432	\$ 25,906	\$ 23,724	\$ 209,564

5. Rates and Other Regulatory Activities

Our natural gas and electric distribution operations in Delaware, Maryland and Florida are subject to regulation by their respective PSC; Eastern Shore, our natural gas transmission subsidiary, is subject to regulation by the FERC; and Peninsula Pipeline, our intrastate pipeline subsidiary, is subject to regulation (excluding cost of service) by the Florida PSC.

Delaware

CGS: In August 2019, we filed with the Delaware PSC an application seeking an order that will establish the regulatory accounting treatment and valuation methodology for the acquisition of propane CGS owned by our affiliate, Sharp and the conversion of the CGS to natural gas service. We proposed to acquire each CGS one at a time and to pay replacement cost for each CGS system. In addition, we requested authorization to pay for and capitalize the CGS residents' behind-

the-meter conversion costs. Our existing natural gas customers will be protected against subsidizing the acquisitions and conversions of the CGS systems because we will complete only those systems that meet our economic test. In September 2019, the Delaware PSC issued an order to open a docket for the purpose of reviewing our application and to conduct evidentiary hearings on the matter. A final order was approved by the Delaware PSC in June 2020.

Maryland

Approval of the Elkton Gas Acquisition: In December 2019, we entered into an agreement with SJI to acquire its subsidiary, Elkton Gas, which provides natural gas distribution service to approximately 7,000 residential and commercial customers within a franchised area of Cecil County, Maryland. Upon completion of the transaction, Elkton Gas will become our wholly-owned subsidiary. Elkton Gas territory is contiguous to our franchised service territory in Cecil County, Maryland. In May 2020, we, the Maryland Office of People's Counsel and the Maryland PSC staff reached a settlement agreement with regard to our acquisition of Elkton Gas. The parties participated in an evidentiary hearing before the Maryland Public Law Judge, providing testimony in support of the proposed settlement agreement. On June 29, 2020, the Maryland PSC issued a final order approving the settlement agreement. The acquisition was closed in July 2020. We expect Elkton Gas will continue to operate out of its existing office with the same local personnel.

Application for Authority to Exercise a Franchise: In March 2020, we filed with the Maryland PSC an application seeking approval to exercise a franchise granted to us by the Board of County Commissioners of Somerset County, Maryland in December 2019. The application was approved in June 2020.

Florida

Electric Limited Proceeding-Storm Recovery (Pre-Hurricane Michael): In February 2018, FPU filed a petition with the Florida PSC, requesting recovery of incremental storm restoration costs related to several hurricanes and tropical storms, along with the replenishment of the storm reserve to its pre-storm level of \$1.5 million. As a result of these hurricanes and tropical storms, FPU's storm reserve was depleted and, at the time of filing the petition, had a deficit of \$0.8 million. This matter went to hearing in December 2018 and was subsequently approved at the March 2019 Agenda with the Final Order issued on March 25, 2019. FPU received approval to begin a surcharge on customer bills for two years beginning in April 2019, to recover storm-related costs and replenish the storm reserve.

Hurricane Michael: In October 2018, Hurricane Michael passed through FPU's electric distribution operation's service territory in Northwest Florida. The hurricane caused widespread and severe damage to FPU's infrastructure resulting in the loss of electric service to 100 percent of its customers in the Northwest Florida service territory. FPU, after exerting extraordinary hurricane restoration efforts, restored service to those customers who were able to accept it. FPU expended more than \$65.0 million to restore service, which was recorded as new plant and equipment, charged against FPU's accumulated depreciation or charged against FPU's storm reserve. Additionally, amounts currently being reviewed by the Florida PSC for regulatory asset treatment have been recorded as receivables and other deferred charges.

In August 2019, FPU filed a limited proceeding requesting recovery of storm-related costs associated with Hurricane Michael (capital and expenses) through a change in base rates. FPU also requested treatment and recovery of certain storm-related costs as regulatory assets for items currently not allowed to be recovered through the storm reserve as well as the recovery of capital replaced as a result of the storm. Recovery of these costs includes a component of an overall return on capital additions and regulatory assets. In the fourth quarter of 2019, FPU along with the Office of Public Counsel in Florida, filed a joint motion with the Florida PSC to approve an interim rate increase, subject to refund, pending the final ruling on the recovery of the restoration costs incurred. The petition was approved by the Florida PSC in November 2019 and temporary rate increases were implemented effective January 2020. We have fully reserved these interim rates, pending a final resolution and settlement of the limited proceeding.

In March 2020, we filed an update to our original filing to account for actual charges incurred through December 2019, revised the amortization period of the storm-related costs from 30 years as originally requested to 10 years, and included costs related to Hurricane Dorian of approximately \$1.2 million in this filing. We continue to work with the Florida PSC and the petition is currently on the schedule for approval at the Florida PSC Agenda in September 2020.

Electric Depreciation Study: In September 2019, FPU filed a petition, with the Florida PSC, for approval of its consolidated electric depreciation rates. Once approved, we expect the new rates to be retroactively effective to January 1, 2020. The petition, was joined to the open docket regarding Hurricane Michael, and is currently on the schedule for hearing at the Florida PSC agenda in September 2020.

West Palm Beach Expansion Project: In June 2019, Peninsula Pipeline filed with the Florida PSC for approval of its Transportation Service Agreement with FPU. Peninsula Pipeline will construct several new interconnection points and

pipeline expansions in Palm Beach County, Florida, which will enable FPU to serve an industrial research park and several new residential developments. Peninsula Pipeline will provide transportation service to FPU, increasing reliability, system pressure as well as introducing diversity in fuel source for natural gas to serve the increased demand in these areas. The petition was approved by the Florida PSC at the August 6, 2019 Agenda. Interim services began in the fourth quarter of 2019. We expect to complete the remainder of the project in phases through the second quarter of 2021.

Callahan Pipeline, Nassau County: Peninsula Pipeline and Seacoast Gas Transmission are constructing a jointly owned 26-mile, 16-inch steel pipeline that interconnects to the Cypress Pipeline interstate system in western Nassau County in order to serve growing demand in both Nassau and Duval counties, Florida. The Callahan pipeline will terminate into the existing Peninsula Pipeline-Peoples Gas jointly owned pipeline, which serves Amelia Island and the Peoples Gas distribution system. The Callahan Pipeline enhances FPU's ability to expand service into Nassau County and enables Peoples Gas to enhance its system pressure and the reliability of its service in Duval County. This project was placed in-service in the second quarter of 2020.

Eastern Shore

Del-Mar Energy Pathway Project: In December 2019, the FERC issued an order approving the construction of the Del-Mar Energy Pathway project. The order, which was applied for in September 2018 by Eastern Shore, approved the construction and operation of new facilities that will provide an additional 14,300 Dts/d of firm service to four customers. Facilities to be constructed include six miles of pipeline looping in Delaware; 13 miles of new mainline extension in Sussex County, Delaware and Wicomico and Somerset Counties in Maryland; and new pressure control and delivery stations in these counties. The benefits of this project include: (i) additional natural gas transmission pipeline infrastructure in eastern Sussex County, Delaware, and (ii) extension of Eastern Shore's pipeline system, for the first time, into Somerset County, Maryland. Construction on the project began in January 2020, and Eastern Shore anticipates that this project will be fully in-service by the beginning of the fourth quarter of 2021.

Capital Cost Surcharge: In December 2019, the FERC approved Eastern Shore's proposed capital cost surcharge to become effective January 1, 2020. The surcharge, an approved item in the settlement of Eastern Shore's last general rate case, allows Eastern Shore to recover capital costs associated with mandated highway or railroad relocation projects that required the replacement of existing Eastern Shore facilities. Eastern Shore expects to recover \$0.5 million in capital cost surcharges on an annual basis. As Eastern Shore continues to relocate its pipeline and incur capital expenditures, we will continue to utilize the surcharge to seek recovery of its costs.

Renewable Natural Gas Tariff: In October 2019, Eastern Shore filed an application with the FERC to include renewable natural gas (biogas) utilization and standards in its tariff. Eastern Shore had proposed changes to its gas quality specifications that would enable it to accommodate renewable natural gas at various receipt points on its system. Changes to the gas quality specifications would ensure interchangeability of renewable natural gas with the natural gas currently delivered to Eastern Shore. The tariffs became effective in November 2019.

COVID-19 Impact

We are monitoring the global outbreak of COVID-19 and taking steps to mitigate the potential risks posed by its spread. We provide an "essential service" to our customers, which means that it is paramount that we keep our employees who operate our business safe and informed. We have taken and are continuously monitoring and updating precautions and protocols to ensure the safety of our employees and customers. As an "essential business" we are allowed to continue operational activity and construction projects with appropriate safety precautions, personal protective equipment and social distancing restrictions in place. We have taken steps to assure our customers that disconnections for non-payment will be temporarily suspended. We are also working with our suppliers to understand the potential impacts to our supply chain; if material negative impacts are identified, we will work to mitigate them. This is a rapidly evolving situation, and could lead to extended disruption of economic activity in our markets. We will continue to monitor developments affecting our employees, customers, suppliers and shareholders, and will take additional precautions as warranted to comply with the CDC, state and local requirements and recommendations to protect our employees, customers and the communities we serve.

As a result of these measures, we are incurring costs associated with crisis management and the pandemic response including restrictions put in place by the state PSCs on utility disconnects for non-payment, technology costs incurred to expand work from home capabilities, additional sanitation and cleaning costs and costs of acquiring personal protective equipment as well as other expenses. We are tracking and analyzing whether these costs qualify for cost recovery and could be classified as regulatory assets.

In April 2020, the Maryland PSC issued an order that authorized utilities to establish a regulatory asset to record prudently incurred incremental costs related to COVID-19, beginning on March 16, 2020. The Maryland PSC found that the creation of a regulatory asset for COVID-19 related expenses will facilitate the recovery of those costs prudently incurred to serve customers during this period, and that the deferral of such costs is appropriate because the current catastrophic health emergency is outside the control of the utility and is a non-recurring event.

In May 2020, the Delaware PSC issued an order authorizing Delaware utilities to establish a regulatory asset to record COVID-19 related incremental costs incurred to ensure customers have essential utility services, for the period beginning on March 24, 2020 and ending 30 days after the state of emergency ends. The creation of the regulatory asset for COVID-19 related costs offers utilities the ability to seek recovery of those costs.

The Florida PSC has not issued a regulatory order authorizing utilities to defer incremental costs related to COVID-19 as a regulatory asset. As such, utilities have to petition the Florida PSC for approval to establish a regulatory asset for these costs. As of June 30, 2020, we have not deferred any COVID-19 related incremental costs as regulatory assets as we continue to assess these costs. We will continue to monitor similar orders issued by the FERC or the respective PSCs in our service territories to identify additional relief which could be available to our regulated businesses.

Summary TCJA Table

The following table summarizes the TCJA impact on our regulated businesses:

Operation and Regulatory Jurisdiction	Regulatory Liabilities related to Accumulated Deferred Income Taxes ("ADIT")		Status of Customer Rate impact related to lower federal corporate income tax rate
	Amount (in thousands)	Status	
Eastern Shore (FERC)	\$34,190	Will be addressed in Eastern Shore's next rate case filing.	Implemented one-time bill credit (totaling \$0.9 million) in April 2018. Customer rates were adjusted in April 2018.
Delaware Division (Delaware PSC)	\$12,788	PSC approved amortization of ADIT in January 2019.	Implemented one-time bill credit (totaling \$1.5 million) in April 2019. Customer rates were adjusted in March 2019.
Maryland Division (Maryland PSC)	\$4,029	PSC approved amortization of ADIT in May 2018.	Implemented one-time bill credit (totaling \$0.4 million) in July 2018. Customer rates were adjusted in May 2018.
Sandpiper Energy (Maryland PSC)	\$3,739	PSC approved amortization of ADIT in May 2018.	Implemented one-time bill credit (totaling \$0.6 million) in July 2018. Customer rates were adjusted in May 2018.
Chesapeake Florida Gas Division/Central Florida Gas (Florida PSC)	\$8,244	PSC issued order authorizing amortization and retention of net ADIT liability by the Company in February 2019.	Florida PSC's final order was issued in February 2019. Excluding GRIP, tax savings arising from the TCJA rate reduction will be retained by the Company. GRIP: Tax savings for 2018 will be refunded to customers in 2020 through the annual GRIP cost recovery mechanism. Future customer GRIP surcharges will be adjusted to reflect tax savings associated with TCJA.
FPU Natural Gas (excludes Fort Meade and Indiantown) (Florida PSC)	\$19,201	Same treatment on a net basis as Chesapeake Florida Gas Division (above).	Same treatment on a net basis as Chesapeake Florida Gas Division (above).
FPU Fort Meade and Indiantown Divisions	\$312	Same treatment on a net basis as Chesapeake Florida Gas Division (above).	Tax rate reduction: The impact was immaterial for the divisions. GRIP (Applicable to Fort Meade division only): Same treatment as Chesapeake Florida Gas Division (above).
FPU Electric (Florida PSC)	\$6,823	In January 2019, PSC issued order approving amortization of ADIT through purchased power cost recovery, storm reserve and rates.	TCJA benefit is provided to customers through a combination of reductions to the fuel cost recovery rate, base rates, as well as application to the storm reserve over the next several years.

6. Environmental Commitments and Contingencies

We are subject to federal, state and local laws and regulations governing environmental quality and pollution control. These laws and regulations require us to remove or remediate, at current and former operating sites, the effect on the environment of the disposal or release of specified substances.

MGP Sites

We have participated in the investigation, assessment or remediation of, and have exposures at, seven former MGP sites. We have received approval for recovery of clean-up costs in rates for sites located in Salisbury, Maryland; Seaford, Delaware; and Winter Haven, Key West, Pensacola, Sanford and West Palm Beach, Florida.

As of June 30, 2020 and December 31, 2019, we had approximately \$6.1 million and \$8.0 million, respectively, in environmental liabilities related to FPU's MGP sites in Key West, Pensacola, Sanford and West Palm Beach. FPU has approval to recover, from insurance and through customer rates, up to \$14.0 million of its environmental costs related to its MGP sites. As of June 30, 2020 and December 31, 2019, we had recovered approximately \$12.2 million and \$11.9 million, respectively, leaving approximately \$1.8 million and \$2.1 million, respectively, in regulatory assets for future recovery of environmental costs from FPU's customers.

Environmental liabilities for our MGP sites are recorded on an undiscounted basis based on the estimate of future costs provided by independent consultants. We continue to expect that all costs related to environmental remediation and related activities, including any potential future remediation costs for which we do not currently have approval for regulatory recovery, will be recoverable from customers through rates.

The following is a summary of our remediation status and estimated costs to implement clean-up of our key MGP sites:

MGP Site (Jurisdiction)	Status	Estimated Cost to Clean up (Expect to Recover through Rates with Customers)
West Palm Beach (Florida)	Remedial actions approved by the Florida Department of Environmental Protection have been implemented on associated with the relocation of FPU's operations at this the east parcel of the site. We expect to implement site, and any potential costs associated with future similar remedial actions on the site's west parcel in redevelopment of the properties. 2020.	Between \$3.3 million to \$14.2 million, including costs of Environmental Protection have been implemented on associated with the relocation of FPU's operations at this the east parcel of the site. We expect to implement site, and any potential costs associated with future similar remedial actions on the site's west parcel in redevelopment of the properties.
Sanford (Florida)	In March 2018, the United States Environmental Protection Agency ("EPA") approved a "site-wide ready for anticipated use" status, which is the final step before delisting a site. Construction has been completed and restrictive covenants are in place to ensure protection of human health. The only remaining activity is long-term groundwater monitoring.	FPU's remaining remediation expenses, including attorneys' fees and costs, are anticipated to be immaterial.
Winter Haven (Florida)	Remediation is ongoing.	Not expected to exceed \$0.4 million.
Seaford (Delaware)	Conducted investigations of on-site and off-site impacts in the vicinity of the site, from 2014 through 2018, and submitted the findings to Delaware Department of Natural Resources and Environmental Control ("DNREC") in a March 2019 report. An interim action involving air-sparging/vapor extraction is being implemented, in accordance with the DNREC-approved Work Plan.	Between \$0.2 million and \$0.5 million.

7. Other Commitments and Contingencies

Natural Gas and Electric

In March 2020, our Delmarva Peninsula natural gas distribution operations entered into asset management agreements with a third party to manage their natural gas transportation and storage capacity. The agreements are effective as of April 1, 2020 and expire on March 31, 2023. Previously, our Delmarva Peninsula natural gas distribution operations had asset management agreements with PESCO to manage their natural gas transportation and storage capacity. See Note 3, *Acquisitions and Divestitures*, for additional details regarding the sale of PESCO's assets and contracts.

In May 2019, FPU natural gas distribution operations and Eight Flags entered into separate asset management agreements with Emera Energy Services, Inc. to manage their natural gas transportation capacity. The parties entered into short-term agreements for a one year term beginning July 2019 through July 2020. The parties also entered into long-term agreements for a 10-year term that will commence in July 2020.

Chesapeake Utilities' Florida Division has firm transportation service contracts with Florida Gas Transmission Company ("FGT") and Gulfstream Natural Gas System, LLC ("Gulfstream"). Pursuant to a capacity release program approved by the Florida PSC, all of the capacity under these agreements has been released to various third parties. Under the terms of these capacity release agreements, Chesapeake Utilities is contingently liable to FGT and Gulfstream should any party, that acquired the capacity through release, fail to pay the capacity charge. To date, Chesapeake Utilities has not been required to make a payment resulting from this contingency.

FPU's electric supply contracts require FPU to maintain an acceptable standard of creditworthiness based on specific financial ratios. FPU's agreement with Florida Power & Light Company requires FPU to meet or exceed a debt service coverage ratio of 1.25 times based on the results of the prior 12 months. If FPU fails to meet this ratio, it must provide an irrevocable letter of credit or pay all amounts outstanding under the agreement within five business days. FPU's electric supply agreement with Gulf Power requires FPU to meet the following ratios based on the average of the prior six quarters: (a) funds from operations interest coverage ratio (minimum of two times), and (b) total debt to total capital (maximum of 65 percent). If FPU fails to meet the requirements, it has to provide the supplier a written explanation of actions taken, or proposed to be taken, to become compliant. Failure to comply with the ratios specified in the Gulf Power agreement could also result in FPU having to provide an irrevocable letter of credit. As of June 30, 2020, FPU was in compliance with all of the requirements of its fuel supply contracts.

Eight Flags provides electricity and steam generation services through its CHP plant located on Amelia Island, Florida. In June 2016, Eight Flags began selling power generated from the CHP plant to FPU pursuant to a 20-year power purchase agreement for distribution to our electric customers. In July 2016, Eight Flags also started selling steam, pursuant to a separate 20-year contract, to the landowner on which the CHP plant is located. The CHP plant is powered by natural gas transported by FPU through its distribution system and Peninsula Pipeline through its intrastate pipeline.

Corporate Guarantees

The Board of Directors has authorized us to issue corporate guarantees securing obligations of our subsidiaries and to obtain letters of credit securing our subsidiaries' obligations. The maximum authorized liability under such guarantees and letters of credit as of June 30, 2020 was \$37.0 million. The aggregate amount guaranteed at June 30, 2020 was approximately \$11.2 million with the guarantees expiring on various dates through March 2, 2021. At June 30, 2020, the corporate guarantees related to PESCO were less than \$0.1 million and are expected to be terminated in the third quarter of 2020. See Note 3, *Acquisitions and Divestitures*, for additional details on the sale of assets and contracts for PESCO.

Chesapeake Utilities also guarantees the payment of FPU's first mortgage bonds. The maximum exposure under this guarantee is the outstanding principal plus accrued interest balances. The outstanding principal balances of FPU's first mortgage bonds approximate their carrying values. See Note 15, *Long-Term Debt*, for further details.

As of June 30, 2020, we have issued letters of credit totaling approximately \$4.4 million related to the electric transmission services for FPU's electric division, the firm transportation service agreement between TETLP and our Delaware and Maryland divisions and our current and previous primary insurance carriers. These letters of credit have various expiration dates through October 22, 2020. There have been no draws on these letters of credit as of June 30, 2020. We do not anticipate that the counterparties will draw upon these letters of credit, and we expect that they will be renewed to the extent necessary in the future. At June 30, 2020, letters of credit associated with PESCO had been terminated or transferred.

8. Segment Information

We use the management approach to identify operating segments. We organize our business around differences in regulatory environment and the operating results of each segment are regularly reviewed by the chief operating decision maker (our Chief Executive Officer) in order to make decisions about resources and to assess performance.

Our operations are entirely domestic and are comprised of two reportable segments:

- *Regulated Energy*. Includes energy distribution and transmission services (natural gas distribution, natural gas transmission and electric distribution operations). All operations in this segment are regulated, as to their rates and services, by the PSC having jurisdiction in each operating territory or by the FERC in the case of Eastern Shore.
- *Unregulated Energy*. Includes energy transmission, energy generation (the operations of our Eight Flags' CHP plant), propane operations, and the new mobile compressed natural gas distribution and pipeline solutions subsidiary. Also included in this segment are other unregulated energy services, such as energy-related

merchandise sales and heating, ventilation and air conditioning, plumbing and electrical services. These operations are unregulated as to their rates and services. Effective in the third quarter of 2019, the natural gas marketing and related services subsidiary (PESCO), previously reported in the Unregulated Energy segment, are reflected in discontinued operations. See Note 3, *Acquisitions and Divestitures* for additional details of the sale of PESCO.

The remainder of our operations are presented as “Other businesses and eliminations,” which consists of unregulated subsidiaries that own real estate leased to Chesapeake Utilities, as well as certain corporate costs not allocated to other operations.

The following table presents financial information about our reportable segments:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
<i>(in thousands)</i>				
Operating Revenues, Unaffiliated Customers				
Regulated Energy	\$ 73,043	\$ 72,880	\$ 175,536	\$ 175,951
Unregulated Energy	24,008	21,662	74,205	79,054
Total operating revenues, unaffiliated customers	\$ 97,051	\$ 94,542	\$ 249,741	\$ 255,005
Intersegment Revenues ⁽¹⁾				
Regulated Energy	\$ 475	\$ 523	\$ 937	\$ 1,070
Unregulated Energy	3,733	3,963	7,548	7,650
Other businesses	132	132	264	264
Total intersegment revenues	\$ 4,340	\$ 4,618	\$ 8,749	\$ 8,984
Operating Income				
Regulated Energy	\$ 18,006	\$ 18,028	\$ 45,894	\$ 47,769
Unregulated Energy	281	(771)	14,142	14,486
Other businesses and eliminations	(310)	908	75	32
Operating income	17,977	18,165	60,111	62,287
Other income (expense), net	(279)	(320)	3,039	(380)
Interest charges	5,054	5,552	10,868	11,180
Income from Continuing Operations before Income Taxes	12,644	12,293	52,282	50,727
Income Taxes on Continuing Operations	1,983	3,379	12,580	13,002
Income from Continuing Operations	10,661	8,914	39,702	37,725
Income (loss) from Discontinued Operations, Net of Tax	295	(610)	184	(757)
Net Income	\$ 10,956	\$ 8,304	\$ 39,886	\$ 36,968

⁽¹⁾ All significant intersegment revenues are billed at market rates and have been eliminated from consolidated operating revenues.

	June 30, 2020	December 31, 2019
<i>(in thousands)</i>		
Identifiable Assets		
Regulated Energy segment	\$ 1,477,616	\$ 1,434,066
Unregulated Energy segment	296,140	296,810
Other businesses and eliminations	48,419	52,322
Total identifiable assets	\$ 1,822,175	\$ 1,783,198

9. Stockholder's Equity
Accumulated Other Comprehensive Loss

Defined benefit pension and postretirement plan items, unrealized gains (losses) of our propane swap agreements and natural gas swaps and futures contracts, designated as commodity contracts cash flow hedges, and the unrealized gains (losses) of our interest rate swap agreements designated as cash flow hedges are the components of our accumulated other comprehensive loss. The following tables present the changes in the balance of accumulated other comprehensive (loss)/income as of June 30, 2020 and 2019. All amounts except the stranded tax reclassification are presented net of tax.

	Defined Benefit Pension and Postretirement Plan Items	Commodity Contracts Cash Flow Hedges	Interest Rate Swap Cash Flow Hedges	Total
<i>(in thousands)</i>				
As of December 31, 2019	\$ (4,933)	\$ (1,334)	\$ —	\$ (6,267)
Other comprehensive income (loss) before reclassifications	—	2,770	(29)	2,741
Amounts reclassified from accumulated other comprehensive income (loss)	132	(1,060)	(8)	(936)
Net current-period other comprehensive income	132	1,710	(37)	1,805
As of June 30, 2020	<u>\$ (4,801)</u>	<u>\$ 376</u>	<u>\$ (37)</u>	<u>\$ (4,462)</u>

<i>(in thousands)</i>				
As of December 31, 2018	\$ (5,928)	\$ (785)	\$ —	\$ (6,713)
Other comprehensive income before reclassifications	—	1,000	—	1,000
Amounts reclassified from accumulated other comprehensive income/(loss)	213	(132)	—	81
Net prior-period other comprehensive income	213	868	—	1,081
Prior-year reclassification	—	(115)	—	(115)
As of June 30, 2019	<u>\$ (5,715)</u>	<u>\$ (32)</u>	<u>\$ —</u>	<u>\$ (5,747)</u>

The following table presents amounts reclassified out of accumulated other comprehensive loss for the three and six months ended June 30, 2020 and 2019. Deferred gains or losses for our commodity contracts and interest rate swap cash flow hedges are recognized in earnings upon settlement.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
<i>(in thousands)</i>				
Amortization of defined benefit pension and postretirement plan items:				
Prior service credit ⁽¹⁾	\$ 19	\$ 19	\$ 38	\$ 39
Net loss ⁽¹⁾	(108)	(163)	(215)	(328)
Total before income taxes	(89)	(144)	(177)	(289)
Income tax benefit	23	37	45	76
Net of tax	(66)	(107)	(132)	(213)
Gains and losses on commodity contracts cash flow hedges:				
Propane swap agreements ⁽²⁾	238	252	1,465	858
Natural gas swaps ⁽²⁾⁽³⁾	—	—	—	11
Natural gas futures ⁽²⁾⁽³⁾	—	(125)	—	(698)
Total before income taxes	238	127	1,465	171
Income tax expense	(66)	(34)	(405)	(39)
Net of tax	172	93	1,060	132
Gains on interest rate swap cash flow hedges:				
Interest rate swap agreements	11	—	11	—
Total before income taxes	11	—	11	—
Income tax expense	(3)	—	(3)	—
Net of tax	8	—	8	—
Total reclassifications for the period	\$ 114	\$ (14)	\$ 936	\$ (81)

⁽¹⁾ These amounts are included in the computation of net periodic costs (benefits). See Note 10, *Employee Benefit Plans*, for additional details.

⁽²⁾ These amounts are included in the effects of gains and losses from derivative instruments. See Note 13, *Derivative Instruments*, for additional details.

⁽³⁾ PESCO's results are reflected as discontinued operations in our condensed consolidated statements of income.

Amortization of defined benefit pension and postretirement plan items is included in other expense, net gains and losses on propane swap agreements, call options and natural gas futures contracts are included in cost of sales, the realized gain or loss on interest rate swap agreements is recognized as a component of interest charges in the accompanying condensed consolidated statements of income. The income tax benefit is included in income tax expense in the accompanying condensed consolidated statements of income.

10. Employee Benefit Plans

Net periodic benefit costs for our pension and post-retirement benefits plans for the three and six months ended June 30, 2020 and 2019 are set forth in the following tables:

	Chesapeake Pension Plan		FPU Pension Plan		Chesapeake SERP		Chesapeake Postretirement Plan		FPU Medical Plan	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
For the Three Months Ended June 30, <i>(in thousands)</i>										
Interest cost	\$ 46	\$ 104	\$ 518	\$ 615	\$ 16	\$ 21	\$ 8	\$ 9	\$ 10	\$ 12
Expected return on plan assets	(42)	(127)	(745)	(693)	—	—	—	—	—	—
Amortization of prior service credit	—	—	—	—	—	—	(19)	(19)	—	—
Amortization of net loss	65	101	135	129	5	26	12	12	—	—
Net periodic cost (benefit)	69	78	(92)	51	21	47	1	2	10	12
Amortization of pre-merger regulatory asset	—	—	—	191	—	—	—	—	2	2
Total periodic cost	\$ 69	\$ 78	\$ (92)	\$ 242	\$ 21	\$ 47	\$ 1	\$ 2	\$ 12	\$ 14

	Chesapeake Pension Plan		FPU Pension Plan		Chesapeake SERP		Chesapeake Postretirement Plan		FPU Medical Plan	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
For the Six Months Ended June 30, <i>(in thousands)</i>										
Interest cost	\$ 92	\$ 209	\$ 1,036	\$ 1,230	\$ 32	\$ 42	\$ 16	\$ 19	\$ 20	\$ 24
Expected return on plan assets	(84)	(254)	(1,490)	(1,386)	—	—	—	—	—	—
Amortization of prior service credit	—	—	—	—	—	—	(38)	(39)	—	—
Amortization of net loss	130	203	270	258	10	52	24	24	—	—
Net periodic cost (benefit)	138	158	(184)	102	42	94	2	4	20	24
Amortization of pre-merger regulatory asset	—	—	—	381	—	—	—	—	4	4
Total periodic cost	\$ 138	\$ 158	\$ (184)	\$ 483	\$ 42	\$ 94	\$ 2	\$ 4	\$ 24	\$ 28

We expect to record immaterial pension and post-retirement benefit costs for 2020. The components of our net periodic costs have been recorded or reclassified to other expense, net in the condensed consolidated statements of income. Pursuant to a Florida PSC order, FPU continues to record, as a regulatory asset, a portion of the unrecognized postretirement benefit costs related to its regulated operations after the FPU merger. The portion of the unrecognized pension and postretirement benefit costs related to FPU's unregulated operations and Chesapeake Utilities' operations is recorded to accumulated other comprehensive loss.

The following tables present the amounts included in the regulatory asset and accumulated other comprehensive loss that were recognized as components of net periodic benefit cost during the three and six months ended June 30, 2020 and 2019:

For the Three Months Ended June 30, 2020 <i>(in thousands)</i>	Chesapeake Pension Plan	FPU Pension Plan	Chesapeake SERP	Chesapeake Postretirement Plan	FPU Medical Plan	Total
Prior service credit	\$ —	\$ —	\$ —	\$ (19)	\$ —	\$ (19)
Net loss	65	135	5	12	—	217
Total recognized in net periodic benefit cost	65	135	5	(7)	—	198
Recognized from accumulated other comprehensive loss/(gain) ⁽¹⁾	65	26	5	(7)	—	89
Recognized from regulatory asset	—	109	—	—	—	109
Total	<u>\$ 65</u>	<u>\$ 135</u>	<u>\$ 5</u>	<u>\$ (7)</u>	<u>\$ —</u>	<u>\$ 198</u>

For the Three Months Ended June 30, 2019 <i>(in thousands)</i>	Chesapeake Pension Plan	FPU Pension Plan	Chesapeake SERP	Chesapeake Postretirement Plan	FPU Medical Plan	Total
Prior service credit	\$ —	\$ —	\$ —	\$ (19)	\$ —	\$ (19)
Net loss	101	129	26	12	—	268
Total recognized in net periodic benefit cost	101	129	26	(7)	—	249
Recognized from accumulated other comprehensive loss/(gain) ⁽¹⁾	101	24	26	(7)	—	144
Recognized from regulatory asset	—	105	—	—	—	105
Total	<u>\$ 101</u>	<u>\$ 129</u>	<u>\$ 26</u>	<u>\$ (7)</u>	<u>\$ —</u>	<u>\$ 249</u>

For the Six Months Ended June 30, 2020 <i>(in thousands)</i>	Chesapeake Pension Plan	FPU Pension Plan	Chesapeake SERP	Chesapeake Postretirement Plan	FPU Medical Plan	Total
Prior service credit	\$ —	\$ —	\$ —	\$ (38)	\$ —	\$ (38)
Net loss	130	270	10	24	—	434
Total recognized in net periodic benefit cost	130	270	10	(14)	—	396
Recognized from accumulated other comprehensive loss/(gain) ⁽¹⁾	130	52	10	(14)	—	178
Recognized from regulatory asset	—	218	—	—	—	218
Total	<u>\$ 130</u>	<u>\$ 270</u>	<u>\$ 10</u>	<u>\$ (14)</u>	<u>\$ —</u>	<u>\$ 396</u>

For the Six Months Ended June 30, 2019 <i>(in thousands)</i>	Chesapeake Pension Plan	FPU Pension Plan	Chesapeake SERP	Chesapeake Postretirement Plan	FPU Medical Plan	Total
Prior service credit	\$ —	\$ —	\$ —	\$ (39)	\$ —	\$ (39)
Net loss	203	258	52	24	—	537
Total recognized in net periodic benefit cost	203	258	52	(15)	—	498
Recognized from accumulated other comprehensive loss/(gain) ⁽¹⁾	203	49	52	(15)	—	289
Recognized from regulatory asset	—	209	—	—	—	209
Total	<u>\$ 203</u>	<u>\$ 258</u>	<u>\$ 52</u>	<u>\$ (15)</u>	<u>\$ —</u>	<u>\$ 498</u>

⁽¹⁾ See Note 9, *Stockholder's Equity*.

During the three and six months ended June 30, 2020, we contributed approximately \$0.2 million to the Chesapeake Pension Plan and approximately \$1.8 million and \$2.1 million, respectively, to the FPU Pension Plan. We expect to contribute approximately \$0.3 million and \$3.2 million, respectively, to the Chesapeake Pension Plan and FPU Pension Plans during 2020, which represents the minimum annual contribution payments required. A provision in the CARES Act, which was passed by Congress and signed into law by President Trump in March 2020, authorized the deferral of 2020 pension contributions to January 1, 2021. Despite this authorization, we have not deferred, and do not expect to defer, any of our 2020 pension plan contributions to 2021.

The Chesapeake SERP, the Chesapeake Postretirement Plan and the FPU Medical Plan are unfunded and are expected to be paid out of our general funds. Cash benefits paid under the Chesapeake SERP for the three and six months ended June 30, 2020 were immaterial and \$0.1 million, respectively. We expect to pay total cash benefits of approximately \$0.2 million under the Chesapeake SERP in 2020. Cash benefits paid under the Chesapeake Postretirement Plan, primarily for medical claims for the three and six months ended June 30, 2020 were immaterial. We estimate that approximately \$0.1 million will be paid for such benefits under the Chesapeake Postretirement Plan in 2020. Cash benefits paid under the FPU Medical Plan, primarily for medical claims for the three and six months ended June 30, 2020, were immaterial. We estimate that approximately \$0.1 million will be paid for such benefits under the FPU Medical Plan in 2020.

11. Investments

The investment balances at June 30, 2020 and December 31, 2019, consisted of the following:

<i>(in thousands)</i>	June 30, 2020	December 31, 2019
Rabbi trust (associated with the Non-Qualified Deferred Compensation Plan)	\$ 9,551	\$ 9,202
Investments in equity securities	20	27
Total	<u>\$ 9,571</u>	<u>\$ 9,229</u>

We classify these investments as trading securities and report them at their fair value. For the three months ended June 30, 2020 and 2019, we recorded a net unrealized gain of approximately \$1.4 million and \$0.4 million, respectively, in other expense, net in the condensed consolidated statements of income related to these investments. For the six months ended June 30, 2020 and 2019, we recorded a net unrealized loss of approximately \$0.1 million and a net unrealized gain of approximately \$1.1 million, respectively, in other expense, net in the condensed consolidated statements of income related to these investments. For the investment in the Rabbi Trust, we also have recorded an associated liability, which is included in other pension and benefit costs in the condensed consolidated balance sheets and is adjusted each period for the gains and losses incurred by the investments in the Rabbi Trust.

12. Share-Based Compensation

Our non-employee directors and key employees are granted share-based awards through our SICP. We record these share-based awards as compensation costs over the respective service period for which services are received in exchange for an award of equity or equity-based compensation. The compensation cost is based primarily on the fair value of the shares awarded, using the estimated fair value of each share on the date it was granted and the number of shares to be issued at the end of the service period.

The table below presents the amounts included in net income related to share-based compensation expense for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
<i>(in thousands)</i>				
Awards to non-employee directors	\$ 181	\$ 157	\$ 357	\$ 305
Awards to key employees	1,085	452	1,965	790
Total compensation expense	1,266	609	2,322	1,095
Less: tax benefit	(331)	(158)	(607)	(285)
Share-based compensation amounts included in net income	\$ 935	\$ 451	\$ 1,715	\$ 810

Non-employee Directors

Shares granted to non-employee directors are issued in advance of the directors' service periods and are fully vested as of the date of the grant. We record a deferred expense equal to the fair value of the shares issued and amortize the expense equally over a service period of one year. In May 2020, after the most recent election of directors, each of our continuing non-employee directors received an annual retainer of 887 shares of common stock under the SICP for service as a director through the 2021 Annual Meeting of Stockholders; accordingly, 8,870 shares, with a weighted average fair value of \$84.47 per share, were issued and vested in 2020.

In January 2020, a newly appointed member of the Board of Directors received a pro-rated retainer of 254 shares of common stock under the SICP to serve as a non-employee director through the 2020 Annual Meeting of Stockholders. The shares awarded to the non-employee director immediately vested upon issuance in January 2020, had a weighted average fair value of \$95.83 per share, and the expense was recognized over the remaining service period ending on the date of the 2020 Annual Meeting of Stockholders.

At June 30, 2020, there was approximately \$0.6 million of unrecognized compensation expense related to shares granted to non-employee directors. This expense will be recognized over the remaining service period ending on the date of the 2021 Annual Meeting of Stockholders.

Key Employees

The table below presents the summary of the stock activity for awards to key employees for the six months ended June 30, 2020:

	Number of Shares	Weighted Average Fair Value
Outstanding—December 31, 2019	157,817	\$ 80.28
Granted	66,857	\$ 92.78
Vested	(35,651)	\$ 66.48
Expired	(5,302)	\$ 65.32
Outstanding—June 30, 2020	183,721	\$ 86.98

In February 2020, our Board of Directors granted awards of 66,857 shares of common stock to key employees under the SICP. The shares granted are multi-year awards that will vest at the end of the three-year service period ending December 31, 2022. All of these stock awards are earned based upon the successful achievement of long-term financial results, which comprise market-based and performance-based conditions or targets. The fair value of each performance-based condition or target is equal to the market price of our common stock on the grant date of each award. For the market-based conditions, we used the Monte Carlo valuation to estimate the fair value of each market-based award granted.

In March 2020, upon the appointment of certain of our executive officers, we withheld shares with a value at least equivalent to each such executive officer's minimum statutory obligation for applicable income and other employment taxes related to shares that we awarded in February 2020 for the performance period ended December 31, 2019, remitted the cash to the appropriate taxing authorities, and paid the balance of such awarded shares to each such executive officer.

We withheld 10,319 shares, based on the value of the shares on their award date. Total combined payments for the employees' tax obligations to the taxing authorities were approximately \$1.0 million.

At June 30, 2020, the aggregate intrinsic value of the SICP awards granted to key employees was approximately \$15.4 million. At June 30, 2020, there was approximately \$5.8 million of unrecognized compensation cost related to these awards, which is expected to be recognized as expense from the remainder of 2020 through 2022.

Stock Options

There were no stock options outstanding or issued during the six months ended June 30, 2020 and 2019.

13. Derivative Instruments

We use derivative and non-derivative contracts to manage risks related to obtaining adequate supplies and the price fluctuations of natural gas, electricity and propane and to mitigate interest rate risk. Our natural gas, electric and propane distribution operations have entered into agreements with suppliers to purchase natural gas, electricity and propane for resale to our customers. Aspire Energy has entered into contracts with producers to secure natural gas to meet its obligations. Purchases under these contracts typically either do not meet the definition of derivatives or are considered "normal purchases and normal sales" and are accounted for on an accrual basis. Our propane distribution operations may also enter into fair value hedges of their inventory or cash flow hedges of their future purchase commitments in order to mitigate the impact of wholesale price fluctuations. Occasionally, we may enter into interest rate swap agreements to mitigate risk associated with changes in short-term borrowing rates. As of June 30, 2020, our natural gas and electric distribution operations did not have any outstanding derivative contracts.

PESCO's Derivative Instruments

As discussed in Note 3, *Acquisitions and Divestitures*, during the fourth quarter of 2019, we sold PESCO's assets and contracts and, therefore, no longer have natural gas futures and contracts recorded in our condensed consolidated financial statements.

Commodity Derivative Activities

As of June 30, 2020, the volume of our commodity derivative contracts were as follows:

Business unit	Commodity	Quantity hedged (in millions)	Designation	Longest Expiration date of hedge
Sharp	Propane (gallons)	22.5	Cash flows hedges	May 2023

Sharp entered into futures and swap agreements to mitigate the risk of fluctuations in wholesale propane index prices associated with the propane volumes expected to be purchased during the heating season. Under the futures and swap agreements, Sharp will receive the difference between: (i) the index prices (Mont Belvieu prices for June 2020 through May 2023), and (ii) the per gallon propane swap prices, to the extent the index prices exceed the contracted prices. If the index prices are lower than the swap prices, Sharp will pay the difference. We designated and accounted for propane swaps as cash flows hedges. The change in the fair value of the swap agreements is recorded as unrealized gain (loss) in other comprehensive income (loss) and later recognized in the statement of income in the same period and in the same line item as the hedged transaction. We expect to reclassify approximately \$0.3 million from accumulated other comprehensive income (loss) to earnings during the next 12-month period ended June 30, 2021.

Interest Rate Swap Activities

We manage interest rate risk by entering into derivative contracts to hedge the variability in cash flows attributable to changes in the short-term borrowing rates. In the second quarter of 2020, we entered into interest rate swaps with notional amounts totaling \$100.0 million associated with three of our short-term lines of credit through October 2020. The interest rate swaps were entered to hedge the variability in cash flows attributable to changes in the short-term borrowing rates during this period. Pricing on the interest rate swaps range between 0.2615 and 0.3875 percent for the period. Our short-term borrowing will be based on the 30-day LIBOR rate. The interest rate swaps will be cash settled monthly as the counterparty will pay us the 30-day LIBOR rate less the fixed rate.

We designated and accounted for interest rate swaps as cash flows hedges. Accordingly, unrealized gains and losses associated with the interest rate swaps are recorded as a component of accumulated other comprehensive income (loss). When the interest rate swaps settle, the realized gain or loss will be recorded in the income statement and recognized as

a component of interest charges. We expect to reclassify less than \$0.1 million from accumulated other comprehensive income (loss) to earnings during the next 12-month period ended June 30, 2021.

Broker Margin

Futures exchanges have contract specific margin requirements that require the posting of cash or cash equivalents relating to traded contracts. Margin requirements consist of initial margin that is posted upon the initiation of a position, maintenance margin that is usually expressed as a percent of initial margin, and variation margin that fluctuates based on the daily mark-to-market relative to maintenance margin requirements. We currently maintain a broker margin account for Sharp, with the balance related to the account is as follows:

<i>(in thousands)</i>	Balance Sheet Location	June 30, 2020	December 31, 2019
Sharp	Other Current Assets	\$ 595	\$ 2,317

Financial Statements Presentation

The following tables present information about the fair value and related gains and losses of our derivative contracts. We did not have any derivative contracts with a credit-risk-related contingency.

As of June 30, 2020 and December 31, 2019, we did not have material fair value hedges. The fair values of the derivative contracts recorded in the condensed consolidated balance sheets as of June 30, 2020 and December 31, 2019, are as follows:

<i>(in thousands)</i>	Balance Sheet Location	Derivative Assets	
		Fair Value As Of	
		June 30, 2020	December 31, 2019
Derivatives designated as cash flow hedges			
Propane swap agreements	Derivative assets, at fair value	\$ 1,270	\$ —
Total asset derivatives		\$ 1,270	\$ —

<i>(in thousands)</i>	Balance Sheet Location	Derivative Liabilities	
		Fair Value As Of	
		June 30, 2020	December 31, 2019
Derivatives designated as cash flow hedges			
Propane swap agreements	Derivative liabilities, at fair value	\$ 751	\$ 1,844
Interest rate swap agreements	Derivative liabilities, at fair value	51	—
Total liability derivatives		\$ 802	\$ 1,844

The effects of gains and losses from derivative instruments on the condensed consolidated financial statements are as follows:

<i>(in thousands)</i>	Location of Gain (Loss) on Derivatives	Amount of Gain (Loss) on Derivatives:			
		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
		2020	2019	2020	2019
Derivatives designated as cash flow hedges					
Propane swap agreements	Cost of sales	\$ 238	\$ 252	\$ 1,465	\$ 858
Propane swap agreements	Other comprehensive income (loss)	2,354	(494)	2,363	515
Interest rate swap agreements	Interest expense	11	—	11	—
Interest rate swap agreements	Other comprehensive loss	(51)	—	(51)	—
Natural gas swap contracts	Other comprehensive loss	—	(8)	—	(67)
Natural gas futures contracts	Other comprehensive income (loss)	—	(2,463)	—	763
Total		\$ 2,552	\$ (2,713)	\$ 3,788	\$ 2,069

14. Fair Value of Financial Instruments

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The three levels of the fair value hierarchy are the following:

<u>Fair Value Hierarchy</u>	<u>Description of Fair Value Level</u>	<u>Fair Value Technique Utilized</u>
Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities	<p><i>Investments - equity securities</i> - The fair values of these trading securities are recorded at fair value based on unadjusted quoted prices in active markets for identical securities.</p> <p><i>Investments - mutual funds and other</i> - The fair values of these investments, comprised of money market and mutual funds, are recorded at fair value based on quoted net asset values of the shares.</p>
Level 2	Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability	<i>Derivative assets and liabilities</i> - The fair value of the propane put/call options and swap agreements are measured using market transactions for similar assets and liabilities in either the listed or over-the-counter markets.
Level 3	Prices or valuation techniques requiring inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity)	<i>Investments - guaranteed income fund</i> - The fair values of these investments are recorded at the contract value, which approximates their fair value.

Financial Assets and Liabilities Measured at Fair Value

The following tables summarize our financial assets and liabilities that are measured at fair value on a recurring basis and the fair value measurements, by level, within the fair value hierarchy as of June 30, 2020 and December 31, 2019:

As of June 30, 2020 <i>(in thousands)</i>	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments—equity securities	\$ 20	\$ 20	\$ —	\$ —
Investments—guaranteed income fund	2,334	—	—	2,334
Investments—mutual funds and other	7,217	7,217	—	—
Total investments	9,571	7,237	—	2,334
Derivative assets	1,270	—	1,270	—
Total assets	\$ 10,841	\$ 7,237	\$ 1,270	\$ 2,334
Liabilities:				
Derivative liabilities	\$ 802	\$ —	\$ 802	\$ —

As of December 31, 2019 (in thousands)	Fair Value Measurements Using:			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments—equity securities	\$ 27	\$ 27	\$ —	\$ —
Investments—guaranteed income fund	803	—	—	803
Investments—mutual funds and other	8,399	8,399	—	—
Total investments	9,229	8,426	—	803
Derivative assets	—	—	—	—
Total assets	\$ 9,229	\$ 8,426	\$ —	\$ 803
Liabilities:				
Derivative liabilities	\$ 1,844	\$ —	\$ 1,844	\$ —

The following table sets forth the summary of the changes in the fair value of Level 3 investments for the six months ended June 30, 2020 and 2019:

(in thousands)	Six Months Ended June 30,	
	2020	2019
Beginning Balance	\$ 803	\$ 686
Purchases and adjustments	226	110
Transfers	1,345	—
Distribution	(50)	(12)
Investment income	10	7
Ending Balance	<u>\$ 2,334</u>	<u>\$ 791</u>

Investment income from the Level 3 investments is reflected in other expense, (net) in the condensed consolidated statements of income.

At June 30, 2020, there were no non-financial assets or liabilities required to be reported at fair value. We review our non-financial assets for impairment at least on an annual basis, as required.

Other Financial Assets and Liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents and accounts receivable. Financial liabilities with carrying values approximating fair value include accounts payable and other accrued liabilities and short-term debt. The fair value of cash and cash equivalents is measured using the comparable value in the active market and approximates its carrying value (Level 1 measurement). The fair value of short-term debt approximates the carrying value due to its near-term maturities and because interest rates approximate current market rates (Level 3 measurement).

At June 30, 2020, long-term debt which includes current maturities but excludes debt issuance costs, had a carrying value of approximately \$446.5 million, compared to the estimated fair value of \$481.7 million. At December 31, 2019, long-term debt, which includes the current maturities but excludes debt issuance costs, had a carrying value of approximately \$486.6 million, compared to a fair value of approximately \$505.0 million. The fair value was calculated using a discounted cash flow methodology that incorporates a market interest rate based on published corporate borrowing rates for debt instruments with similar terms and average maturities, and with adjustments for duration, optionality, and risk profile. The valuation technique used to estimate the fair value of long-term debt would be considered a Level 3 measurement.

15. Long-Term Debt

Our outstanding long-term debt is shown below:

<i>(in thousands)</i>	June 30, 2020	December 31, 2019
FPU secured first mortgage bonds ⁽¹⁾ :		
9.08% bond, due June 1, 2022	\$ 7,992	\$ 7,990
Uncollateralized senior notes:		
5.50% note, due October 12, 2020	2,000	2,000
5.93% note, due October 31, 2023	10,500	12,000
5.68% note, due June 30, 2026	17,400	20,300
6.43% note, due May 2, 2028	5,600	6,300
3.73% note, due December 16, 2028	18,000	18,000
3.88% note, due May 15, 2029	45,000	50,000
3.25% note, due April 30, 2032	70,000	70,000
3.48% note, due May 31, 2038	50,000	50,000
3.58% note, due November 30, 2038	50,000	50,000
3.98% note, due August 20, 2039	100,000	100,000
2.98% note, due December 20, 2034	70,000	70,000
Term Note due February 28, 2020	—	30,000
Less: debt issuance costs	(786)	(822)
Total long-term debt	445,706	485,768
Less: current maturities	(15,600)	(45,600)
Total long-term debt, net of current maturities	\$ 430,106	\$ 440,168

⁽¹⁾ FPU secured first mortgage bonds are guaranteed by Chesapeake Utilities.

Term Notes

In January 2019, we issued a \$30 million unsecured term note through Branch Banking and Trust Company, with a maturity date of February 28, 2020. This note was paid in full in February 2020 utilizing our short-term borrowing facilities.

Shelf Agreements

We have entered into Shelf Agreements with Prudential, MetLife and NYL, whom are under no obligation to purchase any unsecured debt. The following table summarizes our Shelf Agreements at June 30, 2020:

<i>(in thousands)</i>	Total Borrowing Capacity	Less: Amount of Debt Issued	Less: Unfunded Commitments	Remaining Borrowing Capacity
Shelf Agreement				
Prudential Shelf Agreement ^{(1) (2)}	\$ 370,000	\$ (170,000)	\$ (50,000)	\$ 150,000
MetLife Shelf Agreement ⁽³⁾	150,000	—	—	150,000
NYL Shelf Agreement ⁽⁴⁾	150,000	(100,000)	(40,000)	10,000
Total Shelf Agreements as of June 30, 2020	\$ 670,000	\$ (270,000)	\$ (90,000)	\$ 310,000

⁽¹⁾ In January 2020, we requested and Prudential accepted our request to purchase \$50.0 million of our unsecured debt. We issued the Shelf Notes in July 2020 at the rate of 3.00 percent per annum.

⁽²⁾ In April 2020, the Prudential Shelf Agreement was amended to increase the available borrowing capacity to \$150.0 million.

⁽³⁾ In May 2020, we reached into an agreement with MetLife to provide a new \$150.0 million MetLife Shelf Agreement for a three-year term ending in March 31, 2023.

⁽⁴⁾ In February 2020, we requested and NYL accepted our request to purchase \$40.0 million of our unsecured debt. We expect to issue the Shelf Notes in August 2020 at the rate of 2.96 percent per annum.

The Uncollateralized Senior Notes, Shelf Agreements or Shelf Notes set forth certain business covenants to which we are subject when any note is outstanding, including covenants that limit or restrict our ability, and the ability of our subsidiaries, to incur indebtedness, or place or permit liens and encumbrances on any of our property or the property of our subsidiaries.

16. Short-Term Borrowings

At June 30, 2020 and December 31, 2019, we had \$286.4 million and \$247.4 million, respectively, of short-term borrowings outstanding at the weighted average interest rates of 1.05 percent and 2.62 percent, respectively. Included in the June 30, 2020 balance, is \$100.0 million in short-term debt for which we have entered into interest rate swap agreements as discussed below. We have an aggregate of \$370.0 million in credit lines comprised of four unsecured bank credit facilities with four financial institutions, with \$220.0 million in total available credit, and a Revolver with five participating Lenders totaling \$150.0 million. As a result of the uncertainty regarding the length of and depth of the impacts of the COVID-19 pandemic, in the second quarter of 2020, we received commitments for an additional \$95.0 million of short-term debt capacity through four credit facilities that mature on October 31, 2020. These facilities have a commitment fee of 0.35 percent with an interest rate of 1.75 percent over LIBOR, to the extent we borrow under these facilities. All of these facilities expire in October 2020. The following table summarizes our short-term borrowing facilities information at June 30, 2020 and December 31, 2019:

<i>(in thousands)</i>	Total Facility	LIBOR Based Interest Rate	Outstanding borrowings at		Available at June 30, 2020
			June 30, 2020	December 31, 2019	
Bank Credit Facility					
<i>Existing Bilateral Facilities</i>					
Committed revolving credit facility A	\$ 55,000	plus 0.75 percent	\$ 55,000	\$ 55,000	\$ —
Committed revolving credit facility B	80,000	plus 0.75 percent	77,501	57,150	2,499
Committed revolving credit facility C	45,000	plus 0.75 percent	32,412	42,040	12,588
Committed revolving credit facility D	40,000	plus 0.85 percent	40,000	40,000	—
Committed revolving credit facility E ⁽²⁾	150,000	plus 1.125 percent	80,000	50,000	70,000
Total existing bilateral facilities	370,000		284,913	244,190	85,087
<i>Incremental Facilities</i>					
Committed revolving credit facility F	35,000	plus 1.75 percent	—	—	35,000
Committed revolving credit facility G	15,000	plus 1.75 percent	—	—	15,000
Committed revolving credit facility H	25,000	plus 1.75 percent	—	—	25,000
Committed revolving credit facility I	20,000	plus 1.75 percent	—	—	20,000
Total incremental facilities	95,000		—	—	95,000
Total short term credit facilities	\$ 465,000		284,913	244,190	\$ 180,087
Book overdrafts ⁽¹⁾			1,492	3,181	
Total short-term borrowing			\$ 286,405	\$ 247,371	

⁽¹⁾ If presented, these book overdrafts would be funded through the bank revolving credit facilities.

⁽²⁾ This committed revolving credit facility includes a restriction that our short-term borrowings, excluding any borrowings under the committed revolving credit facility, cannot exceed \$350.0 million.

The availability of funds under our credit facilities is subject to conditions specified in the respective credit agreements, all of which we currently satisfy. These conditions include our compliance with financial covenants and the continued accuracy of representations and warranties contained in these agreements. We are required by the financial covenants in our revolving credit facilities to maintain, at the end of each fiscal year, a funded indebtedness ratio of no greater than 65 percent. As of June 30, 2020, we are in compliance with all of our debt covenants.

In the second quarter of 2020, we entered into interest rate swaps with notional amounts totaling \$100.0 million associated with three of our short-term lines of credit through October 2020. The interest rate swaps were entered to hedge the variability in cash flows attributable to changes in the short-term borrowing rates during this period. The fixed swap rates will range between 0.2615 and 0.3875 percent for the period. Our short-term borrowing will be based on the 30-day LIBOR rate. The interest swap will be cash settled monthly as the counter-party will pay us the 30-day LIBOR rate less the fixed rate.

17. Leases

We have entered into lease arrangements for office space, land, equipment, pipeline facilities and warehouses. These lease arrangements enable us to better conduct business operations in the regions in which we operate. Office space is leased to provide adequate workspace for all our employees in several locations throughout the Mid-Atlantic, Mid-West and in Florida. We lease land at various locations throughout our service territories to enable us to inject natural gas into underground storage and distribution systems, for bulk storage capacity, for our propane operations and for storage of equipment used in repairs and maintenance of our infrastructure. We lease natural gas compressors to ensure timely and reliable transportation of natural gas to our customers. Additionally, we lease a pipeline to deliver natural gas to an industrial customer in Polk County, Florida. We also lease warehouses to store equipment and materials used in repairs and maintenance for our businesses.

Some of our leases are subject to annual changes in the Consumer Price Index (“CPI”). While lease liabilities are not re-measured as a result of changes to the CPI, changes to the CPI are treated as variable lease payments and recognized in the period in which the obligation for those payments was incurred. A 100-basis-point increase in CPI would have resulted in immaterial additional annual lease costs. Most of our leases include options to renew, with renewal terms that can extend the lease term from one to 25 years or more. The exercise of lease renewal options is at our sole discretion. The amounts disclosed in our condensed consolidated balance sheet at June 30, 2020 pertaining to the right-of-use assets and lease liabilities, are measured based on our current expectations of exercising our available renewal options. Our existing leases are not subject to any restrictions or covenants which preclude our ability to pay dividends, obtain financing or enter into additional leases. As of June 30, 2020, we have not entered into any leases, which have not yet commenced, that would entitle us to significant rights or create additional obligations. The following table presents information related to our total lease cost included in our condensed consolidated statements of income:

<i>(in thousands)</i>	Classification	Three Months Ended		Six Months Ended	
		June 30,		June 30,	
		2020	2019	2020	2019
Operating lease cost ⁽¹⁾	Operations expense	\$ 629	\$ 654	\$ 1,255	\$ 1,288
Finance lease cost:					
Amortization of lease assets	Depreciation and amortization	—	249	—	650
Interest on lease liabilities	Interest expense	—	1	—	5
Net lease cost		\$ 629	\$ 904	\$ 1,255	\$ 1,943

⁽¹⁾ Includes short-term leases and variable lease costs, which are immaterial.

The following table presents the balance and classifications of our right of use assets and lease liabilities included in our condensed consolidated balance sheet at June 30, 2020 and December 31, 2019:

<i>(in thousands)</i>	Balance sheet classification	June 30, 2020	December 31, 2019
Assets			
Operating lease assets	Operating lease right-of-use assets	\$ 11,546	\$ 11,563
Total lease assets		\$ 11,546	\$ 11,563
Liabilities			
Current			
Operating lease liabilities	Other accrued liabilities	\$ 1,647	\$ 1,705
Noncurrent			
Operating lease liabilities	Operating lease - liabilities	10,055	9,896
Total lease liabilities		\$ 11,702	\$ 11,601

The following table presents our weighted-average remaining lease terms and weighted-average discount rates for our operating and financing leases at June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Weighted-average remaining lease term (in years)		
Operating leases	8.6	8.88
Weighted-average discount rate		
Operating leases	3.8%	3.8%

The following table presents additional information related to cash paid for amounts included in the measurement of lease liabilities included in our condensed consolidated statements of cash flows as of June 30, 2020 and 2019:

<i>(in thousands)</i>	Six Months Ended	
	June 30,	
	2020	2019
Operating cash flows from operating leases	\$ 1,034	\$ 1,100
Operating cash flows from finance leases	\$ —	\$ 5
Financing cash flows from finance leases	\$ —	\$ 650

The following table presents the future undiscounted maturities of our operating and financing leases at June 30, 2020 and for each of the next five years and thereafter:

<i>(in thousands)</i>	Operating Leases ⁽¹⁾
Remainder of 2020	\$ 1,089
2021	2,031
2022	1,937
2023	1,874
2024	1,619
2025	1,383
Thereafter	3,876
Total lease payments	\$ 13,809
Less: Interest	2,107
Present value of lease liabilities	\$ 11,702

⁽¹⁾ Operating lease payments include \$4.0 million related to options to extend lease terms that are reasonably certain of being exercised.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations is designed to provide a reader of the financial statements with a narrative report on our financial condition, results of operations and liquidity. This discussion and analysis should be read in conjunction with the attached unaudited condensed consolidated financial statements and notes thereto and our Annual Report on Form 10-K for the year ended December 31, 2019, including the audited consolidated financial statements and notes thereto.

Safe Harbor for Forward-Looking Statements

We make statements in this Quarterly Report on Form 10-Q that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. One can typically identify forward-looking statements by the use of forward-looking words, such as "project," "believe," "expect," "anticipate," "intend," "plan," "estimate," "continue," "potential," "forecast" or other similar words, or future or conditional verbs such as "may," "will," "should," "would" or "could." These statements represent our intentions, plans, expectations, assumptions and beliefs about future financial performance, business strategy, projected plans and objectives of the Company. Forward-looking statements speak only as of the date they are made or as of the date indicated and we do not undertake any obligation to update forward-looking statements as a result of new information, future events or otherwise. These statements are subject to many risks, uncertainties and other important factors that could cause actual future results to differ materially from those expressed in the forward-looking statements. In addition to the risk factors described under Item 1A, Risk Factors in our 2019 Annual Report on Form 10-K, and Item 1A, Risk Factors, in this Quarterly Report on Form 10-Q, such factors include, but are not limited to:

- state and federal legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rate structures, and affect the speed and the degree to which competition enters the electric and natural gas industries;
- the outcomes of regulatory, environmental and legal matters, including whether pending matters are resolved within current estimates and whether the related costs are adequately covered by insurance or recoverable in rates;
- the impact of climate change, including the impact of greenhouse gas emissions or other legislation or regulations intended to address climate change;
- the impact of significant changes to current tax regulations and rates;
- the timing of certification authorizations associated with new capital projects and the ability to construct facilities at or below estimated costs;
- changes in environmental and other laws and regulations to which we are subject and environmental conditions of property that we now, or may in the future, own or operate;
- possible increased federal, state and local regulation of the safety of our operations;
- the inherent hazards and risks involved in transporting and distributing natural gas and electricity;
- the economy in our service territories or markets, the nation, and worldwide, including the impact of economic conditions (which we do not control) on demand for electricity, natural gas, propane or other fuels;
- risks related to cyber-attacks or cyber-terrorism that could disrupt our business operations or result in failure of information technology systems or result in the loss or exposure of confidential or sensitive customer, employee or Company information;
- adverse weather conditions, including the effects of hurricanes, ice storms and other damaging weather events;
- customers' preferred energy sources;
- industrial, commercial and residential growth or contraction in our markets or service territories;
- the effect of competition on our businesses from other energy suppliers and alternative forms of energy;
- the timing and extent of changes in commodity prices and interest rates;
- the effect of spot, forward and future market prices on our various energy businesses;
- the extent of our success in connecting natural gas and electric supplies to transmission systems, establishing and maintaining key supply sources; and expanding natural gas and electric markets;
- the creditworthiness of counterparties with which we are engaged in transactions;
- the capital-intensive nature of our regulated energy businesses;
- our ability to access the credit and capital markets to execute our business strategy, including our ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general economic conditions;
- the ability to successfully execute, manage and integrate a merger, acquisition or divestiture of assets or businesses and the related regulatory or other conditions associated with the merger, acquisition or divestiture;
- the impact on our costs and funding obligations, under our pension and other post-retirement benefit plans, of potential downturns in the financial markets, lower discount rates, and costs associated with health care legislation and regulation;
- the ability to continue to hire, train and retain appropriately qualified personnel;
- the effect of accounting pronouncements issued periodically by accounting standard-setting bodies; and

- risks related to the outbreak of a pandemic, including the duration and scope of the pandemic and the corresponding impact on our supply chains, our personnel, our contract counterparties, general economic conditions and growth, and the financial markets.

Introduction

We are an energy delivery company engaged in the distribution of natural gas, propane and electricity; the transmission of natural gas; the generation of electricity and steam, and in providing related services to our customers.

Our strategy is focused on growing earnings from a stable utility foundation and investing in related businesses and services that provide opportunities for returns greater than traditional utility returns. We are focused on identifying and developing opportunities across the energy value chain, with emphasis on midstream and downstream investments that are accretive to earnings per share and consistent with our long-term growth strategy.

Our strategy is to consistently produce industry-leading total shareholder return by profitably investing capital into opportunities that leverage our skills and expertise in energy distribution and transmission to achieve high levels of service and growth. The key elements of our strategy include:

- capital investment in growth opportunities that generate our target returns;
- expanding our energy distribution and transmission operations within our existing service areas as well as into new geographic areas;
- providing new services in our current service areas;
- expanding our footprint in potential growth markets through strategic acquisitions that complement our businesses;
- entering new energy markets and businesses that complement our existing operations and growth strategy; and
- operating as a customer-centric full-service energy supplier/partner/provider, while providing safe and reliable service.

Our employees strive to build meaningful connections that generate opportunities to grow our businesses, develop new markets, and enrich the communities in which we live, work and serve.

Due to the seasonality of our business, results for interim periods are not necessarily indicative of results for the entire fiscal year. Revenue and earnings are typically greater during the first and fourth quarters, when consumption of energy is normally highest due to colder temperatures.

The following discussions and those later in the document on operating income and segment results include the use of the term "gross margin," which is determined by deducting the cost of sales from operating revenue. Cost of sales includes the purchased cost of natural gas, electricity and propane and the cost of labor spent on direct revenue-producing activities, and excludes depreciation, amortization and accretion. Gross margin should not be considered an alternative to operating income or net income, which are determined in accordance with GAAP. We believe that gross margin, although a non-GAAP measure, is useful and meaningful to investors as a basis for making investment decisions. It provides investors with information that demonstrates the profitability achieved by us under our allowed rates for regulated energy operations and under our competitive pricing structures for unregulated energy operations. Our management uses gross margin in measuring our business units' performance and has historically analyzed and reported gross margin information publicly. Other companies may calculate gross margin in a different manner.

Earnings per share information is presented for continuing operations on a diluted basis, unless otherwise noted.

Results of Operations for the Three and Six months Ended June 30, 2020

Overview

Chesapeake Utilities is a Delaware corporation formed in 1947. We are a diversified energy company engaged, through our operating divisions and subsidiaries, in regulated energy, unregulated energy and other businesses. We operate primarily on the Delmarva Peninsula and in Florida, Pennsylvania and Ohio and provide natural gas distribution and transmission; electric distribution and generation; propane operations; steam generation; and other energy-related services.

In the fourth quarter of 2019, we completed the sale of the assets and contracts of PESCO. As a result, PESCO's results for all periods presented have been separately reported as discontinued operations.

On March 13, 2020, the CDC declared a national emergency due to the rapidly growing outbreak of COVID-19. In response to this declaration and the rapid spread of COVID-19 within the United States, federal, state and local governments throughout the country imposed varying degrees of restrictions on social and commercial activity to promote social distancing in an effort to slow the spread of the illness. These restrictions have continued to significantly impact economic conditions in the United States. We are considered an "essential business," which allows us to continue our operational activities and construction projects while the social distancing restrictions remain in place. In response to the COVID-19 pandemic and related restrictions, we implemented our pandemic response plan, which includes having all employees who can work remotely do so in order to promote social distancing and providing personal protective equipment to field employees to reduce the spread of COVID-19. For the three and six months ended June 30, 2020, the estimated impacts that COVID-19 had on our earnings was \$0.9 million and \$1.1 million, respectively, primarily driven by reduced consumption of energy largely in the commercial and industrial sectors, and incremental expenses associated with COVID-19, including protective personal equipment, premium pay for field personnel and higher bad debt expense. The additional operating expenses we incurred support the ongoing delivery of our essential services during these unprecedented times. The negative impact was partially offset by reduced federal income tax expense recognized in connection with implementation of the CARES Act and lower short-term borrowing costs resulting from a decrease in interest rates. As the COVID-19 pandemic is ongoing, to date we have not established regulatory assets associated with the incremental expense impacts, as currently authorized by the Delaware and Maryland PSCs. In Florida, the PSC requires utility companies seeking regulatory asset treatment for COVID-19 related expenses to individually file a formal petition for consideration. We are committed to communicating timely updates and will continue to monitor developments affecting our employees, customers, suppliers, stockholders and take additional precautions as warranted to operate safely and to comply with the CDC, Occupational Safety and Health Administration, state and local requirements in order to protect our employees, customers and the communities we serve, and update and communicate the ongoing financial impact on our results once determined. Refer to Note 5, *Rates and Other Regulatory Activities*, in the condensed consolidated financial statements for further information on the potential deferral of incremental expenses associated with COVID-19.

Operational Highlights

Our net income for the three months ended June 30, 2020 was \$11.0 million, or \$0.66 per share, compared to \$8.3 million, or \$0.50 per share, for the same quarter of 2019. Our income from continuing operations for the three months ended June 30, 2020 was \$10.7 million, or \$0.64 per share, compared to \$8.9 million, or \$0.54 per share for the same quarter of 2019. Operating income for the three months ended June 30, 2020 decreased by \$0.2 million, compared to the same period in 2019. The decrease in operating income was driven by higher operating expenses associated with growth as well as the unfavorable impacts of COVID-19.

	Three Months Ended		Increase / (decrease)
	June 30,		
	2020	2019	
<i>(in thousands except per share)</i>			
Gross Margin			
Regulated Energy segment	\$ 57,131	\$ 55,086	\$ 2,045
Unregulated Energy segment	17,032	14,380	2,652
Other businesses and eliminations	(73)	(97)	24
Total Gross Margin	\$ 74,090	\$ 69,369	\$ 4,721
Operating Income			
Regulated Energy segment	\$ 18,006	\$ 18,028	\$ (22)
Unregulated Energy segment	281	(771)	1,052
Other businesses and eliminations	(310)	908	(1,218)
Total Operating Income	17,977	18,165	(188)
Other expense, net	(279)	(320)	41
Interest charges	5,054	5,552	(498)
Income from Continuing Operations Before Income Taxes	12,644	12,293	351
Income Taxes on Continuing Operations	1,983	3,379	(1,396)
Income from Continuing operations	10,661	8,914	1,747
Gain (Loss) from Discontinued Operations	295	(610)	905
Net Income	\$ 10,956	\$ 8,304	\$ 2,652
Basic Earnings Per Share of Common Stock			
Earnings from Continuing Operations	\$ 0.65	\$ 0.55	\$ 0.10
Earnings (loss) from Discontinued Operations	0.02	(0.04)	0.06
Basic Earnings Per Share of Common Stock	\$ 0.67	\$ 0.51	\$ 0.16
Diluted Earnings Per Share of Common Stock			
Earnings from Continuing Operations	\$ 0.64	\$ 0.54	\$ 0.10
Earnings (loss) from Discontinued Operations	0.02	(0.04)	0.06
Diluted Earnings Per Share of Common Stock	\$ 0.66	\$ 0.50	\$ 0.16

Key variances in continuing operations, between the second quarter of 2020 and the second quarter of 2019, included:

<i>(in thousands, except per share data)</i>	Pre-tax Income	Net Income	Earnings Per Share
Second Quarter of 2019 Reported Results from Continuing Operations	\$ 12,293	\$ 8,914	\$ 0.54
Adjusting for Unusual Items:			
Unfavorable COVID-19 impacts	(3,595)	(2,557)	(0.15)
Increased customer consumption - primarily due to colder weather	2,013	1,432	0.08
Favorable federal income tax impact associated with the CARES Act	—	1,669	0.10
	<u>(1,582)</u>	<u>544</u>	<u>0.03</u>
Increased (Decreased) Gross Margins:			
Eastern Shore and Peninsula Pipeline service expansions*	1,776	1,263	0.07
Increased gross margin from demand for Marlin Gas Services *	1,077	766	0.05
Increased retail propane margins per gallon	867	616	0.04
Natural gas growth (excluding service expansions)	832	592	0.04
Margin contributions from Boulden acquisition (completed December 2019)*	549	390	0.02
	<u>5,101</u>	<u>3,627</u>	<u>0.22</u>
(Increased) Decreased Operating Expenses (Excluding Cost of Sales):			
Payroll, Benefits and other employee-related expenses	(967)	(688)	(0.05)
Depreciation, asset removal and property tax costs due to new capital investments	(932)	(663)	(0.04)
Insurance expense (non-health) - both insured and self-insured	(547)	(389)	(0.02)
Operating expenses from Boulden acquisition (completed December 2019) *	(498)	(354)	(0.02)
	<u>(2,944)</u>	<u>(2,094)</u>	<u>(0.13)</u>
Other income tax effects	—	(177)	(0.01)
Interest charges	(436)	(310)	(0.02)
Lower pension expense	371	264	0.02
Net other changes	(159)	(107)	(0.01)
	<u>(224)</u>	<u>(330)</u>	<u>(0.02)</u>
Second Quarter of 2020 Reported Results from Continuing Operations	\$ 12,644	\$ 10,661	\$ 0.64

*See the Major Projects and Initiatives table.

Our net income for the six months ended June 30, 2020 was \$39.9 million, or \$2.42 per share, compared to \$37.0 million, or \$2.25 per share for the same period of 2019. Our net income from continuing operations for the six months ended June 30, 2020 was \$39.7 million, or \$2.41 per share compared to \$37.7 million, or \$2.30 per share, for the same period of 2019. Operating income for the six months ended June 30, 2020 decreased by \$2.2 million, or 3.5 percent, compared to the same period in 2019. Higher operating income from organic growth projects, contributions from the Boulden asset acquisition in December 2019 and higher retail propane margins were offset by the unfavorable impacts of COVID-19.

	Six Months Ended		Increase (decrease)
	June 30,		
	2020	2019	
<i>(in thousands except per share)</i>			
Gross Margin			
Regulated Energy segment	\$ 125,254	\$ 122,188	\$ 3,066
Unregulated Energy segment	48,815	46,922	1,893
Other businesses and eliminations	(158)	(205)	47
Total Gross Margin	\$ 173,911	\$ 168,905	5,006
Operating Income			
Regulated Energy segment	\$ 45,894	\$ 47,769	\$ (1,875)
Unregulated Energy segment	14,142	14,486	(344)
Other businesses and eliminations	75	32	43
Total Operating Income	60,111	62,287	(2,176)
Other income (expense), net	3,039	(380)	3,419
Interest charges	10,868	11,180	(312)
Income from Continuing Operations Before Income Taxes	52,282	50,727	1,555
Income taxes on Continuing Operations	12,580	13,002	(422)
Income from Continuing operations	39,702	37,725	1,977
Income (loss) from Discontinued Operations	184	(757)	941
Net Income	\$ 39,886	\$ 36,968	\$ 2,918
Basic Earnings Per Share of Common Stock			
Earnings from Continuing Operations	\$ 2.42	\$ 2.31	\$ 0.11
Earnings (loss) from Discontinued Operations	0.01	(0.05)	0.06
Basic Earnings Per Share of Common Stock	\$ 2.43	\$ 2.26	\$ 0.17
Diluted Earnings Per Share of Common Stock			
Earnings from Continuing Operations	\$ 2.41	\$ 2.30	\$ 0.11
Earnings (loss) from Discontinued Operations	0.01	(0.05)	0.06
Diluted Earnings Per Share of Common Stock	\$ 2.42	\$ 2.25	\$ 0.17

Key variances in continuing operations, between the six months ended 2020 and the six months ended 2019, included:

<i>(in thousands, except per share data)</i>	Pre-tax Income	Net Income	Earnings Per Share
Six Months Ended June 30, 2019 Reported Results from Continuing Operations:	\$ 50,727	\$ 37,725	\$ 2.30
Adjusting for Unusual Items:			
Unfavorable COVID-19 impacts	(3,800)	(2,764)	(0.17)
Decreased customer consumption - primarily due to milder weather	(1,931)	(1,405)	(0.09)
Absence of Florida tax savings (net of GRIP refunds) recorded in first quarter of 2019 for 2018	(910)	(667)	(0.04)
Gains from sales of assets	3,162	2,317	0.14
Favorable income tax impact associated with the CARES Act	—	1,669	0.10
	<u>(3,479)</u>	<u>(850)</u>	<u>(0.06)</u>
Increased (Decreased) Gross Margins:			
Eastern Shore and Peninsula Pipeline service expansions*	2,839	2,065	0.12
Margin contribution from Boulden acquisition (completed December 2019)*	2,437	1,773	0.11
Increased retail propane margins per gallon	2,009	1,461	0.09
Natural gas growth (excluding service expansions)	1,928	1,403	0.09
Aspire Energy rate increases	308	224	0.01
	<u>9,521</u>	<u>6,926</u>	<u>0.42</u>
(Increased) Decreased Operating Expenses (Excluding Cost of Sales):			
Depreciation, asset removal and property taxes	(2,421)	(1,761)	(0.11)
Insurance expense (non-health) - both insured and self-insured	(1,578)	(1,148)	(0.07)
Operating expenses from Boulden acquisition (completed December 2019)	(1,032)	(751)	(0.05)
Facilities maintenance costs	(757)	(550)	(0.03)
Payroll, benefits and other employee-related expenses	261	190	0.01
	<u>(5,527)</u>	<u>(4,020)</u>	<u>(0.25)</u>
Other income tax effects	—	(849)	(0.05)
Interest Charges	(783)	(570)	(0.03)
Lower pension expense	743	540	0.03
Net other changes	1,080	800	0.05
	<u>1,040</u>	<u>(79)</u>	<u>—</u>
Six Months Ended June 30, 2020 Reported Results from Continuing Operations	\$ 52,282	\$ 39,702	\$ 2.41

*See the Major Projects and Initiatives table.

Summary of Key Factors
Recently Completed and Ongoing Major Projects and Initiatives

We constantly pursue and develop additional projects and initiatives to serve existing and new customers, and to further grow our businesses and earnings, with the intention to increase shareholder value. The following represent the major projects/initiatives recently completed and currently underway. Major projects and initiatives that have generated consistent year-over-year margin contributions are removed from the table. In the future, we will add new projects and initiatives to this table once negotiations are substantially final and the associated earnings can be estimated.

	Gross Margin for the Period						
	Three Months Ended		Six Months Ended		Year Ended	Estimate for	
	June 30,		June 30,		December 31,	Fiscal	
<i>in thousands</i>	2020	2019	2020	2019	2019	2020	2021
Pipeline Expansions:							
Regulated Energy							
West Palm Beach County, Florida Expansion ⁽¹⁾	\$ 967	\$ 161	\$ 1,968	\$ 293	\$ 2,139	\$ 4,092	\$ 5,227
Del-Mar Energy Pathway ⁽¹⁾	452	189	641	353	731	2,398	4,100
Auburndale	170	—	340	—	283	679	679
Callahan Intrastate Pipeline (including related natural gas distribution services)	536	—	536	—	—	4,039	7,564
Guernsey Power Station	—	—	—	—	—	—	700
Total Pipeline Expansions	2,125	350	3,485	646	3,153	11,208	18,270
Virtual Pipeline Growth:							
Compressed Natural Gas Transportation	2,107	1,030	3,454	3,359	5,410	6,900	7,700
Renewable Natural Gas Transportation	—	—	—	—	—	—	1,000
Total Virtual Pipeline Growth	2,107	1,030	3,454	3,359	5,410	6,900	8,700
Acquisitions:							
Boulden Propane	549	—	2,437	—	329	3,800	4,200
Elkton Gas	—	—	—	—	—	1,207	3,992
Total Acquisitions	549	—	2,437	—	329	5,007	8,192
Regulatory Initiatives:							
Florida GRIP	3,609	3,530	7,305	7,311	13,939	15,206	16,898
Hurricane Michael regulatory proceeding	—	—	—	—	—	TBD	TBD
Total Regulatory Initiatives	3,609	3,530	7,305	7,311	13,939	15,206	16,898
Total	\$ 8,390	\$ 4,910	\$ 16,681	\$ 11,316	\$ 22,831	\$ 38,321	\$ 52,060

⁽¹⁾ Includes margin generated from interim services.

Detailed Discussion of Major Projects and Initiatives
Pipeline Expansions - Regulated Energy
West Palm Beach County, Florida Expansion

Peninsula Pipeline is constructing four transmission lines to bring additional natural gas to our distribution system in West Palm Beach, Florida. The first phase of this project was placed into service in December 2018 and generated incremental gross margin of \$0.8 million and \$1.7 million, including interim services, for the three and six months ended June 30, 2020 compared to 2019,

respectively. We expect to complete the remainder of the project in phases through the third quarter of 2020, and estimate that the project will generate gross margin of \$4.1 million in 2020 and \$5.2 million annually thereafter.

Del-Mar Energy Pathway

In December 2019, the FERC issued an order approving the construction of the Del-Mar Energy Pathway project. Eastern Shore anticipates that this project will be fully in-service by the beginning of the fourth quarter of 2021. The new facilities will provide: (i) an additional 14,300 Dts/d of firm service to four customers, (ii) additional natural gas transmission pipeline infrastructure in eastern Sussex County, Delaware, and (iii) represent the first extension of Eastern Shore's pipeline system into Somerset County, Maryland. Construction of the project began in January 2020, and interim services in advance of this project generated \$0.5 million and \$0.6 million for the three and six months ended June 30, 2020, respectively. The estimated gross margin from this project is approximately \$2.4 million in 2020, \$4.1 million in 2021 and \$5.1 million annually thereafter.

Auburndale

In August 2019, the Florida PSC approved Peninsula Pipeline's Transportation Service Agreement with the Florida Division of Chesapeake Utilities. Peninsula Pipeline purchased an existing pipeline owned by the Florida Division of Chesapeake Utilities and Calpine and has completed the construction of pipeline facilities in Polk County, Florida. Peninsula Pipeline provides transportation service to the Florida Division of Chesapeake Utilities increasing both delivery capacity and downstream pressure as well as introducing a secondary source of natural gas for the Florida Division of Chesapeake Utilities' distribution system. Peninsula Pipeline generated gross margin from this project of \$0.2 million and \$0.3 million for the three and six months ended June 30, 2020, respectively, and expects to generate annual gross margin of \$0.7 million in 2020 and beyond.

Callahan Intrastate Pipeline

In May 2018, Peninsula Pipeline announced a plan to construct a jointly owned intrastate transmission pipeline with Seacoast Gas Transmission in Nassau County, Florida. The 26-mile pipeline will serve growing demand in both Nassau and Duval Counties. This project was placed in service in June 2020, one month earlier than initially forecasted, and generated \$0.5 million in additional gross for the three and six months ended June 30, 2020. Peninsula Pipeline expects to generate gross margin of \$4.0 million in 2020 and \$7.6 million annually thereafter.

Pipeline Expansions - Unregulated Energy

Guernsey Power Station

Guernsey Power Station, LLC ("Guernsey Power Station") and our affiliate, Aspire Energy Express, LLC ("Aspire Energy Express"), entered into a precedent firm transportation capacity agreement whereby Guernsey Power Station will construct a power generation facility and Aspire Energy Express will provide firm natural gas transportation service to this facility. Guernsey Power Station commenced construction of the project in October 2019. Aspire Energy Express is expected to commence construction of the gas transmission facilities to provide the firm transportation service to the power generation facility in the second quarter of 2021. This project is expected to produce gross margin of approximately \$0.7 million in 2021 and \$1.5 million in 2022 and beyond.

Virtual Pipeline Growth

CNG Transportation

Marlin Gas Services provides CNG temporary hold services, contracted pipeline integrity services, emergency services for damaged pipelines and specialized gas services for customers who have unique requirements. For the three and six months ended June 30, 2020, Marlin Gas Services generated additional gross margin of \$1.1 million and \$0.1 million, respectively. We estimate that Marlin Gas Services will generate annual gross margin of approximately \$6.9 million in 2020 and \$7.7 million in 2021, with potential for additional growth in future years. Marlin Gas Services continues to actively expand the territories it serves, as well as leverage its patented technology to serve other markets, including pursuing liquefied natural gas transportation opportunities and most recently, announcing its expansion into the transportation of renewable natural gas from diverse supply sources to various pipeline interconnection points, as further outlined below.

Renewable Natural Gas Transportation

Bioenergy Devco

In June 2020, our Delmarva natural gas operations and Bioenergy Devco ("BDC"), a developer of anaerobic digestion facilities that create renewable energy and healthy soil products from organic material, entered into an agreement related to a project to remove excess organics from poultry waste and convert it into renewable natural gas. BDC and our affiliates are collaborating on this project in addition to several other project sites where organic waste can be converted into a carbon-negative energy source.

This project provides us the opportunity to maintain the green attributes of renewable natural gas as the gas is distributed to natural gas distribution customers.

The resources generated from organic material at BDC's anaerobic digestion facilities in Delaware, will be processed by our Delmarva natural gas operations and Eastern Shore, and Marlin Gas Services will facilitate the transportation and receipt of renewable natural gas for multiple suppliers through its interconnect facility and equipment. Marlin Gas Services will transport the sustainable fuel to Eastern Shore, where it will be introduced to our distribution system and ultimately distributed to our natural gas customers.

CleanBay Project

In July 2020, our Delmarva natural gas operations and CleanBay Renewables Inc. ("CleanBay") announced a new partnership to bring renewable natural gas to our operations. As part of this partnership, we will transport the renewable natural gas produced at CleanBay's planned Westover, Maryland bio-refinery, to our natural gas infrastructure in the Delmarva Peninsula region. Eastern Shore and Marlin Gas Services, will transport and distribute the renewable natural gas from CleanBay where it will ultimately be delivered to the Delmarva natural gas distribution end use customers.

At the present time, we have disclosed that we expect to generate \$1.0 million in 2021 in incremental margin from renewable natural gas transportation beginning in 2021. We are finalizing contract terms associated with some of these projects. Additional information will be provided regarding incremental margin on these projects at a future time, as contracts are finalized.

Acquisitions

Boulden Propane

In December 2019, Sharp acquired certain propane customers and operating assets of Boulden, which provides propane distribution service to approximately 5,200 customers in Delaware, Maryland and Pennsylvania. The customers and assets acquired from Boulden have been assimilated into Sharp. The operations acquired from Boulden generated \$0.5 million and \$2.4 million of incremental gross margin for the three and six months ended June 30, 2020, respectively. We estimate that this acquisition will generate annual gross margin of approximately \$3.8 million in 2020, and \$4.2 million in 2021, with the potential for additional growth in future years.

Elkton Gas

In December 2019, we entered into an agreement with SJI to acquire Elkton Gas, which provides natural gas distribution service to approximately 7,000 residential and commercial customers in Cecil County, Maryland contiguous to our existing franchise territory in Cecil County. The acquisition closed at the end of July 2020. The purchase price was approximately \$15.0 million. We estimate that this acquisition will generate gross margin of approximately \$1.2 million in 2020 and \$4.0 million in 2021.

Regulatory Initiatives

Florida GRIP

Florida GRIP is a natural gas pipe replacement program approved by the Florida PSC that allows automatic recovery, through rates, of costs associated with the replacement of mains and services. Since the program's inception in August 2012, we have invested \$154.2 million of capital expenditures to replace 312 miles of qualifying distribution mains, including \$10.3 million of new pipes during the first six months of 2020. We expect to generate annual gross margin of approximately \$15.2 million in 2020, and \$16.9 million in 2021.

Hurricane Michael

In October 2018, Hurricane Michael passed through FPU's electric distribution operation's service territory in Northwest Florida. The hurricane caused widespread and severe damage to FPU's infrastructure resulting in 100 percent of its customers in the Northwest Florida service territory losing electrical service. FPU expended more than \$65.0 million to restore service as quickly as possible, which has been recorded as new plant and equipment, charged against FPU's accumulated depreciation or charged against FPU's storm reserve. Additionally, amounts currently being reviewed by the Florida PSC for regulatory asset treatment have been recorded as receivables and other deferred charges.

In August 2019, FPU filed a limited proceeding requesting recovery of storm-related costs associated with Hurricane Michael (plant investment and expenses) through a change in base rates. FPU also requested treatment and recovery of certain storm-related costs as a regulatory asset for items currently not allowed to be recovered through the storm reserve as well as the recovery of plant investment replaced as a result of the storm. FPU has proposed an overall return component on both the plant additions and the proposed regulatory assets. In the fourth quarter of 2019, FPU along with the Office of Public Counsel in Florida, filed a joint motion with the Florida PSC to approve an interim rate increase, subject to refund, pending the final ruling on the recovery

of the restoration costs incurred. The petition was approved by the Florida PSC in November 2019 and interim rate increases were implemented effective January 2020. At this time, we have recorded a reserve for the interim rate increases, pending a final resolution of the proceeding.

In September 2019, FPU filed a petition, with the Florida PSC, for approval of its consolidated electric depreciation rates. Once approved, we expect the new rates to be retroactively effective to January 1, 2020. The petition, was joined to the open dockets regarding Hurricane Michael and Dorian, and is currently on the schedule for hearing at the Florida PSC agenda in September 2020.

In March 2020, FPU filed an update to the original filing to account for actual charges incurred through December 2019, revised the amortization period of the storm-related costs from 30 years as originally requested to 10 years, and included costs related to Hurricane Dorian of approximately \$1.2 million in this filing. FPU continues to work with the Florida PSC and the petition is currently on the schedule for approval at the Florida PSC Agenda in September 2020.

Other major factors influencing gross margin

Weather and Consumption

Colder weather conditions accounted for a \$2.0 million increase in gross margin during the second quarter of 2020, compared to the same period in 2019, as HDD increased by 266 days for both the Delmarva Peninsula and our Ohio service territory. Compared to normal temperatures, as detailed below, gross margin was \$1.0 million higher due to a higher number of HDDs. For the six months ended June 30, 2020, there was overall lower customer consumption as warmer weather in the first quarter was partially offset by colder temperatures during the second quarter. For the six-month period, overall milder temperatures decreased gross margin by \$1.9 million compared to the same period in 2019 and \$2.0 million compared to normal temperatures. The following table summarizes HDD and CDD variances from the 10-year average HDD/CDD ("Normal") for the three and six months ended June 30, 2020 and 2019.

The following table summarizes HDD and CDD variances from the 10-year average HDD/CDD ("Normal") for the three and six months ended June 30, 2020 and 2019.

	Three Months Ended			Six Months Ended		
	June 30,			June 30,		
	2020	2019	Variance	2020	2019	Variance
Delmarva						
Actual HDD	513	247	266	2,373	2,569	(196)
10-Year Average HDD ("Normal")	400	423	(23)	2,749	2,785	(36)
Variance from Normal	113	(176)		(376)	(216)	
Florida						
Actual HDD	9	18	(9)	343	379	(36)
10-Year Average HDD ("Normal")	13	14	(1)	508	532	(24)
Variance from Normal	(4)	4		(165)	(153)	
Ohio						
Actual HDD	801	535	266	3,297	3,531	(234)
10-Year Average HDD ("Normal")	593	607	(14)	3,612	3,652	(40)
Variance from Normal	208	(72)		(315)	(121)	
Florida						
Actual CDD	849	1,086	(237)	1,075	1,220	(145)
10-Year Average CDD ("Normal")	988	975	13	1,093	1,072	21
Variance from Normal	(139)	111		(18)	148	

Natural Gas Distribution Margin Growth

Customer growth for our natural gas distribution operations, as a result of the addition of new customers and the conversion of customers from alternative fuel sources to natural gas service, generated \$0.8 million and \$1.9 million of the three and six months

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ended June 30, 2020, respectively. The average number of residential customers served on the Delmarva Peninsula and in Florida increased by 5.3 percent and 3.6 percent, respectively, during the second quarter of 2020 and 4.6 percent and 3.7 percent, respectively, for the six months ended June 30, 2020. On the Delmarva Peninsula, a larger percentage of the margin growth is generated from residential growth given the expansion of gas into new communities and conversions to natural gas as our distribution infrastructure continues to build out, while in Florida, as gas heating is not a significant portion of residential use, a greater portion of the margin growth occurred in the commercial and industrial sectors. The details for the three and six months ended June 30, 2020 are provided in the following table:

<i>(in thousands)</i>	Three Months Ended		Six Months Ended	
	June 30, 2020		June 30, 2020	
	Delmarva Peninsula	Florida	Delmarva Peninsula	Florida
Customer Growth:				
Residential	\$ 326	\$ 171	\$ 767	\$ 394
Commercial and industrial	70	265	224	543
Total Customer Growth	\$ 396	\$ 436	\$ 991	\$ 937

Regulated Energy Segment

For the quarter ended June 30, 2020, compared to the quarter ended June 30, 2019:

	Three Months Ended		Increase (decrease)
	June 30,		
	2020	2019	
<i>(in thousands)</i>			
Revenue	\$ 73,518	\$ 73,403	\$ 115
Cost of sales	16,387	18,317	(1,930)
Gross margin	57,131	55,086	2,045
Operations & maintenance	25,456	24,149	1,307
Depreciation & amortization	9,347	8,969	378
Other taxes	4,322	3,940	382
Total operating expenses	39,125	37,058	2,067
Operating income	\$ 18,006	\$ 18,028	\$ (22)

Operating income for the Regulated Energy segment remained largely unchanged for the three months ended June 30, 2020 compared to 2019, as a result of the impact of COVID-19. Results for the second quarter of 2020 included \$3.2 million of negative impacts from COVID-19. Excluding these impacts, operating income increased \$3.2 million as a result of higher gross margin from expansion projects completed and underway by Eastern Shore and Peninsula Pipeline, increased customer consumption due to colder weather and organic growth in our natural gas distribution businesses.

Gross Margin

Items contributing to the quarter-over-quarter increase in gross margin are listed in the following table:

<i>(in thousands)</i>	Margin Impact
Eastern Shore and Peninsula Pipeline service expansions	\$ 1,776
Increased customer consumption - primarily due to colder weather	1,127
Natural gas growth (excluding service expansions)	832
Unfavorable COVID-19 impacts on gross margin	(2,201)
Other variances	511
Quarter-over-quarter increase in gross margin	\$ 2,045

The following is a narrative discussion of the significant items in the foregoing table, which we believe is necessary to understand the information disclosed in the table.

Eastern Shore and Peninsula Pipeline Service Expansions

We generated additional gross margin of \$1.5 million from Peninsula Pipeline's Western Palm Beach County, Auburndale and Callahan Intrastate Projects and \$0.3 million from Eastern Shore's Del-Mar Energy Pathway project.

Increased Customer Consumption - Primarily Due to Colder Weather

Gross margin increased by \$1.2 million due to colder weather on the Delmarva Peninsula for the three months ended June 30, 2020, compared to the same period in 2019.

Natural Gas Distribution Customer Growth

We generated additional gross margin of \$0.8 million from natural gas customer growth. Gross margin increased by \$0.4 million in Florida and \$0.4 million on the Delmarva Peninsula for the three months ended June 30, 2020, as compared to the same period in 2019, due primarily to residential customer growth of 5.3 percent and 3.6 percent on the Delmarva Peninsula and in Florida, respectively. On the Delmarva Peninsula, a larger percentage of the margin growth was generated from residential growth given the expansion of gas into new communities and conversions, while in Florida, as gas heating is not a significant portion of residential use, a greater portion of the margin growth occurred in the commercial and industrial sectors.

Unfavorable COVID-19 Impacts

Gross margin decreased by \$2.2 million for the three months ended June 30, 2020, as compared to the same period in 2019, as a result of the lower customer consumption, which was caused by the slowing of economic activities in our service territories as a result of restrictions imposed to promote social distancing and slow down the spread of COVID-19.

Other Operating Expenses

Items contributing to the quarter-over-quarter increase in other operating expenses are listed in the following table:

(in thousands)

Unfavorable COVID-19 impacts (higher operating and bad debt expenses)	\$	1,014
Depreciation, asset removal and property tax costs due to new capital investments		682
Payroll, Benefits and other employee-related expenses		612
Insurance expense (non-health) - both insured and self-insured		438
Other variances		(679)
Quarter-over-quarter increase in other operating expenses	\$	2,067

For the six months ended June 30, 2020, compared to the six months ended June 30, 2019:

	Six Months Ended		Increase (decrease)
	June 30, 2020	June 30, 2019	
(in thousands)			
Revenue	\$ 176,473	\$ 177,021	\$ (548)
Cost of sales	51,219	54,833	(3,614)
Gross margin	125,254	122,188	3,066
Operations & maintenance	51,697	48,697	3,000
Depreciation & amortization	18,666	17,415	1,251
Other taxes	8,997	8,307	690
Total operating expenses	79,360	74,419	4,941
Operating income	\$ 45,894	\$ 47,769	\$ (1,875)

Operating income for the Regulated Energy segment for the six months ended June 30, 2020 was \$45.9 million, a decrease of \$1.9 million, compared to the same period in 2019. Excluding the COVID-19 impacts of \$3.3 million, operating income increased \$1.4 million as a result of higher gross margin from expansion projects completed by Eastern Shore and Peninsula Pipeline, organic growth in the natural gas distribution businesses, and increased customer consumption, which was offset by \$1.9 million in higher depreciation, amortization and other taxes and \$2.1 million in higher other operating expenses.

Gross Margin

Items contributing to the period-over-period increase in gross margin are listed in the following table:

(in thousands)

	Margin Impact
Eastern Shore and Peninsula Pipeline service expansions	\$ 2,839
Natural gas distribution - customer growth (excluding service expansions)	1,928
Increased customer consumption	620
Absence of Florida tax savings (net of GRIP refunds) recorded in the first quarter of 2019 for 2018	(910)
Unfavorable COVID-19 impacts on gross margin	(2,430)
Other variances	1,019
Period-over-period increase in gross margin	\$ 3,066

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The following is a narrative discussion of the significant items in the foregoing table, which we believe is necessary to understand the information disclosed in the table.

Eastern Shore and Peninsula Pipeline Service Expansions

We generated additional gross margin of \$2.5 million from Peninsula Pipeline's Western Palm Beach County, Auburndale and Callahan Intrastate Projects and \$0.3 million from Eastern Shore's Del-Mar Energy Pathway project.

Natural Gas Distribution Customer Growth

We generated additional gross margin of \$1.9 million from natural gas customer growth. Gross margin increased by \$0.9 million in Florida and \$1.0 million on the Delmarva Peninsula for the six months ended June 30, 2020, as compared to the same period in 2019, due primarily to residential customer growth of 4.6 percent on the Delmarva Peninsula and 3.7 percent in Florida. On the Delmarva Peninsula, a larger percentage of the margin growth was generated from residential growth given the expansion of gas into new communities and conversions, while in Florida, as gas heating is not a significant portion of residential use, a greater portion of the margin growth occurred in the commercial and industrial sectors.

Increased Customer Consumption - Due to Weather and Other

Gross margin increased by \$0.6 million due to weather and other consumption on the Delmarva Peninsula and in Florida during the first six months of 2020 compared to the same period in 2019.

Absence of Florida Tax Savings Recorded in the First Quarter of 2019

Gross margin decreased by \$0.9 million for the six months ended June 30, 2020, as compared to the same period in 2019, due primarily to the TCJA related tax savings from 2018 that the Florida PSC allowed us to retain during the first quarter of 2019. In February 2019, the Florida PSC issued a final order regarding the treatment of the TCJA impact, allowing us to retain the savings associated with lower federal tax rates for certain of our natural gas distribution operations. As a result, refunds to GRIP customers and reserves for customer refunds, recorded in 2018 were reversed in the first quarter of 2019.

Unfavorable COVID-19 Impacts

Gross margin decreased by \$2.4 million for the six months ended June 30, 2020, as compared to the same period in 2019, as a result of the lower customer consumption, which was caused by the slowing of economic activities in our service territories as a result of restrictions imposed to promote social distancing and slow down the spread of COVID-19.

Other Operating Expenses

Items contributing to the period-over-period increase in other operating expenses are listed in the following table:

(in thousands)

Depreciation, asset removal and property tax costs due to new capital investments	\$	1,909
Insurance expense (non-health) - both insured and self-insured		1,272
Unfavorable COVID-19 impacts (higher operating and bad debt expenses)		906
Facilities maintenance costs		837
Other variances		17
Period-over-period increase in other operating expenses	\$	4,941

Unregulated Energy Segment
For the quarter ended June 30, 2020, compared to the quarter ended June 30, 2019:

	Three Months Ended		Increase (decrease)
	June 30,		
	2020	2019	
<i>(in thousands)</i>			
Revenue	\$ 27,741	\$ 25,625	\$ 2,116
Cost of sales	10,709	11,245	(536)
Gross margin	17,032	14,380	2,652
Operations & maintenance	12,959	11,881	1,078
Depreciation & amortization	2,889	2,477	412
Other taxes	903	793	110
Total operating expenses	16,751	15,151	1,600
Operating gain/loss	\$ 281	\$ (771)	\$ 1,052

Operating income for the Unregulated Energy segment increased by \$1.1 million for the second quarter, as compared to the second quarter of 2019. Excluding the impacts of COVID-19 of \$0.7 million, operating income increased by \$1.8 million. The increased operating income reflects margin growth from Marlin Gas Services, higher retail propane margins per gallon and incremental margin from the Boulden assets. These increases were partially offset by \$0.5 million in higher depreciation, amortization and property taxes and \$0.8 million in higher operating expenses.

Gross Margin

Items contributing to the quarter-over-quarter increase in gross margin are listed in the following table:

<i>(in thousands)</i>	Margin Impact
<u>Propane Operations</u>	
Increased retail propane margins per gallon driven by favorable market conditions and supply management	\$ 867
Boulden acquisition (assets acquired in December 2019)	549
Increase in customer consumption - primarily due to colder weather	535
Marlin Gas Services - increased gross margin from demand for services	1,077
<u>Aspire Energy</u>	
Increase in customer consumption - primarily due to colder weather	351
Unfavorable COVID-19 impacts on gross margin	(317)
Other variances	(410)
Quarter-over-quarter increase in gross margin	\$ 2,652

The following is a narrative discussion of the significant items in the foregoing table, which we believe is necessary to understand the information disclosed in the table.

Propane Operations

- *Increased Retail Propane Margins* - Gross margin increased by \$0.9 million, in the second quarter of 2020, as compared to the same period in the prior year, due to lower propane inventory costs and favorable market conditions. These market conditions, which include market pricing and competition with other propane suppliers, as well as the availability and price of alternative energy sources, may fluctuate based on changes in demand, supply and other energy commodity prices.
- *Propane Operations - Boulden* - Gross margin increased by \$0.5 million due to the inclusion of operating results from Boulden, which was acquired by Sharp in December 2019.
- *Increased Customer Consumption Primarily Driven by Weather* - Gross margin increased by \$0.5 million due to colder weather on the Delmarva Peninsula for the three months ended June 30, 2020, compared to the same period in 2019.

Marlin Gas Services

- Gross margin increased by \$1.1 million in the second quarter of 2020, as compared to the same period in the prior year due to higher demand for compressed natural gas hold services and pipeline integrity solutions.

Aspire Energy

- Increased Customer Consumption Primarily Driven by Weather* - Gross margin increased by \$0.4 million due to increased consumption as weather in Ohio was approximately 50 percent colder for the three months ended June 30, 2020 compared to the same period in 2019.

Unfavorable COVID-19 Impacts

- Gross margin decreased by \$0.3 million, as a result of the lower customer consumption, which was caused by the slowing of economic activities in our service territories as a result of restrictions imposed to promote social distancing and slow down the spread of COVID-19.

Other Operating Expenses

Items contributing to the quarter-over-quarter increase in other operating expenses are listed in the following table:

(in thousands)

Depreciation, asset removal and property tax costs due to new capital investments	\$	453
Payroll, Benefits and other employee-related expenses		302
Unfavorable COVID-19 impacts (operating and bad debt expenses)		369
Operating expenses from Boulden acquisition (completed December 2019) *		305
Insurance expense (non-health) - both insured and self-insured		218
Other variances		(47)
Quarter-over-quarter increase in other operating expenses	\$	1,600

For the six months ended June 30, 2020, compared to the six months ended June 30, 2019:

	Six Months Ended		Increase (decrease)
	June 30, 2020	2019	
(in thousands)			
Revenue	\$ 81,753	\$ 86,704	\$ (4,951)
Cost of sales	32,938	39,782	(6,844)
Gross margin	48,815	46,922	1,893
Operations & maintenance	26,997	25,703	1,294
Depreciation & amortization	5,806	4,943	863
Other taxes	1,870	1,790	80
Total operating expenses	34,673	32,436	2,237
Operating income	\$ 14,142	\$ 14,486	\$ (344)

Operating income for the Unregulated Energy segment decreased by \$0.3 million for the six months ended June 30, 2020, compared to the same period in 2019. Excluding the COVID-19 impacts of \$0.9 million, operating income increased by \$0.6 million as a result of incremental gross margin primarily from the Boulden assets and higher propane retail margins per gallon which more than overcame reduced gross margin due to warmer temperatures.

Gross Margin

Items contributing to the period-over-period increase in gross margin are listed in the following table:

(in thousands)

<u>Propane Operations</u>	
Boulden acquisition (assets acquired in December 2019)	\$ 2,437
Increased retail propane margins per gallon driven by favorable market conditions and supply management	2,009
Decrease in customer consumption - primarily due to milder weather	(2,003)
<u>Aspire Energy</u>	
Decrease in customer consumption - primarily due to milder weather	(549)
Higher margins from negotiated rate increases	308
Unfavorable COVID-19 impacts on gross margin	(442)
Other variances	133
Period-over-period increase in gross margin	\$ 1,893

The following is a narrative discussion of the significant items in the foregoing table, which we believe is necessary to understand the information disclosed in the table.

Propane Operations

- *Propane Operations - Boulden* - Gross margin increased by \$2.4 million due to the inclusion of operating results from Boulden, which was acquired by Sharp in December 2019.
- *Increased Retail Propane Margins* - Gross margin increased by \$2.0 million, for the six months ended June 30, 2020 as compared to the same period in the prior year, due to lower propane inventory costs and favorable market conditions. These market conditions, which include market pricing and competition with other propane suppliers, as well as the availability and price of alternative energy sources, may fluctuate based on changes in demand, supply and other energy commodity prices.
- *Decreased Customer Consumption Primarily Driven by Weather* - Gross margin decreased by \$2.0 million primarily from the Mid-Atlantic propane operations as weather on the Delmarva Peninsula was 8 percent warmer for the six months ended June 30, 2020 compared to the same period in 2019.

Aspire Energy

- *Decreased Customer Consumption Primarily Driven by Weather* - Gross margin decreased by \$0.5 million due to decreased consumption as weather in Ohio was approximately 7 percent warmer for the six months ended June 30, 2020 compared to the same period in 2019.
- *Increased Margin Driven by Changes in Rates* - Gross margin increased by \$0.3 million in 2020, as compared to the prior year, due primarily to higher margins from negotiated rate increases.

Unfavorable COVID-19 Impacts

- Gross margin decreased by \$0.4 million as a result of the lower customer consumption, which was caused by the slowing of economic activities in our service territories as a result of restrictions imposed to promote social distancing and slow down the spread of COVID-19.

Other Operating Expenses

Items contributing to the period-over-period increase in other operating expenses are listed in the following table:

(in thousands)

Depreciation, asset removal and property tax costs due to new capital investments	\$	901
Operating expenses from Boulden acquisition (completed in December 2019)		646
Unfavorable COVID-19 impacts (higher operating and bad debt expenses)		487
Insurance expense (non-health) - both insured and self-insured		414
Other variances		(211)
Period-over-period increase in other operating expenses	\$	2,237

Divestiture of PESCO

As discussed in Note 3, *Acquisitions and Divestitures*, during the fourth quarter of 2019, we sold PESCO's assets and contracts and accordingly have exited the natural gas marketing business. This was done in an effort to enable us to focus on the strategies that support our core energy delivery business. As a result, we began to report PESCO as discontinued operations during the third quarter of 2019 and excluded PESCO's performance from continuing operations for all periods presented and classified its assets and liabilities as held for sale, where applicable.

OTHER EXPENSE, NET

For the quarter ended June 30, 2020 compared to the quarter ended June 30, 2019

Other expense, net, which includes non-operating investment income (expense), interest income, late fees charged to customers, gains or losses from the sale of assets and pension and other benefits expense, increased by less than \$0.1 million in the second quarter of 2020, compared to the same period in 2019.

For the six months ended June 30, 2020 compared to the six months ended June 30, 2019

Other expense, net, which includes non-operating investment income (expense), interest income, late fees charged to customers, gains or losses from the sale of assets and pension and other benefits expense, increased by \$3.4 million for the first six months of 2020, compared to the same period in 2019. The increase was primarily due to gains from the sale of two properties. The property sales related to operations which, have been consolidated into our state-of-the-art Energy Lane campus and through the completion of the conversion of the piped propane system in Ocean City, Maryland to natural gas service.

INTEREST CHARGES

For the quarter ended June 30, 2020 compared to the quarter ended June 30, 2019

Interest charges for the quarter ended June 30, 2020 decreased by \$0.5 million, compared to the same period in 2019, attributable primarily to a decrease of \$1.4 million in interest expense primarily on lower levels outstanding under our revolving credit facilities and lower rates on short-term borrowings and \$0.2 million in higher capitalization of interest associated with growth projects; offset by an increase of \$1.3 million in interest expense on long-term debt as a result of the issuance of \$100.0 million of Prudential Shelf Notes in August 2019 and \$70.0 million of uncollateralized senior notes in December 2019.

For the six months ended June 30, 2020 compared to the six months ended June 30, 2019

Interest charges for the six months ended June 30, 2020 decreased by \$0.3 million, compared to the same period in 2019, attributable primarily to a decrease of \$2.4 million in interest expense primarily on lower levels outstanding under our revolving credit facilities and lower rates on short-term borrowings and \$0.5 million in higher capitalization of interest associated with a completed building in Florida; offset by an increase of \$2.7 million in interest expense on long-term debt as a result of the issuance of \$100.0 million of Prudential Shelf Notes in August 2019 and \$70.0 million of uncollateralized senior notes in December 2019.

INCOME TAXES

For the quarter ended June 30, 2020 compared to the quarter ended June 30, 2019

Income tax expense was \$2.0 million for the quarter ended June 30, 2020, compared to \$3.4 million for the quarter ended June 30, 2019. Our effective income tax rate was 15.7 percent and 27.5 percent, for the three months ended June 30, 2020 and 2019, respectively. During the quarter, we implemented certain provisions of the CARES Act which allowed us to carryback net operating losses from 2018 and 2019 into prior year periods where the federal income tax rate was higher. As a result, we recognized a \$1.7 million reduction in tax expense in the second quarter 2020. Excluding this impact of the CARES Act, our effective tax rate for the three months ended June 30, 2020 was 28.9 percent.

For the six months ended June 30, 2020 compared to the six months ended June 30, 2019

Income tax expense was \$12.6 million for the six months ended June 30, 2020, compared to \$13.0 million in the same period in 2019. Our effective income tax rate was 24.1 percent and 25.6 percent for the six months ended June 30, 2020 and 2019, respectively. During the quarter, we implemented certain provisions of the CARES Act which allowed us to carryback net operating losses from 2018 and 2019 into prior year periods where the federal income tax rate was higher. As a result, we recognized a \$1.7 million reduction in tax expense in the second quarter 2020. Excluding this impact of the CARES Act, our effective tax rate for the six months ended June 30, 2020 was 27.3 percent.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Our capital requirements reflect the capital-intensive and seasonal nature of our business and are principally attributable to investment in new plant and equipment, retirement of outstanding debt and seasonal variability in working capital. We rely on cash generated from operations, short-term borrowings, and other sources to meet normal working capital requirements and to temporarily finance capital expenditures. We may also issue long-term debt and equity to fund capital expenditures and to more closely align our capital structure with our target capital structure. We maintain an effective shelf registration statement with the SEC for the issuance of shares under our Dividend Reinvestment and Direct Stock Purchase Plan (the "DRIP"). Depending on our capital needs and subject to market conditions, in addition to other possible debt and equity offerings, we may consider issuing additional shares under the direct share purchase component of the DRIP. Beginning in the third quarter of 2020, we started issuing shares under the DRIP.

Our energy businesses are weather-sensitive and seasonal. We normally generate a large portion of our annual net income and subsequent increases in our accounts receivable in the first and fourth quarters of each year due to significant volumes of natural gas, electricity, and propane delivered by our distribution operations, and our natural gas transmission operations to customers during the peak heating season. In addition, our natural gas and propane inventories, which usually peak in the fall months, are largely drawn down in the heating season and provide a source of cash as the inventory is used to satisfy winter sales demand.

Capital expenditures for investments in new or acquired plant and equipment are our largest capital requirements. Our capital expenditures were \$88.4 million for the six months ended June 30, 2020. The following table shows a range of the expected 2020 capital expenditures by segment and by business line:

<i>(dollars in thousands)</i>	2020	
	Low	High
Regulated Energy:		
Natural gas distribution	\$ 75,000	\$ 80,000
Natural gas transmission	70,000	80,000
Electric distribution	5,000	7,000
Total Regulated Energy	150,000	167,000
Unregulated Energy:		
Propane distribution	10,000	13,000
Energy transmission	10,000	15,000
Other unregulated energy	14,000	19,000
Total Unregulated Energy	34,000	47,000
Other:		
Corporate and other businesses	1,000	1,000
Total Other	1,000	1,000
Total 2020 Expected Capital Expenditures	\$ 185,000	\$ 215,000

The 2020 budget includes: Eastern Shore's Del-Mar Energy Pathway, Florida's Callahan and West Palm Beach County Expansions and other potential pipeline projects, continued expenditures under Florida GRIP, further expansions of our natural gas distribution and transmission systems, continued natural gas infrastructure improvement activities, information technology systems, and other strategic initiatives and investments.

The capital expenditure projection is subject to continuous review and modification. Actual capital requirements may vary from the above estimates due to a number of factors, including changing economic conditions, capital delays because of COVID-19 that are greater than currently anticipated, customer growth in existing areas, regulation, new growth or acquisition opportunities and availability of capital. Historically, actual capital expenditures have typically lagged behind the budgeted amounts.

Capital Structure

We are committed to maintaining a sound capital structure and strong credit ratings to provide the financial flexibility needed to access capital markets when required. This commitment, along with adequate and timely rate relief for our regulated energy operations, is intended to ensure our ability to attract capital from outside sources at a reasonable cost, which will benefit our customers, creditors, employees and stockholders.

The following table presents our capitalization, excluding and including short-term borrowings, as of June 30, 2020 and December 31, 2019:

	June 30, 2020		December 31, 2019	
<i>(in thousands)</i>				
Long-term debt, net of current maturities	\$ 430,106	42%	\$ 440,168	44%
Stockholders' equity	593,277	58%	561,577	56%
Total capitalization, excluding short-term debt	<u>\$ 1,023,383</u>	<u>100%</u>	<u>\$ 1,001,745</u>	<u>100%</u>

	June 30, 2020		December 31, 2019	
<i>(in thousands)</i>				
Short-term debt	\$ 286,405	21%	\$ 247,371	19%
Long-term debt, including current maturities	445,706	34%	485,768	38%
Stockholders' equity	593,277	45%	561,577	43%
Total capitalization, including short-term debt	<u>\$ 1,325,388</u>	<u>100%</u>	<u>\$ 1,294,716</u>	<u>100%</u>

Our target ratio of equity to total capitalization, including short-term borrowings, is between 50 and 60 percent. Our equity to total capitalization ratio, including short-term borrowings, was 45 percent as of June 30, 2020. We seek to align permanent financing with the in-service dates of our capital projects. We may utilize more temporary short-term debt when the financing cost is attractive as a bridge to the permanent long-term financing or if the equity markets are volatile.

Term Notes

In January 2019, we issued a \$30.0 million unsecured term note through Branch Banking and Trust Company, with a maturity date of February 28, 2020. This note was paid in full in February 2020 utilizing our short-term borrowing facilities.

Shelf Agreements

We have entered into Shelf Agreements with Prudential, MetLife and NYL, whom are under no obligation to purchase any unsecured debt. The following table summarizes our Shelf Agreements at June 30, 2020:

<i>(in thousands)</i>	Total Borrowing Capacity	Less: Amount of Debt Issued	Less: Unfunded Commitments	Remaining Borrowing Capacity
Shelf Agreement				
Prudential Shelf Agreement ⁽¹⁾⁽²⁾	\$ 370,000	\$ (170,000)	\$ (50,000)	\$ 150,000
MetLife Shelf Agreement ⁽³⁾	150,000	—	—	150,000
NYL Shelf Agreement ⁽⁴⁾	150,000	(100,000)	(40,000)	10,000
Total Shelf Agreements as of June 30, 2020	<u>670,000</u>	<u>(270,000)</u>	<u>(90,000)</u>	<u>310,000</u>

⁽¹⁾ In January 2020, we requested and Prudential accepted our request to purchase \$50.0 million of our unsecured debt. We issued the Shelf Notes in July 2020 at the rate of 3.00 percent per annum.

⁽²⁾ In April 2020, the Prudential Shelf Agreement was amended to increase the available borrowing capacity to \$150.0 million.

⁽³⁾ In May 2020, we reached into an agreement with MetLife to provide a new \$150.0 million MetLife Shelf Agreement for a three-year term ending March 31, 2023.

⁽⁴⁾ In February 2020, we requested and NYL accepted our request to purchase \$40.0 million of our unsecured debt. We expect to issue the Shelf Notes in August 2020 at the rate of 2.96 percent per annum.

The Uncollateralized Senior Notes, Shelf Agreements or Shelf Notes set forth certain business covenants to which we are subject when any note is outstanding, including covenants that limit or restrict our ability, and the ability of our subsidiaries, to incur indebtedness, or place or permit liens and encumbrances on any of our property or the property of our subsidiaries.

Short-term Borrowings

We are authorized by our Board of Directors to borrow up to \$400.0 million of short-term debt, as required, from among our various short-term debt facilities. We utilize bank lines of credit to provide funds for our short-term cash needs to meet seasonal working capital requirements and to temporarily fund portions of the capital expenditure program.

As of June 30, 2020, we had four unsecured bank credit facilities with four financial institutions totaling \$220.0 million in available credit. In addition, we have a \$150.0 million Revolver under which borrowings can be designated as short-term debt. The terms of the Revolver are further described below. As a result of the uncertainty regarding the length of and depth of the impacts of the COVID-19 pandemic, in the second quarter of 2020, we received commitments for an additional \$95.0 million of short-term debt capacity through four credit facilities that mature on October 31, 2020. These facilities have a commitment fee of 0.35 percent with an interest rate of 1.75 percent over LIBOR, to the extent we borrow under these facilities.

None of the unsecured bank lines of credit requires compensating balances. Our outstanding short-term borrowings at June 30, 2020 and December 31, 2019 were \$286.4 million and \$247.4 million at weighted average interest rates of 1.05 percent and 2.62 percent, respectively. Included in the June 30, 2020 balance, is \$100 million in short-term debt for which we have entered into interest rate swap agreements as discussed below.

The \$150.0 million Revolver is available through October 8, 2020 and is subject to the terms and conditions set forth in the credit agreement among us and the lenders related to the Revolver ("Credit Agreement"). Borrowings under the Revolver will be used for general corporate purposes, including repayments of short-term borrowings, working capital requirements and capital expenditures. Borrowings under the Revolver will bear interest at: (i) the LIBOR rate plus an applicable margin of 1.125 percent or less, with such margin based on total indebtedness as a percentage of total capitalization, both as defined by the Credit Agreement, or (ii) the base rate plus 0.125 percent or less. Interest is payable quarterly, and the Revolver is subject to a commitment fee on the unused portion of the facility. We have the right, under certain circumstances, to extend the expiration date for up to two years on any anniversary date of the Revolver, with such extension subject to the lenders' approval. We may also request the lenders to increase the Revolver to \$200.0 million, with any increase at the sole discretion of each lender.

In the second quarter of 2020, we entered into interest rate swaps with notional amounts totaling \$100.0 million associated with three of our short-term lines of credit through October 2020. The interest rate swaps were entered to hedge the variability in cash flows attributable to changes in the short-term borrowing rates during this period. The fixed swap rates will range between 0.2615 and 0.3875 percent for the period. Our short-term borrowing will be based on the 30-day LIBOR rate. The interest swap will be cash settled monthly as the counter-party will pay us the 30-day LIBOR rate less the fixed rate.

Cash Flows

The following table provides a summary of our operating, investing and financing cash flows for the six months ended June 30, 2020 and 2019:

	Six Months Ended	
	June 30,	
	2020	2019
<i>(in thousands)</i>		
Net cash provided by (used in):		
Operating activities	\$ 91,678	\$ 74,575
Investing activities	(80,254)	(90,880)
Financing activities	(14,819)	17,470
Net increase (decrease) in cash and cash equivalents	(3,395)	1,165
Cash and cash equivalents—beginning of period	6,985	6,089
Cash and cash equivalents—end of period	\$ 3,590	\$ 7,254

Cash Flows Provided By Operating Activities

Changes in our cash flows from operating activities are attributable primarily to changes in net income, adjusted for non-cash items such as depreciation and changes in deferred income taxes, and working capital. Changes in working capital are determined by a variety of factors, including weather, the prices of natural gas, electricity and propane, the timing of customer collections, payments for purchases of natural gas, electricity and propane, and deferred fuel cost recoveries.

During the six months ended June 30, 2020 and 2019, net cash provided by operating activities was \$91.7 million and \$74.6 million, respectively, resulting in an increase in cash flows of \$17.1 million. Significant operating activities generating the cash flows change were as follows:

- Changes in net accounts receivable and accrued revenue and accounts payable and accrued liabilities increased cash flows by \$15.4 million, due in part to the timing and receipt of payments and the absence of PESCO, whose assets and contracts were sold in the fourth quarter of 2019;
- Changes in net regulatory assets and liabilities increased cash flows by \$5.7 million, due primarily to the change in fuel costs collected through the various cost recovery mechanisms;
- Net income, adjusted for non-cash adjustments and reconciling activities, increased cash flows by \$5.4 million, due primarily to deferred income taxes, unrealized loss from investments and commodity contracts and depreciation and amortization, offset by realized gains on sale of assets;
- Net cash flows from income taxes receivable decreased by \$5.8 million due primarily to the implementation of the federal tax law associated with CARES Act;
- Changes in net prepaid expenses and other current assets, customer deposits and refunds, accrued compensation and other assets and liabilities, net decreased cash flows by \$4.2 million; and
- Net cash flows from changes in propane inventory, storage gas and other inventories decreased by approximately \$2.3 million.

Cash Flows Used in Investing Activities

Net cash used in investing activities totaled \$80.3 million and \$90.9 million during the six months ended June 30, 2020 and 2019, respectively, resulting in an increase in cash flows of \$10.6 million. Cash paid for capital expenditures was \$82.8 million for the first six months of 2020, compared to \$90.4 million for the same period in 2019, resulting in increased cash flows of \$7.6 million.

Cash Flows Provided by Financing Activities

Net cash used by financing activities totaled \$14.8 million during the six months ended June 30, 2020 compared to \$17.5 million of net cash provided by financing activities during the prior year period resulting in an decrease in cash flows of \$32.3 million. The decrease in net cash provided by financing activities resulted primarily from the following:

- Decreased cash flows of \$63.6 million primarily from repayments of the \$30 million term notes during the six months ended June 30, 2020 coupled with issuance of \$30.0 million term notes in January 2019;
- Increased cash flows from short-term borrowing of \$36.1 million under our line of credit arrangements;
- Decreased cash flows of \$4.0 million as a result of changes in cash overdrafts in 2020; and
- Cash dividends of \$13.0 million paid during the six months ended June 30, 2020, compared to \$11.8 million for the six months ended June 30, 2019.

Off-Balance Sheet Arrangements

We have issued corporate guarantees to certain vendors of our subsidiaries that provide for the payment of propane and natural gas purchases in the event of the subsidiary's default. The liabilities for these purchases are recorded in our financial statements when incurred. The aggregate amount guaranteed at June 30, 2020 was \$11.2 million, with the guarantees expiring on various dates through March 2, 2021. At June 30, 2020, the corporate guarantees related to PESCO were less than \$0.1 million and are expected to be terminated in the third quarter of 2020. See Note 3, *Acquisitions and Divestitures*, in the condensed consolidated financial statements for additional details on the sale of assets and contracts for PESCO.

As of June 30, 2020, we have issued letters of credit totaling approximately \$4.4 million related to the electric transmission services for FPU's electric division, the firm transportation service agreement between TETLP and our Delaware and Maryland divisions, to our current and previous primary insurance carriers. These letters of credit have various expiration dates through October 22, 2020. There have been no draws on these letters of credit as of June 30, 2020. We do not anticipate that the counterparties will draw upon these letters of credit, and we expect that they will be renewed to the extent necessary in the future. Additional information is presented in Note 7, *Other Commitments and Contingencies*, in the condensed consolidated financial statements. As a result of the sale of assets and contracts for PESCO, letters of credit associated with PESCO were terminated in the second quarter of 2020. See Note 3, *Acquisitions and Divestitures*, in the condensed consolidated financial statements for additional details on the sale of PESCO.

Contractual Obligations

There has been no material change in the contractual obligations presented in our 2019 Annual Report on Form 10-K, except for commodity purchase obligations entered into in the ordinary course of our business. The following table summarizes commodity purchase contract obligations at June 30, 2020:

	Payments Due by Period				Total
	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	
<i>(in thousands)</i>					
Purchase obligations - Commodity ⁽¹⁾	17,644	16,819	—	—	34,463
Total	\$ 17,644	\$ 16,819	\$ —	\$ —	\$ 34,463

⁽¹⁾ In addition to the obligations noted above, we have agreements with commodity suppliers that have provisions with no minimum purchase requirements. There are no monetary penalties for reducing the amounts purchased; however, the propane contracts allow the suppliers to reduce the amounts available in the winter season if we do not purchase specified amounts during the summer season. Under these contracts, the commodity prices will fluctuate as market prices fluctuate.

Rates and Regulatory Matters

Our natural gas distribution operations in Delaware, Maryland and Florida and electric distribution operation in Florida are subject to regulation by the respective state PSC; Eastern Shore is subject to regulation by the FERC; and Peninsula Pipeline is subject to regulation by the Florida PSC. At June 30, 2020, we were involved in regulatory matters in each of the jurisdictions in which we operate. Our significant regulatory matters are fully described in Note 5, *Rates and Other Regulatory Activities*, to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Recent Authoritative Pronouncements on Financial Reporting and Accounting

Recent accounting developments applicable to us and their impact on our financial position, results of operations and cash flows are described in Note 1, *Summary of Accounting Policies*, to the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk**INTEREST RATE RISK**

Long-term debt is subject to potential losses based on changes in interest rates. Our long-term debt at June 30, 2020, consists of fixed-rate Senior Notes and \$8.0 million of fixed-rate secured debt. We evaluate whether to refinance existing debt or permanently refinance existing short-term borrowings based in part on the fluctuation in interest rates. The fluctuation in interest rates expose us to potential increased cost we could incur when we issue debt instruments or to provide financing and liquidity for our business activities. Occasionally, we utilize interest rate swap agreements to mitigate short-term borrowing rate risk. Additional information about our long-term debt and short-term borrowing is disclosed in Note 15, *Long-Term Debt*, and Note 16, *Short-Term Borrowings*, respectively, in the condensed consolidated financial statements.

COMMODITY PRICE RISK***Regulated Energy Segment***

We have entered into agreements with various wholesale suppliers to purchase natural gas and electricity for resale to our customers. Our regulated energy distribution businesses that sell natural gas or electricity to end-use customers have fuel cost recovery mechanisms authorized by the PSCs that allow us to recover all of the costs prudently incurred in purchasing natural gas and electricity for our customers. Therefore, our regulated energy distribution operations have limited commodity price risk exposure.

Unregulated Energy Segment

Our propane operations are exposed to commodity price risk as a result of the competitive nature of retail pricing offered to our customers. In order to mitigate this risk, we utilize propane storage activities and forward contracts for supply.

We can store up to approximately 8.0 million gallons of propane (including leased storage and rail cars) during the winter season to meet our customers' peak requirements and to serve metered customers. Decreases in the wholesale price of propane may cause the value of stored propane to decline, particularly if we utilize fixed price forward contracts for supply. To mitigate the risk of propane commodity price fluctuations on the inventory valuation, we have adopted a Risk Management Policy that allows our propane distribution operation to enter into fair value hedges, cash flow hedges or other economic hedges of our inventory.

Aspire Energy is exposed to commodity price risk, primarily during the winter season, to the extent we are not successful in balancing our natural gas purchases and sales and have to secure natural gas from alternative sources at higher spot prices. In order to mitigate this risk, we procure firm capacity that meets our estimated volume requirements and we continue to seek out new producers in order to fulfill our natural gas purchase requirements.

The following table reflects the changes in the fair market value of financial derivatives contracts related to propane purchases and sales from December 31, 2019 to June 30, 2020:

<i>(in thousands)</i>	Balance at December 31, 2019	Increase (Decrease) in Fair Market Value	Less Amounts Settled	Balance at June 30, 2020
Sharp	\$ (1,844)	\$ 898	\$ 1,465	\$ 519
Total	\$ (1,844)	\$ 898	\$ 1,465	\$ 519

There were no changes in methods of valuations during the six months ended June 30, 2020.

The following is a summary of fair market value of financial derivatives as of June 30, 2020, by method of valuation and by maturity for each fiscal year period.

<i>(in thousands)</i>	2020	2021	2022	2023	2024	Total Fair Value
Price based on Mont Belvieu - Sharp	\$ 129	\$ 303	\$ 88	\$ (1)	\$ —	\$ 519
Total	\$ 129	\$ 303	\$ 88	\$ (1)	\$ —	\$ 519

WHOLESALE CREDIT RISK

The Risk Management Committee reviews credit risks associated with counterparties to commodity derivative contracts prior to such contracts being approved.

Additional information about our derivative instruments is disclosed in Note 13, *Derivative Instruments*, in the condensed consolidated financial statements.

INFLATION

Inflation affects the cost of supply, labor, products and services required for operations, maintenance and capital improvements. To help cope with the effects of inflation on our capital investments and returns, we periodically seek rate increases from regulatory commissions for our regulated operations and closely monitor the returns of our unregulated energy business operations. To compensate for fluctuations in propane gas prices, we adjust propane sales prices to the extent allowed by the market.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer of Chesapeake Utilities, with the participation of other Company officials, have evaluated our “disclosure controls and procedures” (as such term is defined under Rules 13a-15(e) and 15d-15(e), promulgated under the Securities Exchange Act of 1934, as amended) as of June 30, 2020. Based upon their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2020.

Changes in Internal Control over Financial Reporting

In response to the COVID-19 pandemic and the current social distancing restrictions that have been established in our service territories, we have implemented our pandemic response plan, which includes having office staff work remotely to promote social distancing in efforts to reduce the spread of COVID-19. During the quarter ended June 30, 2020, the implementation of our pandemic response plan did not result in a change in the design or operations of our internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION**Item 1. Legal Proceedings**

As disclosed in Note 7, *Other Commitments and Contingencies*, of the condensed consolidated financial statements in this Quarterly Report on Form 10-Q, we are involved in certain legal actions and claims arising in the normal course of business. We are also involved in certain legal and administrative proceedings before various governmental or regulatory agencies concerning rates and other regulatory actions. In the opinion of management, the ultimate disposition of these proceedings and claims will not have a material effect on our condensed consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors

Our business, operations, and financial condition are subject to various risks and uncertainties. The risk factors described in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K, for the year ended December 31, 2019, and Part II, "Item 1A. Risk Factors" in our Quarterly Report on Form 10-Q, for the quarter ended March 31, 2020, should be carefully considered, together with the other information contained or incorporated by reference in this Quarterly Report on Form 10-Q and in our other filings with the SEC in connection with evaluating Chesapeake Utilities, our business and the forward-looking statements contained in this Quarterly Report on Form 10-Q. Additional risks and uncertainties not known to us at present, or that we currently deem immaterial, also may affect Chesapeake Utilities. The occurrence of any of these known or unknown risks could have a material adverse impact on our business, financial condition and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

<u>Period</u>	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (2)
April 1, 2020 through April 30, 2020 ⁽¹⁾	496	\$ 85.57	—	—
May 1, 2020 through May 31, 2020	—	—	—	—
June 1, 2020 through June 30, 2020	—	—	—	—
Total	496	\$ 85.57	—	—

⁽¹⁾ Chesapeake Utilities purchased shares of common stock on the open market for the purpose of reinvesting the dividend on shares held in the Rabbi Trust accounts for certain directors and senior executives under the Non-Qualified Deferred Compensation Plan. The Non-Qualified Deferred Compensation Plan is discussed in detail in Item 8 under the heading "Notes to the Consolidated Financial Statements—Note 9, *Employee Benefit Plans*," in our latest Annual Report on Form 10-K for the year ended December 31, 2019. During the quarter ended June 30, 2020, 496 shares were purchased through the reinvestment of dividends on deferred stock units.

⁽²⁾ Except for the purposes described in Footnote (1), Chesapeake Utilities has no publicly announced plans or programs to repurchase its shares.

Item 3. Defaults upon Senior Securities

None.

Item 5. Other Information

None.

Item 6. Exhibits

10.1*	Credit Agreement dated May 29, 2020, between Chesapeake Utilities Corporation and Citizens Bank National Association.
10.2*	Loan Agreement dated May 6, 2020, between Chesapeake Utilities Corporation and Royal Bank of Canada.
10.3*	Form of Revolving Loan Note in favor of Citizens Bank, National Association.
10.4*	Form of Revolving Credit Note in favor of Royal Bank of Canada.
31.1*	Certificate of Chief Executive Officer of Chesapeake Utilities Corporation pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2*	Certificate of Chief Financial Officer of Chesapeake Utilities Corporation pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1*	Certificate of Chief Executive Officer of Chesapeake Utilities Corporation pursuant to 18 U.S.C. Section 1350.
32.2*	Certificate of Chief Financial Officer of Chesapeake Utilities Corporation pursuant to 18 U.S.C. Section 1350.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File - formatted in Inline XBRL and contained in Exhibit 101

*Filed herewith

SIGNATURES

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

CHESAPEAKE UTILITIES CORPORATION

/s/ BETH W. COOPER

Beth W. Cooper
Executive Vice President, Chief Financial Officer, and
Assistant Corporate Secretary

Date: August 5, 2020

CREDIT AGREEMENT

dated as of May 29, 2020 by and between

CHESAPEAKE UTILITIES CORPORATION,

as the Borrower, and

CITIZENS BANK, NATIONAL ASSOCIATION,

as Lender

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CREDIT AGREEMENT

CREDIT AGREEMENT, dated as of **May 29, 2020**, by and between **CHESAPEAKE UTILITIES CORPORATION**, a Delaware corporation (the “Borrower”), and **CITIZENS BANK, NATIONAL ASSOCIATION** (the “Lender”).

PRELIMINARY STATEMENTS

- A. The Borrower has requested that the Lender make available to it a \$25,000,000 revolving line of credit (the “Revolving Loans”).
- B. The Lender has indicated its willingness to make the Revolving Loans available to Borrower, subject to the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE 1

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Definitions. As used in this Credit Agreement, the following terms have the meanings specified below:

“ABR Loan” means a Revolving Loan bearing interest based on the Alternate Base Rate.

“Adjusted LIBOR Rate” means, with respect to any LIBOR Loan for any Interest Period, an interest rate per annum equal to the LIBOR Rate in effect for such Interest Period multiplied by the Statutory Reserve Rate; provided, however, that the Adjusted LIBOR Rate shall at no time be less than 0% per annum.

“Affiliate” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Agreement Date” means the first date appearing in this Credit Agreement.

“Alternate Base Rate” means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 0.50% per annum and (c) the Adjusted LIBOR Rate in effect on such day for deposits in Dollars for a one-month Interest Period (subject to any interest rate floor set forth in the definition of “Adjusted LIBOR Rate”) plus 1.00 % per annum, provided that the Alternate Base Rate shall at no time be less than 0% per annum. If the Lender shall have determined (which determination shall be conclusive absent clearly manifest error) that it is unable to ascertain the Federal Funds Effective Rate or the Adjusted LIBOR Rate for any reason, including the inability or failure of the Lender to obtain sufficient quotations in accordance with the terms of the definition of the term Federal Funds Effective Rate, the Alternate Base Rate shall be determined without regard to clause (b) or (c), as applicable, of the preceding sentence until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBOR Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBOR Rate, respectively.

“Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or its Subsidiaries from time to time concerning or relating to bribery or corruption.

“Anti-Terrorism Laws” has the meaning assigned to such term in Section 5.18(c).

“Applicable Lending Office” means the Lender’s office, branch or affiliate designated for LIBOR Loans, Daily LIBOR Loans, or ABR Loans, as applicable, any of which offices may be changed by the Lender.

“Applicable Margin” means one hundred seventy five basis points (1.75%) with respect to LIBOR Loans or Daily LIBOR Loans.

“Approved Line of Business” means, collectively, (a) those lines of business in which the Borrower and its Subsidiaries operate on the Closing Date and (b) any business or activity that is the same, similar or otherwise reasonably related, ancillary, complementary or incidental thereto.

“Attorney Costs” means when referring to the Attorney Costs of the Lender, all reasonable and documented fees and reasonable and documented out-of-pocket expenses, charges, disbursements and other charges of one law firm (and one local counsel in each relevant jurisdiction and one special or regulatory counsel for each relevant subject matter to the extent reasonably necessary).

“Availability Period” means, with respect to the Revolving Facility, the period from and including the Closing Date to but excluding the earlier of the Maturity Date with respect to the Revolving Facility and, if different, the date of the termination of the Revolving Commitment in accordance with the provisions of this Credit Agreement.

“Bankruptcy Code” means Title 11 of the United State Code or any similar federal or state law for the relief of debtors.

“Beneficial Ownership Certification” means, with respect to the Borrower, a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation, which certification shall be in the form required by the Lender.

“Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.

“Board” means the Board of Governors of the Federal Reserve System of the United States.

“Borrower” has the meaning assigned to such term in the Preamble.

“Business Day” means any day other than a Saturday, Sunday or day on which banks in Wilmington, Delaware are authorized or required by law to close; provided, however, that when used in connection with a LIBOR Loan, the term, “Business Day” shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London interbank market.

“Capitalized Lease Obligations” means, at the time any determination thereof is to be made, the amount of the liabilities in respect of Capitalized Leases that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) prepared in accordance with GAAP.

“Capitalized Leases” means all leases that are required to be, in accordance with GAAP, recorded as capitalized leases; provided that for all purposes hereunder the amount of obligations under any Capitalized Lease shall be the amount thereof accounted for as a liability in accordance with GAAP.

“Cash Equivalents” means:

- (a) direct obligations of the United States of America or any agency or instrumentality thereof or obligations backed by the full faith and credit of the United States of America maturing in twelve (12) months or less from the date of acquisition;
- (b) commercial paper maturing in 180 days or less rated not lower than A-1, by Standard & Poor’s or P-1 by Moody’s Investors Service, Inc. on the date of acquisition;
- (c) demand deposits, time deposits or certificates of deposit maturing within one year in commercial banks whose obligations are rated A-1, A or the equivalent or better by Standard & Poor’s on the date of acquisition; and
- (d) money market or mutual funds whose investments are limited to those types of investments described in clauses (a) through (c) above.

“Cash Management Obligations” means all obligations of the Borrower in respect of any Cash Management Services provided to Borrower (whether absolute or contingent and howsoever and whenever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor)) that are owed to the Lender or any of its Affiliates.

“Cash Management Services” means, collectively, (a) commercial debit or credit cards, merchant card processing and other services, purchase or debit cards, including non-card e-payables services, (b) treasury management services (including cash pooling arrangements, controlled disbursement, netting, overdraft, lockbox and electronic or automatic clearing house fund transfer services, return items, sweep and interstate depository network services, foreign check clearing services), and (c) any other demand deposit or operating account relationships or other cash management services.

“Change in Law” means the occurrence, after the Agreement Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority or the compliance therewith by the Lender (or, for purposes of Section 3.4(b), by any Applicable Lending Office of the Lender or the Lender’s holding company, if any); provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines and directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines and directives promulgated by the Bank for International

Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Change of Control” means an event or series of events by which any Person or group (within the meaning of Rule 13d-5 of the Securities Exchange Act of 1934 as in effect on the Agreement Date) shall own directly or indirectly, beneficially or of record, shares representing more than 50% of the aggregate ordinary voting power or economic interests represented by the issued and outstanding Equity Interests of the Borrower on a fully diluted basis.

“Closing Date” means the date on which the conditions specified in Section 4.1 are satisfied (or waived in accordance with Section 10.2).

“Code” means the Internal Revenue Code of 1986, and the rules and regulations issued thereunder.

“Commitment Fee” has the meaning assigned to such term in Section 3.2(a).

“Committed Loan Notice” means a notice of a Revolving Loan, a conversion of a Revolving Loan from one Type to the other, or a continuation of a LIBOR Loan pursuant to Section 2.1(c), which, if in writing, shall be substantially in the form of Exhibit A.

“Communications” means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of Borrower pursuant to any Loan Document or the transactions contemplated therein which is distributed to the Lender by means of electronic communications pursuant to Section 10.1, including through the Platform.

“Compliance Certificate” means a certificate, substantially in the form of Exhibit B.

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Contested in Good Faith” means, with respect to any matter, that such matter is being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings analogous thereto.

“Credit Agreement” means this Credit Agreement, as amended, restated, supplemented or otherwise modified from time to time.

“Credit Extension” means the making of a Revolving Loan.

“Daily LIBOR Loan” means a Revolving Loan bearing interest based on the Daily LIBOR Rate.

“Daily LIBOR Rate” means, for any day, a rate per annum equal to the Adjusted LIBOR Rate in

effect on such day for deposits in Dollars for a one-month Interest Period (subject to any interest rate floor set forth in the definition of “Adjusted LIBOR Rate”).

“Debtor Relief Laws” means the Bankruptcy Code, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

“Default” means any event or condition which constitutes an Event of Default or that upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

“Default Rate” means (a) when used with respect to the outstanding principal balance of any Revolving Loan, the sum of (i) the rate of interest otherwise applicable thereto plus (ii) 3.00% per annum, and (b) when used with respect to any interest, fee or other amount payable under the Loan Documents which shall not have been paid when due, the sum of (i) the Alternate Base Rate plus (ii) the Applicable Margin applicable to ABR Revolving Loans plus (iii) 3.00% per annum.

“Disclosed Matters” means the actions, suits, proceedings and environmental matters disclosed in Schedule 5.6.

“Dollars” or “\$” refers to lawful money of the United States.

“Environmental Claims” means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of liability, non-compliance or violation, investigations, proceedings, settlements, consent decrees, consent orders, consent agreements and all costs and liabilities relating to or arising from or under any Environmental Law, including (a) any and all claims by Governmental Authorities for enforcement, investigation, corrective action, cleanup, removal, response, remedial or other actions, cost recovery, damages, natural resource damages or penalties pursuant to or arising under any Environmental Law, (b) any and all claims by any one or more Persons seeking damages, contribution, restitution, indemnification, cost recovery, compensation or injunctive relief directly or indirectly resulting from, based upon or arising under Environmental Law, pertaining to Hazardous Materials or an alleged injury or threat of injury to human health, safety, natural resources, or the indoor or outdoor environment, and (c) all liabilities contingent or otherwise, expenses, obligations, losses, damages, fines and penalties arising under any Environmental Law.

“Environmental Law” means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions having the force of law relating to pollution and the protection of the environment or the Release.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any of its Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) a Release or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“Environmental Permit” means any permit, approval, authorization, certificate, license, variance, filing or permission required by or from any Governmental Authority pursuant to any Environmental Law.

“Equity Interests” means, with respect to any Person, (a) shares of capital stock of (or other ownership or profit interests in) such Person, (b) warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, (c) securities (other than Indebtedness) convertible into or exchangeable for shares of capital stock of (or other ownership

or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and (d) all other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or non-voting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

“ERISA” means the Employee Retirement Income Security Act of 1974, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

“ERISA Event” means (a) with respect to a Pension Plan, a reportable event under Section 4043 of ERISA as to which event (after taking into account notice waivers provided for in the regulations) there is a duty to give notice to the PBGC; (b) a withdrawal by Borrower or any member of the ERISA Group from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by Borrower or any member of the ERISA Group from a Multiemployer Plan, notification that a Multiemployer Plan is in reorganization, or occurrence of an event described in Section 4041A(a) of ERISA that results in the termination of a Multiemployer Plan; (d) the filing of a notice of intent to terminate a Pension Plan in a distress termination, the treatment of a Pension Plan amendment as a termination under Section 4041(e) of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; (f) the determination that any Pension Plan or Multiemployer Plan is considered an at-risk plan or a plan in endangered or critical status within the meaning of Sections 430.431 and 432 of the Code or Sections 303, 304 and 305 of ERISA; or (g) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon Borrower or any member of the ERISA Group.

“ERISA Group” means at any time, the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control and all other entities which, together with the Borrower, are treated as a single employer under Section 414 of the Code or Section 4001(b)(1) of ERISA.

“Event of Default” has the meaning assigned to such term in Section 8.1.

“Excluded Taxes” means any of the following Taxes imposed on or with respect to the Lender or required to be withheld or deducted from a payment to the Lender, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of the Lender being organized under the laws of, or having its principal office or its Applicable Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of the Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of the Lender with respect to an applicable interest in a Revolving Loan or Revolving Commitment pursuant to a law in effect on the date on which (i) the Lender acquires such interest in the Revolving Loan or Revolving Commitment or (ii) the Lender changes its Applicable Lending Office, except in each case to the extent that, pursuant to Section 3.6, amounts with respect to such Taxes were payable either to the Lender’s assignor immediately before the Lender became a party hereto or to the Lender immediately before it changed its Applicable Lending Office, (c) Taxes attributable to the Lender’s failure to comply with Section 3.6(g) and (d) any U.S. federal withholding Taxes imposed under FATCA.

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Credit Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Code.

“Federal Funds Effective Rate” means, for any day, a rate per annum (expressed as a decimal, rounded upwards, if necessary, to the next higher 1/100 of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (a) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Effective Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, (b) if such rate is not so published for any day, the Federal Funds Effective Rate for such day shall be the average of the quotations for such day on such transactions received by the Lender from three federal funds brokers of recognized standing selected by it and (c) if the Federal Funds Effective Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Credit Agreement.

“Financial Covenant” means the covenant set forth in Section 7.12.

“Financial Officer” means, with respect to any Person, the chief financial officer, principal accounting officer, treasurer or comptroller of such Person (or such other financial officer as is acceptable to the Lender).

“Fiscal Year” means the four fiscal quarter period of the Borrower ending on December 31 of each calendar year.

“Funded Debt” means all Indebtedness having an original term of more than one year, including, but not limited to, Capitalized Lease Obligations, reimbursement obligations in respect of letters of credit, and guaranties of any such indebtedness.

“Funded Debt to Total Capitalization” has the meaning set forth in Section 7.12.

“GAAP” means generally accepted accounting principles in effect from time to time in the United States.

“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any department, commission, board, bureau, agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

“Guarantees” of or by any Person (the “guarantor”) means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation, provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term

“Guaranteed” has a meaning analogous thereto. The amount of any Guarantee at any time shall be deemed to be an amount equal to the lesser at such time of (i) the stated or determinable amount of the primary obligation in respect of which such Guarantee is made (or, if not stated or determinable, the maximum reasonably anticipated amount of the obligations in respect of which such Guarantee is made) and (ii) the

maximum amount for which the guarantor may be liable pursuant to the terms of the instrument embodying such Guarantee.

“Hazardous Materials” means any and all pollutants, toxic or hazardous substances or other materials that have been determined by a Governmental Authority to pose a hazard to human health and safety, or are regulated as a pollutant, contaminant, petroleum product, coal combustion residual, manufactured gas plant residual, toxic substance, hazardous substance, hazardous material or hazardous waste including, but not limited to, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, lead based paint, radon gas, or similar restricted or prohibited substances.

“Indebtedness” means as to any Person at any time, any and all indebtedness, obligations or liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) of such Person for or in respect of: (a) borrowed money, (b) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (c) reimbursement obligations (contingent or otherwise) under any letter of credit agreement, (d) obligations under any commodity hedges, interest rate hedges, currency swap agreements or other similar agreements, (e) any other transaction (including forward sale or purchase agreements, capitalized leases and conditional sales agreements) having the commercial effect of a borrowing of money entered into by such Person to finance its operations or capital requirements (but not including trade payables and accrued expenses incurred in the ordinary course of business), or (f) any Guarantees for borrowed money.

“Indemnified Taxes” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of Borrower under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

“Indemnitee” has the meaning assigned to such term in Section 10.3(b).

“Information” has the meaning assigned to such term in Section 10.14(b).

“Interest Payment Date” means (a) with respect to any ABR Loan, the last day of each March, June, September and December, (b) with respect to any Daily LIBOR Loan, the last day of each calendar month, (c) with respect to any LIBOR Loan, the last day of the Interest Period applicable thereto and, in the case of a LIBOR Loan with an Interest Period of more than three months’ duration, each day prior to the last day of such Interest Period that occurs at intervals of three months’ duration after the first day of such Interest Period, and (d) with respect to all Revolving Loans, the Maturity Date.

“Interest Period” means, with respect to any LIBOR Loan, the period commencing on the date of such Revolving Loan and ending on the numerically corresponding day in the calendar month that is one, two, three, or six months thereafter, as the Borrower may elect, provided that: (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day, unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period, and (c) no Interest Period in respect of any Revolving Loan shall end after the Maturity Date. For purposes hereof, the date of a Revolving Loan initially shall be the date on which such Revolving Loan is made and thereafter shall be the effective date of the most recent conversion or continuation of such Revolving Loan. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

“Interpolated Screen Rate” means in relation to the LIBOR Rate for any Revolving Loan, the rate per annum determined by the Lender (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the rate as displayed

on the applicable Bloomberg page (or on any successor or substitute page or service providing quotations of interest rates applicable to Dollar deposits in the London interbank market comparable to those currently provided on such page, as determined by the Lender from time to time; in each case the “Screen Rate”) for the longest period (for which that Screen Rate is available) that is shorter than the applicable Interest Period and (b) the Screen Rate for the shortest period (for which that Screen Rate is available) that exceeds such Interest Period, in each case, at approximately 11:00 a.m., London time, on the Quotation Day for such Interest Period.

“IRS” means the United States Internal Revenue Service.

“Latest Maturity Date” means, at any date of determination, the latest Maturity Date applicable to any Revolving Loan or Revolving Commitment hereunder at such time, in each case as extended in accordance with this Credit Agreement or pursuant to any other Loan Document from time to time.

“Law” means any law(s) (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, issued guidance, release, ruling, order, executive order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or any settlement arrangement, by agreement, consent or otherwise, with any Governmental Authority, foreign or domestic.

“Lender” means Citizens Bank.

“LIBOR Rate” means:

(a) with respect to each day during each Interest Period pertaining to a LIBOR Loan, the rate per annum determined by the Lender to be the arithmetic average of the London Interbank Offered Rates administered by the ICE Benchmark Administration (or any Person that takes over administration of such rate) for deposits in Dollars for a duration equal to or comparable to the duration of such Interest Period which appear on the relevant Bloomberg page (or such other commercially available source providing quotations of the London Interbank Offered Rates for deposits in Dollars as may be designated by the Lender from time to time) at or about 11:00 a.m. (London time) on the Quotation Day for such Interest Period; or

(b) for any interest calculation with respect to an ABR Loan or a Daily LIBOR Loan on any date, rate per annum determined by the Lender to be the arithmetic average of the London Interbank Offered Rates administered by the ICE Benchmark Administration (or any Person that takes over administration of such rate) for deposits in Dollars with a term of one (1) month commencing such day which appear on the relevant Bloomberg page (or such other commercially available source providing quotations of the London Interbank Offered Rates for deposits in Dollars as may be designated by the Lender from time to time), at or about 11:00 am (London time) on such day;

provided that if such rate is not available at such time for any reason, then the “LIBOR Rate” with respect to such Revolving Loan for such period shall be the Interpolated Screen Rate, where applicable. Each calculation by the Lender of the LIBOR Rate hereunder shall be conclusive and binding on the parties hereto for all purposes, absent clearly manifest error. Notwithstanding the foregoing, for purposes of this Credit Agreement, the LIBOR Rate shall at no time be less than 0.00% per annum.

“LIBOR Loan” means a Revolving Loan bearing interest based on the Adjusted LIBOR Rate.

“LIBOR Scheduled Unavailability Date” has the meaning specified in Section 3.3(b).

“LIBOR Successor Rate” has the meaning specified in Section 3.3(b).

“LIBOR Successor Rate Conforming Changes” means, with respect to any proposed LIBOR Successor Rate, any conforming changes to the definition of Alternate Base Rate, Applicable Margin, Interest

Period, timing and frequency of determining rates and making payments of interest and other administrative and yield protection matters as may be appropriate, in the discretion of the Lender, to reflect the implementation of such LIBOR Successor Rate and to permit the administration thereof by the Lender in a manner substantially consistent with then-prevailing market practice (or, if the Lender determines that implementation of any portion of such market practice is not administratively feasible or that no market practice for the administration of such LIBOR Successor Rate exists, in such other manner of administration as the Lender determines in consultation with the Borrower).

“Lien” means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, Capitalized Lease or title retention agreement relating to such asset, and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

“Loan Document Obligations” means the due and punctual payment and performance of all advances to, and debts, liabilities, obligations, covenants and duties of, Borrower under or pursuant to each of the Loan Documents or otherwise with respect to any Revolving Loan and all costs and expenses incurred in connection with enforcement and collection of the foregoing, including the fees, charges and disbursements of counsel, in each case whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest, expenses and fees that accrue after the commencement by or against Borrower or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest, expenses and fees are allowed claims in such proceeding.

“Loan Documents” means, collectively, this Credit Agreement, the Note, and each other document entered into in connection herewith.

“Loan Minimum” means in the case of a LIBOR Loan, a Daily LIBOR Loan, or an ABR Loan, \$25,000.

“Loan Multiple” means in the case of a LIBOR Loan, a Daily LIBOR Loan, or an ABR Loan, \$5,000.

“Margin Stock” has the meaning assigned to such term in Regulation U.

“Material Adverse Effect” means (a) a material adverse effect on the business, assets, operations, liabilities, prospects or condition, financial or otherwise, of the Borrower and its Subsidiaries, taken as a whole, (b) the condition that results when the legality, validity or enforceability of any Loan Document is affected in a manner that is material and adverse to the Lender, (c) the condition that results when the ability of Borrower to perform any of its obligations under any Loan Document is affected in a manner that is material and adverse to the Lender, or (d) the condition that results when the rights of or benefits available to the Lender under any Loan Document is affected in a manner that is material and adverse. In determining whether any individual event would result in a Material Adverse Effect, notwithstanding that such event in and of itself does not have such effect, a Material Adverse Effect shall be deemed to have occurred if the cumulative effect of such event and all other than existing events would result in a Material Adverse Effect.

“Material Indebtedness” means, as of any date, Indebtedness of Borrower owed to any Person in the aggregate principal amount equal to or greater than \$10,000,000.

“Maturity Date” means October 31, 2020.

“Moody’s” means Moody’s Investors Service, Inc. and any successor to its rating agency business.

“Multiemployer Plan” means any employee pension benefit plan which is a “multiemployer plan” within the meaning of Section 4001(a)(3) of ERISA and to which the Borrower or any member of the ERISA Group is then making or accruing an obligation to make contributions or, within the preceding five plan years, has made or had an obligation to make such contributions, or to which the Borrower or any member of the ERISA Group has any liability (contingent or otherwise).

“Note” means a revolving loan note evidencing the Revolving Loans payable to the order of the Lender (or, if required by the Lender, to the Lender and its registered assigns), as amended, restated, supplemented, or otherwise modified from time to time.

“Obligations” means, collectively, (a) the Loan Document Obligations and (b) the Cash Management Obligations.

“OFAC” means the U.S. Department of the Treasury’s Office of Foreign Assets Control, and any successor thereto.

“Organizational Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-United States jurisdiction), (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating or limited liability company agreement and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Other Connection Taxes” means, with respect to the Lender, Taxes imposed as a result of a present or former connection between the Lender and the jurisdiction imposing such Tax (other than connections arising from the Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Revolving Loan or Loan Document).

“Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

“Outstanding Amount” means with respect to any Revolving Loan on any date, the outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments thereof occurring on such date.

“Participant” has the meaning assigned to such term in Section 10.4(c).

“Participant Register” has the meaning assigned to such term in Section 10.4(c).

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

“Pension Plan” means at any time an “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA) (including a “multiple employer plan” as described in Sections 4063 and 4064 of ERISA, but not a Multiemployer Plan) which is covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 or Section 430 of the Code and either (i) is sponsored, maintained or contributed to by any member of the ERISA Group for employees of any member of the ERISA Group, (ii)

has at any time within the preceding five years been sponsored, maintained or contributed to by any entity which was at such time a member of the ERISA Group for employees of any entity which was at such time a member of the ERISA Group, or in the case of a “multiple employer” or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years or (iii) or to which the Borrower or any member of the ERISA Group may have any liability (contingent or otherwise).

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any employee benefit plan within the meaning of Section 3(3) of ERISA (including a Pension Plan), maintained for employees of the Borrower or any member of the ERISA Group or any such Plan to which the Borrower or any member of the ERISA Group is required to contribute on behalf of any of its employees.

“Platform” means DebtX, Debt Domain, Intralinks, Syndtrak or a substantially similar electronic transmission system.

“Prime Rate” means a rate per annum equal to the prime rate of interest announced from time to time by Lender or its parent company (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

“Quotation Day” means, with respect to any LIBOR Loan and any Interest Period, the day that is two Business Days prior to the first day of such Interest Period.

“Regulation D” means Regulation D of the Board.

“Regulation T, U or X” means Regulation T, U or X, respectively, of the Board.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, members, directors, officers, employees, agents, trustees, administrators, managers, advisors, attorneys- in-fact and representatives of such Person and of such Person’s Affiliates.

“Release” means any actual or threatened releasing, spilling, leaking, pumping, pouring, leaching, seeping, emitting, migration, emptying, discharging, injecting, escaping, depositing, disposing, or dumping of Hazardous Materials into the indoor or outdoor environment, including the movement of any Hazardous Material through the air, soil, surface water, groundwater or property and any other conditions resulting in potential or actual human exposure to Hazardous Materials within a structure.

“Request for Credit Extension” means with respect to a Revolving Loan, or a conversion or continuation of a Revolving Loan, a Committed Loan Notice.

“Responsible Officer” means the chief executive officer, president, vice president, chief financial officer, treasurer, assistant treasurer, or other similar officer of Borrower. Any document delivered hereunder that is signed by a Responsible Officer of Borrower shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of Borrower and such Responsible Officer shall be conclusively presumed to have acted on behalf of Borrower.

“Revolving Commitment” means the commitment hereunder of the Lender to make the Revolving Loans in an aggregate outstanding amount not exceeding the Revolving Commitment, as such Revolving Commitment may be adjusted from time to time pursuant to this Credit Agreement. The initial amount of the Revolving Commitment on the Agreement Date is \$25,000,000.00.

“Revolving Facility” means the credit facility established hereunder and evidenced by the Revolving

Commitment.

“Revolving Loans” has the meaning assigned to such term in the Preamble.

“SEC” means the Securities and Exchange Commission.

“S&P” means Standard & Poor's Financial Services LLC, a subsidiary of S&P Global Inc.

“Sanctioned Country” means any country, territory or region which is itself the subject or target of any comprehensive Sanctions (at the date of this Credit Agreement, the Crimean region of Ukraine, Cuba, Iran, North Korea, Darfur, South Sudan and Syria).

“Sanctioned Person” means (a) any Person or group listed in any Sanctions related list of designated Persons maintained by OFAC, including the List of Specially Designated Nationals and Blocked Persons, or the U.S. Department of State, the United Nations Security Council, the European Union or any EU member state, (b) any Person subject to any law that would prohibit all or substantially all financial or other transactions with that Person or would require that assets of that Person that come into the possession of a third-party be blocked (c) any legal entity organized or domiciled in a Sanctioned Country, (d) any agency, political subdivision or instrumentality of the government of a Sanctioned Country, (e) any natural person ordinarily resident in a Sanctioned Country, or (f) any Person 50% or more owned, directly or indirectly, individually or in the aggregate by any of the above.

“Sanctions” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by OFAC or the Department of State or (b) the United Nations Security Council, the European Union or any European Union member state, Her Majesty's Treasury of the United Kingdom or other relevant sanctions authority.

“Solvent” and “Solvency” mean, with respect to any Person on any date of determination, that on such date (a) the fair value of the present assets of such Person and its Subsidiaries, taken as a whole, is not less than the sum of the debt (including contingent liabilities) of such Person and its Subsidiaries, taken as a whole, (b) the present fair salable value of the assets of such Person and its Subsidiaries, taken as a whole, is not less than the amount that will be required to pay the probable liabilities (including contingent liabilities) of such Person and its Subsidiaries, taken as a whole, on their debts as they become absolute and matured, (c) the capital of such Person and its Subsidiaries, taken as a whole, is not unreasonably small in relation to the business of such Person or its Subsidiaries, taken as a whole, contemplated as of such date and (d) such Person and its Subsidiaries, taken as a whole, do not intend to incur, or believe that they will incur, debts (including current obligations and contingent liabilities) beyond their ability to pay such debts as they mature in the ordinary course of business; provided that the amount of contingent liabilities at any time shall be computed as the amount that, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

“Statutory Reserve Rate” means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any basic, marginal, special, emergency, supplemental or other reserves) expressed as a decimal established by the Board to which the Lender is subject for eurocurrency funding (currently referred to as “eurocurrency liabilities” in Regulation D). Such reserve percentages shall include those imposed pursuant to Regulation D. LIBOR Loans and Daily LIBOR Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to the Lender under Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

“Subsidiary” means with respect to Borrower, as of any date, any corporation, limited liability

company, partnership, association or other entity the accounts of which would be consolidated with those of Borrower in Borrower's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power is or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held by Borrower or one or more subsidiaries of Borrower.

"Subsidiary Equity Interest" has the meaning assigned to such term in Section 5.13. "Syndicated Credit Agreement" means that

certain Credit Agreement, dated October 8, 2015,

made by and among Borrower, the Lenders (as defined therein), and PNC Bank, National Association, in its capacity as administrative agent for the Lenders, as the same may be amended, restated, modified or supplemented from time to time.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Termination Date" means the date upon which the Revolving Commitment has terminated, and the Revolving Loans, together with all interest and fees related thereto and other Loan Document Obligations (other than unasserted contingent indemnification and unasserted expense reimbursement obligations in each case not yet due and payable), have been indefeasibly paid in full in cash.

"Total Revolving Outstandings" means at any time, the aggregate Outstanding Amount of the Revolving Loans at such time.

"Transaction Expenses" means any fees or expenses incurred or paid by the Borrower or any Subsidiary in connection with the Transactions, this Credit Agreement and the other Loan Documents and the transactions contemplated hereby and thereby in connection therewith.

"Transactions" means (a) the execution, delivery and performance by Borrower of each Loan Document to which it is a party, (b) the borrowing of the Revolving Loans, (c) the use of the proceeds of the Revolving Loans, and (d) the payment of Transaction Expenses.

"Type", when used in reference to any Revolving Loan, refers to whether the rate of interest on such Revolving Loan is determined by reference to the Adjusted LIBOR Rate, the Daily LIBOR Rate, or the Alternate Base Rate.

"United States" and "U.S." mean the United States of America.

"Unused Fee" has the meaning assigned to such term in Section 3.2(b).

"USA PATRIOT Act" means The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001)).

"U.S. Person" means any Person that is a "United States Person" as defined in Section 7701(a)(30) of the Code.

"Wholly-Owned" means, with respect to a Subsidiary of a Person, a Subsidiary of such Person all of the outstanding Equity Interests of which (other than (x) director's qualifying shares and (y) shares issued to foreign nationals to the extent required by applicable law) are owned by such Person and/or by one or more wholly owned Subsidiaries of such Person.

“Withholding Agent” means Borrower and the Lender.

Section 1.1 Type of Revolving Loans. For purposes of this Credit Agreement, the Revolving Loans may be classified and referred to by Type (e.g., a “LIBOR Loan”).

Section 1.2 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”; the words “to” and “until” each mean “to but excluding”; and the word “through” means “to and including.” Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein,” “hereof” and “hereunder,” and words of similar import, shall be construed to refer to this Credit Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Credit Agreement, (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (f) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 1.3 Accounting Terms; GAAP.

(a) All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Credit Agreement shall be prepared in conformity with, GAAP, applied in a manner consistent with that used in preparing the audited financial statements of the Borrower, except as otherwise specifically prescribed herein.

(b) If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Lender shall so request, the Lender and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Lender); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Lender financial statements and other documents required under this Credit Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Without limiting the foregoing and notwithstanding anything in this Credit Agreement to the contrary, leases shall continue to be classified and accounted for on a basis consistent with that reflected in the audited financial statements of the Borrower for all purposes of this Credit Agreement, notwithstanding any change in GAAP relating thereto, unless the parties hereto shall enter into a mutually acceptable amendment addressing such changes, as provided for above.

Section 1.4 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Credit Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

Section 1.5 References to Time. Unless the context otherwise requires, references to a time shall refer to Eastern Standard Time or Eastern Daylight Savings Time, as applicable.

Section 1.6 Resolution of Drafting Ambiguities. Borrower acknowledges and agrees that it was represented by counsel in connection with the execution and delivery of the Loan Documents to which it is a party, that it and its counsel reviewed and participated in the preparation and negotiation hereof and thereof and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation hereof or thereof.

Section 1.7 Interest. The Lender does not warrant, nor accept responsibility, nor shall the Lender have any liability with respect to the administration, submission or any other matter related to the rates in the definition of "LIBOR Rate" or with respect to any comparable or successor rate thereto.

ARTICLE 2 THE CREDITS

Section 2.1 Revolving Commitment; Revolving Loan Requests.

(a) [Reserved.]

(b) Revolving Commitment. Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, the Lender agrees to make the Revolving Loans to the Borrower in Dollars from time to time during the Availability Period in an aggregate principal amount that will not result in the Total Revolving Outstandings under Revolving Commitment exceeding the Revolving Commitment. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow the Revolving Loans. The Revolving Loans may be ABR Loans, LIBOR Loans or Daily LIBOR Loans, as further provided herein.

(c) Revolving Loan Requests.

(i) Each Revolving Loan shall be made upon the Borrower's irrevocable notice, to the Lender, which may be given by telephone. Each such notice must be received by the Lender substantially in the form of a Committed Loan Notice (i) in the case of an ABR Loan or a Daily LIBOR Loan, not later than 11:00 a.m. on the date of the proposed ABR Loan, or (ii) in the case of a LIBOR Loan, not later than 2:00 p.m. three (3) Business Days before the date of the proposed LIBOR Loan. Each telephonic notice by the Borrower must be confirmed promptly by hand delivery or facsimile (or transmitted by electronic communication, if arrangements for doing so have been approved by the Lender) of a written Committed Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower. Each Committed Loan Notice (whether telephonic or written) shall specify (A) the requested date of the Revolving Loan (which shall be a Business Day), (B) the Type of Revolving Loan to be borrowed, (C) the duration of the Interest Period with respect thereto which shall be a period contemplated by the definition of the term "Interest Period", and (D) the location and number of the Borrower's account to which funds are to be disbursed. Notwithstanding anything in this Credit Agreement to the contrary, if the Borrower requests a LIBOR Loan in any such Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(ii) Upon satisfaction or waiver of the applicable conditions set forth in Section 4.2 (and, if such Revolving Loan is the initial Credit Extension, Section 4.1), the Lender shall make funds available to the Borrower in an amount equal to the requested Revolving Loan by transfer to the account of the Borrower maintained with Lender and designated in the Committed Loan Notice.

(iii) Except as otherwise provided herein, a LIBOR Loan may be continued on the last day of an Interest Period for such LIBOR Loan unless the Borrower pays the amount due, if any, under Section 3.5 in connection therewith. During the existence of an Event of Default, the Lender may require that (i) no Revolving Loan may be requested or continued as a LIBOR Loan or a Daily LIBOR Loan and (ii) unless repaid, each LIBOR Loan or Daily LIBOR Loan be converted to an ABR Loan at the end of the Interest Period applicable thereto.

(iv) The Lender shall promptly notify the Borrower of the interest rate applicable to any

Interest Period for a LIBOR Loan upon determination of such interest rate. The determination of the Adjusted LIBOR Rate by the Lender shall be conclusive in the absence of manifest error.

(v) Anything in clauses (i) through (iv) above to the contrary notwithstanding, after giving effect to all Revolving Loans, there shall not be more than four (4) Interest Periods in effect at any time for all LIBOR Loans.

Section 2.2 [Reserved.][Reserved.]

Section 2.4 [Reserved.]

Section 2.5 Termination and Reduction of Revolving Commitment.

(a) Unless previously terminated, the Revolving Commitment shall terminate on the last day of the Availability Period.

(b) The Borrower may at any time terminate, or from time to time reduce, the Revolving Commitment, provided that (i) the Borrower shall not terminate or reduce the Revolving Commitment if, after giving effect to any concurrent prepayment or repayment of the Revolving Loans in accordance with Section 2.7, the Total Revolving Outstandings would exceed the Revolving Commitment, (ii) each such reduction of the Revolving Commitment shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000. If at any time, as a result of such a partial reduction or termination as provided in Section 2.5(a), the Total Revolving Outstandings would exceed the Revolving Commitment, then the Borrower shall on the date of such reduction or termination of the Revolving Commitment, repay or prepay the Revolving Loans in an aggregate amount equal to such excess.

(c) In addition to any termination or reduction of the Revolving Commitment under paragraphs (a) and (b) of this Section, the Revolving Commitment shall be reduced as required under Section 2.7.

(d) The Borrower shall notify the Lender of any election to terminate or reduce the Revolving Commitment under paragraph (b) of this Section at least three (3) Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable, provided that a notice of termination of the Revolving Commitment may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by written notice to the Lender on or prior to the specified effective date) if such condition is not satisfied subject to the Borrower's obligation to indemnify the Lender pursuant to Section 3.5. Each reduction, and any termination, of the Revolving Commitment shall be permanent.

Section 2.6 Repayment of Revolving Loans; Evidence of Debt.

(a) Payment at Maturity. The Borrower hereby unconditionally promises to pay to the Lender the then unpaid principal amount of each Revolving Loan together with all accrued interest thereon on the earlier of the Maturity Date and, if different, the date of the termination of the Revolving Commitment in accordance with the provisions of this Credit Agreement.

(b) Note. The Borrower shall execute and deliver the Note. The Note shall be made payable to the Lender and its registered assigns in which case the Revolving Loans evidenced by such Note and interest thereon shall at all times (including after assignment pursuant to Section 10.4) be represented by one or more Note in like form payable to the order of the payee named therein and its registered assigns.

(c) Lender Records. The Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to the Lender resulting from each Revolving Loan owing to the Lender from time to time, including the amounts of principal and interest payable and paid to the Lender from time to time hereunder.

(d) Register. Entries made in good faith by the Lender in its account or accounts pursuant to Section 2.6(d), shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to the Lender, under this Credit Agreement, absent manifest error; provided, however, that the failure of the Lender to make an entry, or any finding that an entry is incorrect, in such account or accounts shall not limit or otherwise affect the obligations of the Borrower under this Credit Agreement.

Section 2.7 Prepayments.

(a) Optional Prepayments. The Borrower may, upon written notice to the Lender, at any time and from time to time, voluntarily prepay any Revolving Loan in whole or in part without premium or penalty (except as set forth in Section 2.7(d) and Section 3.5), provided that (A) such notice must be received by the Lender not later than 1:00 p.m. (y) three (3) Business Days prior to any date of prepayment of a LIBOR Loan and (z) one (1) Business Day prior to any date of prepayment of a Daily LIBOR Loan and (B) each prepayment shall be in a principal amount of the Loan Minimum or a whole multiple of the Loan Multiple in excess thereof or, in each case, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Revolving Loans to be prepaid. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein, provided that a notice of prepayment may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by written notice to the Lender on or prior to the specified effective date) if such condition is not satisfied subject to the Borrower's obligation to indemnify the Lender pursuant to Section 3.5.

(b) Prepayments of Revolving Loans. If for any reason the Total Revolving Outstandings at any time exceeds the Revolving Commitment then in effect, the Borrower shall immediately prepay, without premium or penalty the Revolving Loans, in an aggregate amount equal to such excess.

(c) General Rules. All prepayments shall be subject to Section 3.5, but shall otherwise be without premium or penalty. All prepayments shall be accompanied by accrued interest thereon and, in the case of any prepayment of a LIBOR Loan, any additional amounts required pursuant to Section 3.5.

Section 2.8 Payments Generally; Lender's Clawback.

(a) General. Borrower shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal of Revolving Loans, interest or fees, or of amounts payable under Sections 3.4, 3.5, 3.6 or 10.3, or otherwise) prior to 12:00 noon on the date when due, in immediately available funds. All payments to be made by Borrower hereunder shall be made free and clear of and without condition or deduction for any counterclaim, defense, recoupment or setoff, without setoff or counterclaim. Any amounts received after such time on any date may, in the discretion of the Lender, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Lender as the Lender may from time to time notify the Borrower, except payments to be made to the Lender as expressly provided herein and except that payments pursuant to Sections 3.4, 3.5, 3.6 or 10.3, shall be made directly to the Persons entitled thereto. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) Insufficient Payment. Subject to the provisions of Article 8, whenever any payment received by the Lender under this Credit Agreement or any of the other Loan Documents is insufficient to pay in full all amounts due and payable to the Lender under or in respect of this Credit Agreement and the other Loan Documents on any date, such payment shall be distributed by the Lender and applied by the Lender (i) first, towards payment of all fees and expenses due to the Lender under the Loan Documents, (ii) second, towards payment of interest, fees and commissions then due hereunder, and

(i) third, towards payment of principal of Revolving Loans then due hereunder.

ARTICLE 3

INTEREST, FEES, YIELD PROTECTION, ETC.

Section 3.1 Interest.

(a) Interest Rate Generally. All ABR Loans shall bear interest at the Alternate Base Rate plus the Applicable Margin. Each LIBOR Loan shall bear interest at a rate per annum equal to the sum of the Adjusted LIBOR Rate for the Interest Period in effect for such Revolving Loan plus the Applicable Margin. Each Daily LIBOR Loan shall bear interest at the Daily LIBOR Rate plus the Applicable Margin.

(b) Default Rate.

(i) Notwithstanding the foregoing, if any principal of or interest on any Revolving Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to the Default Rate to the fullest extent permitted by applicable law.

(ii) Notwithstanding the foregoing, if an Event of Default has occurred and is continuing then, so long as such Event of Default is continuing, all outstanding principal of each Revolving Loan shall, without duplication of amounts payable under the preceding sentence, bear interest, after as well as before judgment, at a rate per annum equal to the Default Rate to the fullest extent permitted by applicable law.

(iii) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest Payment Dates. Accrued interest on each Revolving Loan shall be payable in arrears on each Interest Payment Date for such Revolving Loan and at such other times as may be specified herein, provided that (i) interest accrued pursuant to paragraph (b) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Revolving Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, and (iii) in the event of any conversion of any LIBOR Loan prior to the end of the current Interest Period therefor, accrued interest on such Revolving Loan shall be payable on the effective date of such conversion.

(d) Computation of Interest. All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBOR Rate, the Daily LIBOR Rate, and LIBOR Rate shall be determined by the Lender, and such determination shall be conclusive absent clearly manifest error.

Section 3.2 Fees.

(a) Commitment Fee. The Borrower agrees to pay to the Lender, a fully earned, nonrefundable commitment fee with respect to the Revolving Commitment (the "Commitment Fee") in the amount of \$37,500.00.

(b) Unused Fee. The Borrower agrees to pay to the Lender, unused fees (the "Unused Fee"), which shall accrue at a rate per annum equal to thirty five basis points (.35%) on the average daily unused amount of the Revolving Commitment of the Lender during the period from and including the date on which this Credit Agreement becomes effective pursuant to Section 10.6 to but excluding the date on which the

Revolving Commitment terminates. For purposes of computing the Unused Fee, the Revolving Commitment shall be deemed to be used to the extent of the Total Revolving Outstandings. The accrued Unused Fee shall be payable in arrears on the last day of March, June, September and December of each year, each date on which the Revolving Commitment is permanently reduced and on the date on which the Revolving Commitment terminates, commencing on the first such date to occur after the Agreement Date. The Unused Fee shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) Other Fees. The Borrower agrees to pay to the Lender, for its own account, fees and other amounts payable in the amounts and at the times separately agreed upon between the Borrower and the Lender.

(d) Payment of Fees Generally. All fees and other amounts payable hereunder shall be paid on the dates due, in immediately available funds. Fees and other amounts paid shall not be refundable under any circumstances.

Section 3.3 Alternate Rate of Interest.

(a) Temporary Unavailability of LIBOR Rate. If prior to the commencement of any Interest Period for a LIBOR Loan or prior to setting the daily interest rate for a Daily LIBOR Loan:

(i) the Lender determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the applicable Adjusted LIBOR Rate, the Daily LIBOR Rate, or the LIBOR Rate for such Revolving Loan; or

(ii) the Lender determines (which determination shall be conclusive) that the Adjusted LIBOR Rate, the Daily LIBOR Rate, or the LIBOR Rate will not adequately and fairly reflect the cost of making or maintaining such Revolving Loan;

then the Lender shall give notice thereof to the Borrower by telephone or facsimile as promptly as practicable thereafter and, until the Lender notifies the Borrower that the circumstances giving rise to such notice no longer exist, (x) any Committed Loan Notice that requests the conversion of any Revolving Loan to, or continuation of any Revolving Loan as, a LIBOR Loan or a Daily LIBOR Loan shall be ineffective, (y) if any Credit Request requests a LIBOR Loan or a Daily LIBOR Loan, such Revolving Loan shall be made as an ABR Loan, and (z) all outstanding Daily LIBOR Loans shall be converted to an ABR Loan as of the date of such notice.

(b) Successor LIBOR Rate.

(i) If at any time the Lender determines (which determination shall be conclusive absent manifest error) that (A) the circumstances set forth in clause (a)(i) have arisen and such circumstances are unlikely to be temporary, (B) the applicable supervisor or administrator of the LIBOR Rate or a Governmental Authority having jurisdiction over the Lender has made a public statement identifying a specific date after which the LIBOR Rate shall no longer be made available or used for determining interest rates for loans (such specific date, the "LIBOR Scheduled Unavailability Date"), or (C) a rate other than the LIBOR Rate has

become a widely recognized benchmark interest rate for newly originated loans of this type made in Dollars to borrowers domiciled in the United States, then the Lender may, in consultation with the Borrower, select an alternate benchmark interest rate (including any credit spread or other adjustments to such alternate benchmark (if any) incorporated therein) to replace the LIBOR Rate for purposes of this Credit Agreement (such rate, the "LIBOR Successor Rate").

(ii) The Lender and the Borrower shall negotiate in good faith any amendments to this Credit Agreement as may be necessary and appropriate to effectively replace the LIBOR Rate

with the LIBOR Successor Rate and incorporate any LIBOR Successor Rate Conforming Changes related thereto.

(iii) If the Lender determines (which determination shall be conclusive absent manifest error) that the circumstances under Section 3.3(b)(i)(A) have arisen or the LIBOR Scheduled Unavailability Date has occurred, then (A) the Lender shall promptly notify the Borrower of such determination, which notice may be given by telephone, and (B) until such time as a LIBOR Successor Rate has been selected and this Credit Agreement has been amended to implement such LIBOR Successor Rate and any LIBOR Successor Rate Conforming Changes, (1) the obligation of the Lender to make or maintain LIBOR Loans shall be suspended, (2) any Committed Loan Notice that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a LIBOR Borrowing shall be ineffective, and (3) the Alternate Base Rate shall be determined without reference to the Adjusted LIBOR Rate component thereof.

(iv) The LIBOR Successor Rate and any LIBOR Successor Rate Conforming Changes shall be determined, applied and implemented in a manner that gives due consideration to the then-prevailing market practice in the United States for determining, applying and implementing benchmark interest rates for newly originated loans of this type made in Dollars to borrowers domiciled in the United States. Notwithstanding anything contained herein to the contrary, for purposes of this Credit Agreement, no LIBOR Successor Rate selected in accordance with the foregoing shall at any time be less than 0.00% per annum.

Section 3.4 Increased Costs; Illegality.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, liquidity, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended by, the Lender (except any reserve requirement reflected in the Adjusted LIBOR Rate);

(ii) subject the Lender to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on the Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Credit Agreement or the Revolving Loans;

and the result of any of the foregoing shall be to increase the cost to the Lender of making, converting to, continuing or maintaining any Revolving Loan or of maintaining its obligation to make any such Revolving Loan, or to reduce the amount of any sum received or receivable by the Lender hereunder

(whether of principal, interest or any other amount) then, upon request of the Lender, the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If the Lender determines that any Change in Law affecting the Lender or any Applicable Lending Office of the Lender or the Lender's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on the Lender's capital or on the capital of the Lender's holding company, if any, as a consequence of this Credit Agreement, the Revolving Commitment or the Revolving Loans to a level below that which the Lender or the Lender's holding company could have achieved but for such Change in Law (taking into consideration the Lender's policies and the policies of the Lender's holding company with respect to capital adequacy and liquidity), then from time to time the Borrower will pay to the Lender such additional amount or amounts as will

compensate the Lender or the Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of the Lender setting forth the amount or amounts necessary to compensate the Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section and delivered to the Borrower, shall be conclusive absent manifest error. The Borrower shall pay the Lender the amount shown as due on any such certificate within ten days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of the Lender to demand compensation pursuant to this Section shall not constitute a waiver of the Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate the Lender pursuant to this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that the Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions, and of the Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Illegality. Notwithstanding any other provision of this Credit Agreement, if, after the Agreement Date, any Change in Law shall make it unlawful for the Lender to make or maintain any LIBOR Loan or Daily LIBOR Loan or to give effect to its obligations as contemplated hereby with respect to any LIBOR Loan or Daily LIBOR Loan, then, by written notice to the Borrower:

(i) the Lender may declare that LIBOR Loans and Daily LIBOR Loans will not thereafter (for the duration of such unlawfulness) be made hereunder (or be continued) and no Revolving Loans will thereafter (for such duration) be converted into or continued as LIBOR Loans or Daily LIBOR Loans, whereupon any request for a LIBOR Loan or a Daily LIBOR Loan, to convert a Revolving Loan to, or continue a Revolving Loan as, a LIBOR Loan or a Daily LIBOR Loan shall be deemed a request for an ABR Loan (or a request to convert any such LIBOR Loan or Daily LIBOR Loan into an ABR Loan, as applicable), unless such declaration shall be subsequently withdrawn; and

(ii) the Lender may require that all outstanding LIBOR Loans and Daily LIBOR Loans be converted to ABR Loans, in which event all such LIBOR Loans and Daily LIBOR Loans shall be automatically converted to an ABR Loan, as of the effective date of such notice as provided in the last sentence of this paragraph.

In the event the Lender shall exercise its rights under clause (i) or (ii) of this paragraph, all payments and prepayments of principal that would otherwise have been applied to repay the LIBOR Loans and the

Daily LIBOR Loans that would have been made or the converted LIBOR Loans and Daily LIBOR Loans shall instead be applied to repay the ABR Loans made in lieu of, or resulting from the conversion of, the LIBOR Loans or Daily LIBOR Loans, as applicable. For purposes of this paragraph, a notice to the Borrower by the Lender shall be effective as to each LIBOR Loan, if lawful, on the last day of the Interest Period currently applicable to such LIBOR Loan; in all other cases such notice shall be effective on the date of receipt by the Borrower.

Section 3.5 Break Funding Payments. In the event of (a) the payment or prepayment of any principal of any LIBOR Loan other than on the last day of an Interest Period applicable thereto (whether voluntary, mandatory, automatic, by reason of acceleration (including as a result of a bankruptcy filing, or otherwise), (b) the conversion of any LIBOR Loan other than on the last day of the Interest Period applicable thereto, or (c) the failure to borrow, convert, continue or prepay any LIBOR Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.7(a) and is revoked in accordance therewith), then, in any such event, the Borrower shall compensate the Lender for the loss, cost and expense attributable to such event. In the case of a LIBOR Loan, such loss, cost or expense

to the Lender shall be deemed to include an amount determined by the Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Revolving Loan had such event not occurred, at the Adjusted LIBOR Rate that would have been applicable to such Revolving Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Revolving Loan), over (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate that the Lender would bid were it to bid, at the commencement of such period, for Dollar deposits of a comparable amount and period from other banks in the eurocurrency market. A certificate of the Lender setting forth any amount or amounts that the Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay the Lender the amount shown as due on any such certificate within ten days after receipt thereof.

Section 3.6 Taxes.

(a) Defined Terms. For purposes of this Section 3.6, the term “applicable law” includes FATCA.

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of Borrower under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the Lender receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Borrower. Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Lender timely reimburse it for the payment of, any Other Taxes.

(d) Indemnification by the Borrower. Borrower shall indemnify the Lender, within ten days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by the Lender or required to be withheld or deducted from a payment to the Lender and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by the Lender shall be conclusive absent manifest error.

(e) [Reserved.]

(f) Evidence of Payments. As soon as practicable after any payment of Taxes by Borrower to a Governmental Authority pursuant to this Section 3.6, Borrower shall deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender.

(g) Status of Lender. If entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document, the Lender shall deliver to the Borrower, at the time or times reasonably requested by the Borrower, such properly completed and executed documentation reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, the Lender, if reasonably requested by the Borrower, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower as will enable the Borrower to determine whether or not the Lender is subject to backup withholding or information reporting

requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject the Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of the Lender.

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 3.6 (including by the payment of additional amounts pursuant to this Section 3.6), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph

(a) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid.

(i) Survival. Each party's obligations under this Section 3.6 shall survive any assignment of rights by, or the replacement of, the Lender and the Termination Date.

(j) Confidentiality. Nothing contained in this Section shall require the Lender or any other indemnified party to make available any of its Tax returns (or any other information that it deems to be confidential or proprietary) to the indemnifying party or any other Person.

ARTICLE 4

CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

Section 4.1 Conditions to Initial Credit Extensions. The effectiveness of this Credit Agreement and the obligation of the Lender to make Credit Extensions hereunder on the Closing Date is subject to satisfaction or waiver of (i) receipt by Lender of the items set forth on the closing checklist attached hereto as Exhibit C, each in form and substance satisfactory to Lender and (ii) the following conditions precedent:

(a) Fees and Expenses. Substantially contemporaneously with the making of the Revolving Loans to be made on the Closing Date, the Borrower shall have paid all fees and expenses that under the terms hereof are due and payable on or prior to the Closing Date, as well as the reasonable fees, disbursements and other charges of counsel to the Lender in connection with the Transactions to the extent invoiced on or prior to the Closing Date.

(b) Committed Loan Notice. The Lender shall have received a completed Committed Loan Notice, duly executed by a Responsible Officer of the Borrower with respect to any Credit Extensions to be made on the Closing Date.

(c) Legal Impediments. No law or regulation shall be applicable that restrains, prevents or imposes materially adverse conditions upon the Revolving Facility.

(d) No Material Adverse Effect. There shall not have occurred a Material Adverse Effect or any event or circumstance that could reasonably be expected to result in a Material Adverse Effect and the Lender shall have received a certificate of a Financial Officer of the Borrower to the foregoing effect.

- (e) Other Documents. Borrower shall deliver such additional documents as Lender may reasonably request.

Notwithstanding the foregoing, the obligations of the Lender to make Credit Extension shall not become effective unless each of the foregoing conditions shall have been satisfied (or waived pursuant to Section 10.2).

Section 4.2 Conditions to All Credit Extensions. The obligation of the Lender to honor any Request for Credit Extension is subject to the satisfaction of the conditions in Section 4.1 and the following additional conditions precedent:

(a) Each of the representations and warranties of the Borrower set forth in the Loan Documents shall be true and correct in all material respects (unless qualified by materiality or reference to the absence of a Material Adverse Effect, in which event they shall be true and correct), in each case on and as of such date as if made on and as of such date, provided that to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all respects as of such earlier date.

(b) No Default shall exist, or would result from such proposed Credit Extension or from the application of the proceeds therefrom.

(c) The Lender shall have received a Request for Credit Extension in accordance with the requirements hereof.

Each Request for Credit Extension submitted by the Borrower shall be deemed to be a representation and warranty that the applicable conditions specified in Sections 4.2(a) and, if applicable, (b) have been satisfied on and as of the date of the applicable Credit Extension.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lender that:

Section 5.1 Existence, Qualification and Power; Compliance with Laws. Borrower and each of its Subsidiaries (a) is duly incorporated, organized or formed, and validly existing and, where applicable, in good standing under the laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority to (i) own or lease its assets and carry on its business as now conducted and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, (c) is duly qualified and, where applicable, in good standing under the laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, and

(d) has all requisite governmental licenses, authorizations, consents and approvals to operate its business as currently conducted; except in each case referred to in clause (c) or (d), to the extent that failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Borrower and its Subsidiaries are in compliance with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property and maintains all permits and licenses necessary to conduct its business, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 5.2 Authorization; No Contravention. The execution, delivery and performance by Borrower of each Loan Document to which it is a party, and the consummation of the Transactions, are within Borrower's corporate power, have been duly authorized by all necessary corporate action, and do not and will not (a) contravene the terms of any of Borrower's Organizational Documents, (b) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (i) any Contractual Obligation to which Borrower is a party or affecting Borrower or the properties of Borrower or

any of its Subsidiaries or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; (c) violate any law; except with respect to any conflict, breach or contravention or payment referred to in clause (b)(i), to the extent that such conflict, breach, contravention or payment could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; or (d) violate or result in a default under any agreement evidencing Material Indebtedness.

Section 5.3 Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with (a) the execution, delivery or performance by, or enforcement against, Borrower of any Loan Document to which it is a party, or for the consummation of the Transactions, or (b) the exercise by the Lender of its rights under the Loan Documents except for the approvals, consents, exemptions, authorizations, actions, notices and filings which have been duly obtained, taken, given or made and are in full force and effect.

Section 5.4 Binding Effect. Each Loan Document has been duly executed and delivered by Borrower and constitutes a legal, valid and binding obligation of Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 5.5 Financial Statements; No Material Adverse Effect.

(a) The Borrower has delivered to the Lender copies of its audited consolidated year- end balance sheet, statement of income or operations, shareholders' equity and cash flows, for and as of the end of the fiscal year ended December 31, 2019. In addition, the Borrower has delivered to the Lender copies of its unaudited consolidated interim balance sheet, statement of income or operations, shareholders' equity and cash flows, for the fiscal year to date and as of the end of the fiscal quarter ended March 31, 2020 (all such annual and interim statements being collectively referred to as the "Statements"). The Statements (i) are correct and complete in all material respects, (ii) fairly present in all material respects the consolidated financial condition of the Borrower and its Subsidiaries as of the respective dates thereof and the results of operations for the fiscal periods then ended in accordance with GAAP consistently applied throughout the period covered thereby, subject (in the case of the interim statements) to normal year-end audit adjustments utilized on a consistent basis and the absence of footnotes and (iii) have been prepared in accordance with GAAP consistently applied throughout the period covered thereby, subject (in the case of the interim statements) to normal year-end audit adjustments utilized on a consistent basis and the absence of footnotes.

(b) Since March 31, 2020, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

Section 5.6 Litigation. There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against Borrower or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of their Subsidiaries (a) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (b) that involve or affect, or that purport to or could reasonably be expected to involve or affect, any Loan Document or the Transactions. Since the Agreement Date, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

Section 5.7 Environmental Matters.

(a) Neither the Borrower nor any Subsidiary has actual knowledge of any claim or has received any notice of any claim and no proceeding has been instituted asserting any claim against the Borrower or any of its Subsidiaries or any of their respective real properties or other assets now or formerly owned,

leased or operated by any of them, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as would not reasonably be expected to result in a Material Adverse Effect.

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

(c) Neither the Borrower nor any Subsidiary has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them in a manner which is contrary to any Environmental Law that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(d) Neither the Borrower nor any Subsidiary has disposed of any Hazardous Materials in a manner which is contrary to any Environmental Law that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

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

Section 5.8 Ownership of Properties; Liens. Borrower and its Subsidiaries (a) has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes, (b) owns, or is entitled to use, all trademarks, service marks, trade names, domain names, copyrights, patents, patent rights, technology, software, know-how database rights, design rights and other intellectual property rights material to its business, and the use thereof by the Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, (c) has complied in all material respects with all obligations under all material leases to which it is a party and all such leases are in full force and effect and (d) enjoys peaceful and undisturbed possession under all such material leases.

Section 5.9 Casualty, Etc. Neither the businesses nor the properties of Borrower or any of its Subsidiaries are affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance) that, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.10 Investment Company Status, Etc. Neither Borrower nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) otherwise subject to any other regulatory scheme limiting its ability to incur debt.

Section 5.11 Taxes. Borrower and its Subsidiaries have timely filed or caused to be filed all federal, provincial, state, municipal, foreign and other Tax returns and reports required to be filed, and have timely paid all federal, provincial, state, municipal, foreign and Taxes levied or imposed upon them or their properties, income or assets otherwise due and payable, except (a) those which are being Contested in Good Faith and (b) failures to file or pay as could not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. There are no Tax audits, deficiencies, assessments or other claims with respect to Borrower or any of its Subsidiaries that could, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 5.12 ERISA.

(a) Each Plan is in compliance in all material respects with the applicable provisions of

ERISA, the Code and other federal or state Laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received from the IRS a favorable determination or opinion letter, which has not by its terms expired or, in the case of a determination letter, is from the most recent available cycle for which such letters were issuable for such Plan, that such Plan is so qualified, or such Plan is entitled to rely on an IRS advisory or opinion letter with respect to an IRS-approved master and prototype or volume submitter plan, or a timely application for such a determination or opinion letter is currently being processed by the IRS with respect thereto; and, to the best knowledge of Borrower, nothing has occurred which would prevent, or cause the loss of, such qualification. Borrower and each member of the ERISA Group have made all required contributions to each Pension Plan subject to Sections 412 or 430 of the

Code, and no application for a funding waiver or an extension of any amortization period pursuant to Sections 412 or 430 of the Code has been made with respect to any Pension Plan.

(b) There are no pending or, to the best knowledge of Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) the Borrower and each member of the ERISA Group has met all applicable requirements under the rules of the Code and ERISA regarding minimum required contributions (including any installment payment thereof) as set forth in Sections 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA with respect to each Pension Plan, and no waiver has been applied for or obtained; (iii) neither Borrower nor any member of the ERISA Group has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither Borrower nor any member of the ERISA Group has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 of ERISA, with respect to a Multiemployer Plan; (v) neither Borrower nor any member of the ERISA Group has received notice pursuant to Section 4242(a)(1)(B) of ERISA that a Multiemployer Plan is in reorganization and that additional contributions are due to the Multiemployer Plan pursuant to Section 4243 of ERISA; (vi) neither Borrower nor any member of the ERISA Group has engaged in a transaction that could be subject to Sections 4069 or 4212(c) of ERISA; and (vii) no Pension Plan or Multiemployer Plan has been terminated by the plan administrator thereof nor by the PBGC, and no event or circumstance has occurred or exists that could reasonably be expected to cause the PBGC to institute proceedings under Title IV of ERISA to terminate any Pension Plan or Multiemployer Plan.

Section 5.13 Subsidiaries; Equity Interests. As of the Agreement Date, Schedule 5.13 states

(i) the name of each of the Borrower's Subsidiaries, its jurisdiction of organization and the amount, percentage and type of Equity Interests in such Subsidiary (the "Subsidiary Equity Interests"), (ii) the name of each holder of Subsidiary Equity Interest in each Subsidiary and the amount thereof and (iii) any options, warrants or other rights outstanding to purchase any such Equity Interests referred to in clause (i) or (ii). The Borrower and each Subsidiary of the Borrower has good and marketable title to all of the Subsidiary Equity Interests it then purports to own, free and clear in each case of any Lien and all such Subsidiary Equity Interests have been duly authorized and validly issued, and are fully paid and nonassessable.

Section 5.14 Insurance. As of the Agreement Date, all premiums in respect of insurance maintained by the Borrower that are due and payable have been paid.

Section 5.15 Federal Reserve Regulations, Etc. Neither Borrower nor any of its Subsidiaries is engaged principally, or as one of their important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock. Immediately before and after giving effect to the making of each Revolving Loan, Margin Stock will constitute less than 25% of Borrower's assets as determined in accordance with Regulation U. No part of the proceeds of any Revolving Loan will be used, whether directly or indirectly,

and whether immediately, incidentally or ultimately, (a) to purchase, acquire or carry any Margin Stock or for any purpose that entails a violation of, or that is inconsistent with, the provisions of the regulations of the Board, including Regulation T, U or X or (b) for any purpose that would violate any Anti-Corruption Laws or applicable Sanctions.

Section 5.16 [Reserved.]

Section 5.17 Solvency. Immediately before and after the consummation of each Transaction, Borrower and its Subsidiaries are Solvent.

Section 5.18 Anti-Corruption Laws; Sanctions; Anti-Terrorism Laws.

(a) Borrower, its Subsidiaries and their respective officers and employees and their directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions. Neither Borrower, any of its Subsidiaries or any of their respective directors, officers or employees is a Sanctioned Person. Borrower and each of its Subsidiaries has implemented and maintains in effect policies and procedures reasonably designed to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and all applicable Sanctions.

(b) No Revolving Loan, use of the proceeds of any Revolving Loan or other transactions contemplated hereby will violate Anti-Corruption Laws or applicable Sanctions. No part of the proceeds of the Revolving Loans will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the Anti-Corruption Laws.

(c) Neither the making of the Revolving Loans hereunder nor the use of the proceeds thereof will violate the any regulations passed under the USA PATRIOT Act or will violate the Trading with the Enemy Act, the International Emergency Economic Powers Act, or any regulations passed thereunder, including the foreign assets control regulations of the United States Treasury Department (31 C.F.R., Subtitle B, Chapter V) or any enabling legislation or executive order relating thereto or successor statute thereto (together with Sanctions, "Anti-Terrorism Laws"). Borrower and each of its Subsidiaries are in compliance with applicable Anti-Terrorism Laws.

Section 5.19 [Reserved.]Accuracy of Information, Etc.

(a) Borrower has disclosed to the Lender all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished (whether in writing or orally) by or on behalf of Borrower to the Lender in connection with the transactions contemplated hereby and the negotiation of this Credit Agreement or delivered hereunder or under any other Loan Document (in each case as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

(b) As of the Closing Date, the information included in the Beneficial Ownership Certification is true and correct in all respects.

Section 5.21 Labor Matters. There are no strikes, lockouts or slowdowns against Borrower or any of its Subsidiaries pending or, to the knowledge of Borrower, threatened. The hours worked by and payments made to employees of the Borrower and its Subsidiaries have not been in violation in any material respect of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign

law dealing with such matters. All material payments due from the Borrower or any of its Subsidiaries, or for which any claim may be made against Borrower or any of its Subsidiaries, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of Borrower or such Subsidiary. The consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which Borrower or any of its Subsidiaries is bound.

Section 5.22 Absence of Certain Restrictions. No indenture, certificate of designation for preferred stock, agreement or instrument to which Borrower or any of its Subsidiaries is a party (other than this Credit Agreement), prohibits or limits in any way, directly or indirectly the ability of any Subsidiary to make loans to, to make any advance on behalf of, or to repay any Indebtedness to, Borrower or to another Subsidiary.

Section 5.23 No Default. Neither Borrower nor any of its Subsidiaries is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound in any respect that could reasonably be expected to have a Material Adverse Effect. No Default has occurred and is continuing.

Section 5.24 [Reserved.]

Section 5.25 Brokers' Fees. Neither Borrower nor its Subsidiaries has any obligation to any Person in respect of any finder's, broker's, investment banking or other similar fee in connection with any of the transactions contemplated under the Loan Documents other than the closing and other fees payable pursuant to this Credit Agreement.

ARTICLE 6 AFFIRMATIVE COVENANTS

Until the Termination Date, the Borrower covenants and agrees with the Lender that:

Section 6.1 Financial Statements and Other Information. The Borrower will furnish or caused to be furnished to the Lender either in hard copy or by electronic communication (including by email, internet and intranet websites) pursuant to procedures approved by the Lender:

(a) as soon as available but in any event no later than the filing date required by the SEC (without giving effect to any permitted extension thereof), financial statements of the Borrower consisting of a consolidated balance sheet as of the end of such fiscal year, and related consolidated statements of income, stockholders' equity and cash flows for the fiscal year then ended, all in reasonable detail and prepared in accordance with GAAP consistently applied and setting forth in comparative form the financial statements as of the end of and for the preceding fiscal year, and audited and reported on by independent certified public accountants of nationally recognized standing reasonably satisfactory to the Lender (all of which may be provided by means of delivery of the applicable SEC Form 10-K, which will be deemed delivered upon filing thereof). The opinion or report of accountants shall be prepared in accordance with reasonably acceptable auditing standards and shall be free of any qualification (other than any consistency qualification that may result from a change in the method used to prepare the financial statements as to which such accountants concur), including without limitation as to the scope of such audit or status as a "going concern" of the Borrower or any Subsidiary;

(b) as soon as available but in any event no later than the filing date required by the SEC (without giving effect to any permitted extension thereof), financial statements of the Borrower, consisting of (i) a consolidated balance sheet as of the end of such fiscal quarter, (ii) related consolidated statements of income, stockholders' equity for the fiscal quarter then ended and the fiscal year through that date and (iii) related consolidated statements of cash flows for the fiscal year through that date, in each case, all in reasonable detail and certified (subject to normal year-end audit adjustments) by the chief executive officer, president

or chief financial officer of the Borrower as having been prepared in accordance with GAAP (subject only to normal year-end audit adjustments and the absence of notes), consistently applied, and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year (all of which may be provided by means of delivery of the applicable SEC Form 10-Q, which will be deemed delivered upon filing thereof);

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a Compliance Certificate signed by a Financial Officer of the Borrower (i) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements of the Borrower and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such Compliance Certificate, (ii) containing either a certification that no Default exists or, specifying the nature of each such Default, the nature and status thereof and any action taken or proposed to be taken with respect thereto, and (iii) attaching reasonably detailed calculations demonstrating compliance with Section 7.12; and

(d) promptly following any request therefor, (i) such other information and documentation reasonably requested by the Lender for purposes of compliance with applicable “know your customer” requirements under the USA Patriot Act, the Beneficial Ownership Regulation or other applicable Anti-Corruption and Anti-Terrorism Laws (including those passed pursuant to the USA PATRIOT Act), and (ii) such other information regarding the operations, business affairs and financial condition of the Borrower or any Subsidiary, or compliance with the terms of the Loan Documents, as the Lender may reasonably request.

Section 6.2 Notices of Material Events. The Borrower will furnish or caused to be furnished to the Lender prompt written notice of the following:

(a) the occurrence of any Default, specifying the nature and extent thereof and the action Borrower proposes to take with respect thereto;

(b) other than with respect to Disclosed Matters, the filing or commencement of, or any threat or notice of intention of any Person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against, or affecting, Borrower or any of its Subsidiaries which involve a claim in excess of \$15,000,000 or which if adversely determined would cause a Material Adverse Effect;

(c) upon the occurrence of any ERISA Event, notice in writing setting forth the details thereof and the action which the Borrower proposes to take with respect thereto;

(d) as soon as possible and in no event later than five (5) Business Days after the receipt by Borrower or any of its Subsidiaries, of a copy of any notice, summons, citation or other written communication concerning any actual, alleged, suspected or threatened violation of any Environmental Law by, Environmental Claim against or Environmental Liability of, Borrower or any of its Subsidiaries, in each case, which could reasonably be expected to have a Material Adverse Effect;

(e) promptly after the same become available, public SEC filings and other material reports, including 8-K, registration statements, proxies, prospectuses, financial statements and other shareholder communications, filed by the Borrower with the SEC excluding any Form 3, Form 4 or Form 5 (all of which may be provided by means of delivery of the applicable SEC Form or filing, and which will be deemed delivered upon (i) the posting of such information on the Borrower’s website with written notice of such posting to the Lender or (ii) the making of such information available on any Platform);

(f) [Reserved.];

(g) promptly after Borrower or any of its Subsidiaries (i) being required to file reports under Section 15(d) of the Securities Exchange Act of 1934, or (ii) registering securities under Section 12 of the Securities Exchange Act of 1934;

(h) the occurrence of any other development that has resulted in, or could reasonably be expected to result in, a Material Adverse Effect; and

(i) any change in the information provided in the most recently delivered Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified therein.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer of the Borrower or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 6.3 Existence; Conduct of Business. The Borrower will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business, provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 7.3 or any sale, lease, transfer or other disposition not otherwise prohibited under this Credit Agreement.

Section 6.4 Payment and Performance of Obligations. The Borrower will, and will cause each of its Subsidiaries to, pay or perform its obligations, including Tax liabilities, that, if not paid or performed, could reasonably be expected to result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being Contested in Good Faith and (b) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect, provided that nothing in this Section shall be deemed to require Borrower to pay any subordinated Indebtedness in violation of the subordination provisions applicable thereto.

Section 6.5 Maintenance of Properties. The Borrower will, and will cause each of its Subsidiaries to maintain in good repair, working order and condition (ordinary wear and tear excepted) in accordance with the general practice of other businesses of similar character and size, all of those properties useful or necessary to its business, and from time to time, the Borrower will make or cause to be made all necessary and appropriate repairs, renewals or replacements thereof, except where the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

Section 6.6 Books and Records; Inspection Rights. The Borrower will, and will cause each of its Subsidiaries to, (a) maintain and keep books of record and account which enable the Borrower and its Subsidiaries to issue financial statements in accordance with GAAP consistently applied and as otherwise required by applicable Laws of any Governmental Authority having jurisdiction over the Borrower or any Subsidiary of the Borrower, and in which full, true and correct entries shall be made in all material respects of all financial transactions and (b) permit any of the officers or authorized employees or representatives of the Lender to visit and inspect any of its properties and to examine and make excerpts from its books and records and discuss its business affairs, finances and accounts with its officers, directors and independent accountants, all in such detail and at such times and as often the Lender may reasonably request, provided that Lender shall provide the Borrower with reasonable notice prior to any visit or inspection. Any visit and inspection shall be limited to once per year except when an Event of Default has occurred and is continuing.

Section 6.7 Compliance with Laws. The Borrower will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property and maintain all permits and licenses necessary to conduct its business, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. In addition, and without limiting the foregoing sentence, Borrower will, and will cause each of its Subsidiaries to, comply with all applicable Environmental Laws in all material respects, and with Anti-Corruption Laws, applicable Sanctions and the USA PATRIOT Act and the regulations promulgated thereunder in all respects.

Section 6.8 Use of Proceeds.

(a) The proceeds of the Revolving Loans will be used only for working capital and other general corporate purposes not inconsistent with the terms hereof or in contravention of any Law or any Loan Document.

(b) No part of the proceeds of any Revolving Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, (a) to purchase, acquire or carry any Margin Stock or (b) for any purpose that entails a violation of any of the regulations of the Board, including Regulations T, U and X. The Borrower will not request any Credit Extension, and the Borrower shall not use, and shall ensure that its directors, officers, employees and agents shall not use, the proceeds of any Credit Extension (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti- Corruption Laws or (ii) in any manner that would result in the violation of any applicable Sanctions or any Anti-Terrorism Laws by any Person, including the Lender.

Section 6.9 [Reserved.]

Section 6.10 Insurance.

(a) The Borrower shall, and shall cause each of its Subsidiaries to, insure its properties and assets against loss or damage by fire and such other insurable hazards and against other risks as such assets are commonly insured in such amounts as similar properties and assets are insured by prudent companies in similar circumstances carrying on similar businesses, and with reputable and financially sound insurers which are not Affiliates of the Borrower (except to the extent customarily self- insured or such Affiliates are otherwise acceptable to the Lender).

(b) The Borrower will, and will cause each of its Subsidiaries to, notify the Lender immediately whenever any separate insurance concurrent in form or contributing in the event of loss with that required to be maintained under this Section 6.10 is taken out by Borrower; and promptly deliver to the Lender a duplicate original copy of such policy or policies.

(c) In connection with the covenants set forth in this Section 6.10, it is understood and agreed that:

(i) neither the Lender nor any of its Related Parties shall be liable for any loss or damage insured by the insurance policies required to be maintained under this Section 6.10, it being understood that (A) Borrower shall look solely to its insurance companies or any other parties other than the aforesaid parties for the recovery of such loss or damage and (B) such insurance companies shall have no rights of subrogation against the Lender or any of its Related Parties, provided, however, that if the insurance policies do not provide waiver of subrogation rights against such parties, as required above, then the Borrower (for itself and each of its Subsidiaries) hereby agrees, to the extent permitted by law, to waive its right of recovery, if any, against the Lender and its Related Parties; and

(ii) the designation of any form, type or amount of insurance coverage by the Lender under this Section 6.10 shall in no event be deemed a representation, warranty or advice by the Lender that such insurance is adequate for the purposes of the business of Borrower or its Subsidiaries or the protection of their properties and the Lender shall have the right from time to time to require the Borrower and its respective Subsidiaries to keep other insurance in such form and amount as the Lender may reasonably request; provided that such insurance shall be obtainable on commercially reasonable terms.

Section 6.11 [Reserved.].

Section 6.12 [Reserved.]

Section 6.13 Environmental Matters. The Borrower will, and will cause each of its Subsidiaries to, (a) conduct its operations in material compliance with all applicable Environmental Laws, and (b) implement any and all investigation, remediation, removal and response actions that either are necessary to materially comply with Environmental Laws pertaining to the presence, generation, treatment, storage, use, disposal, transportation or Release of any Hazardous Material on, at, under, or from any of their owned or leased property or are requested by Governmental Authorities pursuant to Environmental Law. If the Lender at any time has a reasonable basis to believe that there may be a violation of any Environmental Laws or a Release of Hazardous Materials on, at, under, or from any property owned or leased by Borrower or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect, then, upon request by the Lender the Borrower shall permit the Lender to appoint a nationally-recognized independent environmental testing firm or such other consultant as the Lender shall determine, at the Borrower's expense, to have access to all property owned or leased by Borrower and each of its Subsidiaries for the purpose of conducting such environmental testing, including subsurface sampling of soil and groundwater, as the Lender deems appropriate to investigate the subject of the potential violation or Release.

ARTICLE 7 NEGATIVE COVENANTS

Until the Termination Date, the Borrower covenants and agrees with the Lender that: Section 7.1[Reserved.]

Section 7.2 [Reserved.]

Section 7.3 Fundamental Changes; Business; Fiscal Year.

(a) The Borrower will not, and will not permit any of its Subsidiaries to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise Dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, or all or substantially all of the Equity Interests issued by any of its Subsidiaries (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, provided that, if at the time thereof and immediately after giving effect thereto, no Default shall or would have occurred and be continuing:

(i) any wholly-owned Subsidiary of the Borrower may merge into or consolidate with the Borrower in a transaction in which the Borrower is the surviving entity or the sole beneficial owner, directly or indirectly of the surviving entity or may merge into or consolidate with another wholly-owned Subsidiary of the Borrower;

(ii) any Subsidiary of Borrower may sell, transfer, lease or otherwise Dispose of all or substantially all of its assets to the Borrower or another Subsidiary of Borrower;

(iii) the Borrower or any of its Subsidiaries may sell, transfer, lease or otherwise dispose of its assets in a transaction not otherwise prohibited under this Credit Agreement; and

(iv) any Disposition (whether by merger or otherwise) where the amount of the assets being disposed (valued at net book value), together with all other assets of the Borrower and Subsidiaries previously disposed of as permitted by this clause (iv) during the fiscal year in which the disposition occurs does not exceed 10% of consolidated total assets of Borrower and its Subsidiaries as of the end of the fiscal year then most recently ended; provided that assets, as so valued, may be sold in excess of 10% of consolidated total assets of Borrower and its Subsidiaries in any fiscal year if either (i) within one year of such sale, the proceeds from the sale of such assets are used, or committed by the Borrower's board of directors to be used, to acquire other assets of at

least equivalent value and earning power or (ii) with the written consent of the Required Lenders (as defined in the Syndicated Credit Agreement), the proceeds from the sale of such assets are used immediately upon receipt to prepay senior Funded Indebtedness (as defined in the Syndicated Credit Agreement) of the Borrower.

(b) The Borrower will not, and will not permit any of its Subsidiaries to, engage to any material extent in any business other than an Approved Line of Business.

(c) The Borrower will not, and will not permit any of its Subsidiaries to, change its Fiscal Year.

Section 7.4 [Reserved.]

Section 7.5 [Reserved.]

Section 7.6 [Reserved.][Reserved.]

Section 7.8 [Reserved.]Transactions with Affiliates. The Borrower will not enter into or carry out any transaction with any Affiliate of the Borrower other than a Subsidiary of the Borrower (including purchasing property or services from or selling property or services to any Affiliate of the Borrower other than a Subsidiary of the Borrower) unless (a) such transaction is not otherwise prohibited by this Credit Agreement, (b) is entered into in the ordinary course of business upon fair and reasonable arm's-length terms and conditions which are fully disclosed to the Lender, and (c) is in accordance with all applicable Law; provided that the foregoing restriction shall not apply to the payment or grant of reasonable compensation, benefits and indemnities to any director or officer of the Borrower or any Subsidiary and shall not restrict transactions with any Affiliate of the Borrower that have been approved by or are entered into pursuant to any orders or decisions of any Governmental Authority having jurisdiction over the Borrower or any of its Subsidiaries.

Section 7.10 Restrictive Agreements. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon the ability of any Subsidiary to pay dividends or make other distributions with respect to any of its Equity Interests or to make or repay loans or advances to the Borrower or any other Subsidiary, provided that the foregoing shall not apply to (A) restrictions and conditions imposed by law or by the Loan Documents and (B) customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided that such restrictions and conditions apply only to its Subsidiary that is to be sold and such sale is permitted hereunder.

Section 7.11 Amendment of Material Documents. The Borrower will not, and will not permit any of its Subsidiaries to, amend, supplement modify or waive any of its rights under any of its Organizational Documents, other than immaterial amendments, modifications or waivers that could not reasonably be expected to adversely affect the Lender, provided that the Borrower shall deliver or cause to be delivered to the Lender a copy of all amendments, modifications or waivers thereto promptly after the execution and delivery thereof.

Section 7.12 Financial Covenant. The Borrower will maintain at all times a ratio of Funded Debt to the sum of Funded Debt plus stockholder's equity of the Borrower of not more than sixty five percent (65%) (the "Funded Debt to Total Capitalization"), to be tested at the end of each fiscal quarter.

Section 7.13 [Reserved.]

Section 7.14 Government Regulation. The Borrower will not, and will not permit any of its Subsidiaries to, (a) at any time be or become the subject of any law, regulation, or list of any government

agency (including the United States Office of Foreign Asset Control list) that prohibits or limits the Lender from making any loans or extension of credit (including the Revolving Loans) to Borrower or from otherwise conducting business with Borrower, or (b) fail to provide documentary and other evidence of Borrower's identity as may be requested by the Lender at any time to enable the Lender to verify Borrower's identity or to comply with any applicable law or regulation, including Section 326 of the USA PATRIOT Act.

Section 7.15 Hazardous Materials. The Borrower will not, and will not permit any of its Subsidiaries or agents to, cause or permit a Release or threat of Release of Hazardous Materials on, at, in, above, to, from or about any of the property where such Release or threat of Release would (a) violate, or form the basis for any Environmental Claims under, any Environmental Law or any Environmental Permit or (b) otherwise adversely impact the value or marketability of any property of Borrower or any of its Subsidiaries, other than such Release, violation or Environmental Claim as could not reasonably be expected to result in a material Environmental Liability.

ARTICLE 8 EVENTS OF DEFAULT

Section 8.1 Events of Default. Any of the following shall constitute an Event of Default:

(a) Non-Payment of Principal. Borrower shall fail to pay any principal of any Revolving Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise.

(b) Other Non-Payment. Borrower shall fail to pay any interest on any Revolving Loan or any fee, commission or any other amount (other than an amount referred to in clause (a) of this Section) payable under any Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five (5) Business Days.

(c) Representations and Warranties. Any representation or warranty made or deemed made by or on behalf of Borrower or any of its Subsidiaries in or in connection with any Loan Document or any amendment or modification hereof or waiver thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, shall prove to have been incorrect in any material respect when made or deemed made.

(d) Specific Covenants. Borrower shall fail to observe or perform any covenant, condition or agreement contained in Sections 6.1, 6.2(a), 6.3, 6.7, 6.8, 6.10, or in Article 7.

(e) Other Covenants. Borrower shall fail to observe or perform any covenant, condition or agreement contained in any Loan Document to which it is a party (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of thirty (30) days after notice from Lender to the Borrower.

(f) Cross Default - Payment Default on Indebtedness. Borrower shall fail to make any payment (whether of principal, interest or otherwise and regardless of amount) in respect of any Indebtedness in excess of \$1,000,000 in the aggregate when and as the same shall become due and payable (after giving effect to any applicable grace period).

(g) Other Cross-Defaults. Any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or payment date, or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due prior to their scheduled maturity or payment date or to require the prepayment, repurchase, redemption or defeasance thereof prior to their scheduled maturity or payment date (in each case after giving effect to any applicable

notice and any applicable cure period), provided that this clause (g) shall not apply to secured Indebtedness that becomes due solely as a result of the voluntary sale, transfer or other disposition of the property or assets securing such Indebtedness.

(h) Involuntary Proceedings. An involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of Borrower or any of its Subsidiaries or its debts, or of a substantial part of its assets, under any Debtor Relief Law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Borrower or any of its Subsidiaries or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for ninety (90) days or an order or decree approving or ordering any of the foregoing shall be entered.

(i) Voluntary Proceedings. Borrower or any of its Subsidiaries shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Debtor Relief Law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Borrower or any of its Subsidiaries or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing.

(j) Inability to Pay Debts. Borrower or any of its Subsidiaries shall become unable, admit in writing its inability or fail generally to pay its debts as they become due.

(k) Judgments. One or more judgments for the payment of money in an aggregate amount in excess of the \$15,000,000 shall be rendered against Borrower or any of its Subsidiaries or any combination thereof (which shall not be fully covered (without taking into account any applicable deductibles) by insurance from an unaffiliated insurance company with an A.M. Best financial strength rating of at least A-, it being understood that even if such amounts are covered by insurance from such an insurance company, such amounts shall count against such basket if responsibility for such amounts has been denied by such insurance company) and the same shall remain undischarged or unbonded for a period of twenty (20) consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of Borrower or any of its Subsidiaries to enforce any such judgment.

(l) ERISA Events. An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of Borrower or any member of the ERISA Group under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of \$20,000,000, or Borrower or any member of the ERISA Group fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan, where the aggregate amount of unamortized withdrawal liability is in excess of \$20,000,000.

(m) Invalidity of Loan Documents. Any Loan Document shall cease, for any reason, to be in full force and effect, or Borrower shall so assert in writing or shall disavow any of its obligations thereunder.

(n) [Reserved.]

(o) Licenses. There shall occur the loss, suspension or revocation of, or failure to renew any license or permit now held or hereafter acquired if such loss, suspension, revocation or failure to renew could reasonably be expected to have a Material Adverse Effect.

(p) Change of Control. A Change of Control shall occur.

Section 8.2 Remedies Upon Event of Default. If any Event of Default occurs and is continuing, then, and in every such event (other than an event described in Section 8.1(h) or (i)), and at any time thereafter during the continuance of such event, the Lender may, by notice to the Borrower, take either or both of the following actions (whether before or after the Closing Date), at the same or different times: (i) terminate the Revolving Commitment, and thereupon the Revolving Commitment shall terminate immediately and (ii) declare the Revolving Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Revolving Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of Borrower accrued under the Loan Documents, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, and in case of any event described in Section 8.1(h) or (i), the Revolving Commitment shall automatically terminate (whether before or after the Closing Date) the principal of the Revolving Loans then outstanding, together with accrued interest thereon and all fees and other obligations of Borrower accrued under the Loan Documents, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

Section 8.3 Application of Funds. After the exercise of remedies provided for in Section 8.2 (or after the Revolving Loans have automatically become immediately due and payable), any amounts received on account of the Obligations shall be applied by the Lender in the following order:

First, to the payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Lender and amounts payable under Article 3), in each case payable to the Lender;

Second, to the extent of any excess of such proceeds, to the payment of that portion of the Obligations constituting accrued and unpaid fees under Section 3.2 and interest on the Revolving Loans and other Obligations;

Third, to the extent of any excess of such proceeds, to the payment of that portion of the Obligations constituting unpaid principal of the Revolving Loans and the Cash Management Obligations;

Fourth, to the extent of any excess of such proceeds, to the payment of all other Obligations of the Borrower owing under or in respect of the Loan Documents that are due and payable on such date; and

Last, to the extent of any excess of such proceeds, the balance, if any, after all of the Obligations (other than unasserted contingent indemnification and unasserted expense reimbursement obligations in each case not yet due and payable) have been paid in full, to the Borrower or as otherwise required by law.

ARTICLE 9 [RESERVED] ARTICLE 10 MISCELLANEOUS

Section 10.1 Notices.

- (a) Notices Generally. Except in the case of notices and other communications

expressly permitted to be given by telephone (and except as provided in paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows:

To Borrower:

Chesapeake Utilities Corporation 909 Silver Lake Boulevard Dover, Delaware 19904
Attention: Thomas E. Mahn, Treasurer Facsimile No.: 302-734-6750
Telephone No.: 302-736-7656

With a copy to:

To Bank:

Baker & Hostetler LLP Key Tower
127 Public Square | Suite 2000 Cleveland, Ohio 44114 Attention: Phillip M. Callesen and Matthew G. Oliver Facsimile No.: 216-696-0740

Citizens Bank, National Association 919 North Market Street, Suite 800
Wilmington, DE 19801 Attention: Edward Winslow Facsimile No.: 302-425-7336
Telephone No.: 302-425-7364

With a copy to:

Pepper Hamilton LLP 1313 Market Street
Wilmington, DE 19801
Attention: Christopher J. Lamb, Esquire Telecopy: 302-777-6548
Telephone: 302-442-8390

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices delivered through electronic communications to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) Electronic Communications. Each of the Lender and the Borrower may, in its or their discretion, agree to accept notices and other communications to such party hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Lender otherwise prescribes, (i) notices and other communications sent to an e-mail address shall

be deemed received upon the sender's receipt of an acknowledgement from the intended recipient

(such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) Change of Address, Etc. Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto.

Section 10.2 Waivers; Amendments.

(a) No failure or delay by the Lender in exercising any right or power under any Loan Document 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 rights and remedies of the Lender under the Loan Documents are cumulative and are not exclusive of any rights or remedies that it would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Revolving Loan shall not be construed as a waiver of any Default, regardless of whether the Lender may have had notice or knowledge of such Default at the time.

(b) Except as expressly provided by Section 3.3(b), or in the other paragraphs of this Section 10.2, neither this Credit Agreement, any other Loan Document nor any provision thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by Borrower and the Lender.

Section 10.3 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Lender (including Attorney Costs), in connection with the preparation, negotiation, execution, delivery and administration of this Credit Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all out-of-pocket expenses incurred by the Lender (including Attorney Costs), in connection with the enforcement or protection of its rights (whether through negotiations, legal proceedings or otherwise) (A) in connection with this Credit Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Revolving Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Revolving Loans.

(b) Indemnification by the Borrower. The Borrower shall indemnify the Lender (and any sub-agent thereof), the Lender and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnatee") against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses (including Attorney Costs), incurred by any Indemnatee or asserted against any Indemnatee by any third party or by Borrower arising out of, in connection with, or as a result of (i) the execution or delivery of this Credit Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Revolving Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or Release of Hazardous Materials at, on, under or

from any property owned or operated by Borrower or any of its Subsidiaries, or any Environmental Claim or Environmental Liability related in any way to Borrower or any of its Subsidiaries, (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by Borrower, and regardless of whether any Indemnitee is a party thereto or (v) any government investigation, audit, hearing or enforcement action resulting from Borrower's or any of its Affiliate's noncompliance (or purported noncompliance) with any applicable Sanctions, other Anti-Terrorism Laws or Anti-Corruption Laws (it being understood and agreed that the Indemnitees shall be entitled to indemnification pursuant to this clause (including indemnification for fines, penalties and other expenses) regardless of whether any adverse finding is made against Borrower or any of its Affiliates), provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by Borrower against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if Borrower has obtained a final and non-appealable judgment in its favor on such claim as determined by a court of competent jurisdiction. To the extent that the indemnity set forth above in this paragraph shall be held to be unenforceable in whole or in part because it is violative of any law or public policy, the Borrower shall contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all indemnified amounts incurred by Indemnitees or any of them.

(c) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, Borrower shall not assert, and Borrower hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Credit Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the transactions contemplated hereby or thereby, any Revolving Loan or the use of the proceeds thereof. No Indemnitee referred to in paragraph (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Credit Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(d) Payments. All amounts due under this Section shall be payable promptly and in no event later than ten days after demand therefor.

Section 10.4 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Credit Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that Borrower shall not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lender. Nothing in this Credit Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (c) of this Section and, to the extent expressly contemplated hereby, the Related Parties of the Lender) any legal or equitable right, remedy or claim under or by reason of this Credit Agreement.

(b) Assignments by Lender. The Lender may at any time assign to one or more assignees all of its rights and obligations under this Credit Agreement (including all or a portion of the Revolving Commitment and the Revolving Loans). From and after the effective date of each such assignment, the assignee thereunder shall be a party to this Credit Agreement and have the rights and obligations of the Lender under this Credit Agreement, and the assigning Lender thereunder shall be released from its obligations under this Credit Agreement and shall cease to be a party hereto, but shall continue to be entitled to the benefits of Section 3.5 with respect to facts and circumstances occurring prior to the effective date of such assignment.

(c) Participations. The Lender may at any time, without the consent of, or notice to, the Borrower, sell participations to any Person (other than (x) a natural person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person) or (y) a Person who, at the time of such participation, is a Sanctioned Person if the sale of such participation would violate applicable law) (each, a "Participant") in all or a portion of the Lender's rights and/or obligations under this Credit Agreement (including all or a portion of its Revolving Commitment and/or the Revolving Loans owing to it); provided that (i) the Lender's obligations under this Credit Agreement shall remain unchanged, (ii) the Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under this Credit Agreement.

The Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.4, 3.5 and 3.6 (subject to the requirements and limitations therein, including the requirements under Section 3.6 (it being understood that the documentation required under Section 3.6(g) shall be delivered to the participating Lender)) to the same extent as if it were the Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant shall not be entitled to receive any greater payment under Sections 3.5 or 3.6, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.8 as though it were the Lender; provided that such Participant agrees to be subject to Section 2.8(h) as though it were the Lender. The Lender shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Revolving Loans or other obligations under the Loan Documents (the "Participant Register"); provided that the Lender shall have no obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and the Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Credit Agreement notwithstanding any notice to the contrary.

(d) Certain Pledges. The Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Credit Agreement and the Loan Documents to secure obligations of the Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release the Lender from any of its obligations hereunder or substitute any such pledgee or assignee for the Lender as a party hereto.

(e) Cashless Settlement. Notwithstanding anything to the contrary contained in this Credit Agreement, the Lender may exchange, continue or rollover all or a portion of its Revolving Loans in connection with any refinancing, extension, loan modification or similar transaction permitted by the terms of this Credit Agreement, pursuant to a cashless settlement mechanism approved by the Borrower and the Lender.

Section 10.5 Survival. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Credit Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of any Loan Document and the making of any Revolving Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Revolving Loan or any fee or any other amount payable under the Loan Documents is outstanding and unpaid and so long as the Revolving Commitment has not expired or terminated. The provisions of Sections 3.4, 3.5 and 3.6 shall survive and remain in full force and effect

regardless of the consummation of the transactions contemplated hereby or the Termination Date.

Section 10.6 Counterparts; Integration; Effectiveness. This Credit Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Credit Agreement and the other Loan Documents, and any separate letter agreements with respect to fees payable to the Lender, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.1, this Credit Agreement shall become effective when it shall have been executed by the Lender and when the Lender shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Credit Agreement by facsimile or in electronic (e.g., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Credit Agreement.

Section 10.7 Severability. In the event any one or more of the provisions contained in this Credit Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 10.8 Right of Setoff. If an Event of Default shall have occurred and be continuing, the Lender and its Affiliates are hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by the Lender or any such Affiliate to or for the credit or the account of Borrower or any of its Subsidiaries against any and all of the obligations of Borrower or such Subsidiary now or hereafter existing under this Credit Agreement or any other Loan Document to the Lender or Affiliate, irrespective of whether or not the Lender shall have made any demand under this Credit Agreement or any other Loan Document and although such obligations of Borrower or such Subsidiary may be contingent or unmatured or are owed to a branch or office of the Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of the Lender and its Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that the Lender and its Affiliates may have. The Lender agrees to notify the Borrower promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

Section 10.9 Governing Law; Jurisdiction; Consent to Service of Process.

(a) Governing Law. This Credit Agreement shall be governed by, and construed in accordance with, the laws of the State of New York (without regard to the principals of conflicts of law (other than Section 5-1401 of the New York General Obligations Law)), and for all purposes shall be construed in accordance with such laws.

(b) Submission to Jurisdiction. Each of the parties hereto irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the State and Federal courts of the State of New York, in any action or proceeding arising out of or relating to this Credit Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Credit Agreement or in any other Loan Document shall affect any right that the Lender may otherwise have to bring any action or proceeding relating to this Credit Agreement or any other Loan Document against

the Borrower or its properties in the courts of any jurisdiction.

(c) Waiver of Objection to Venue. Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Credit Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Service of Process. Each of the parties hereto irrevocably consents to service of process in the manner provided for notices in Section 10.1. Nothing in this Credit Agreement will affect the right of any party to this Credit Agreement to serve process in any other manner permitted by law.

Section 10.10 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS CREDIT AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 10.11 Payments Set Aside. To the extent that any payment by or on behalf of the Borrower is made to the Lender, or the Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or fraudulent transfer law, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred.

Section 10.12 Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Credit Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Credit Agreement.

Section 10.13 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Revolving Loan, together with all fees, charges and other amounts that are treated as interest thereon under applicable law (collectively the “charges”), shall exceed the maximum lawful rate (the “maximum rate”) that may be contracted for, charged, taken, received or reserved by the Lender holding an interest in such Revolving Loan in accordance with applicable law, the rate of interest payable in respect of such Revolving Loan hereunder, together with all of the charges payable in respect thereof, shall be limited to the maximum rate and, to the extent lawful, the interest and the charges that would have been payable in respect of such Revolving Loan but were not payable as a result of the operation of this Section shall be cumulated, and the interest and the charges payable to the Lender in respect of other Revolving Loans or periods shall be increased (but not above the maximum rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by the Lender.

Section 10.14 Treatment of Certain Information; Confidentiality.

(a) The Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) to any other party hereto, (v) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Credit Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Credit Agreement, (vii) on a confidential basis to (A) any rating agency in connection with rating the Borrower, its Subsidiaries or the Revolving Facility or (B) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to the Revolving Facility, (viii) with the consent of the Borrower or (ix) to the extent such Information (A) becomes publicly available other than as a result of a breach of this Section or (B) becomes available to the Lender or any of its Affiliates on a non-confidential basis from a source other than the Borrower or (C) is independently generated by the Lender or any of its Affiliates. In addition, the Lender may disclose the existence of this Credit Agreement and information about this Credit Agreement to market data collectors, league table providers and other similar service providers to the lending industry and service providers to the Lender in connection with the administration of this Credit Agreement, the other Loan Documents, and the Revolving Commitment.

(b) For purposes of this Section, "Information" means all information received from Borrower or any of its Subsidiaries relating to Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Lender on a non-confidential basis prior to disclosure by Borrower or any Subsidiary or that is independently prepared by the Lender, provided that, in the case of information received from Borrower or any of its Subsidiaries after the Agreement Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of

care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. Notwithstanding anything herein to the contrary, "Information" shall not include, and the Lender (and its Affiliates and partners, directors, officers, employees, agents, advisors and representatives) may disclose to any and all persons, without limitation of any kind, any information with respect to the U.S. federal income tax treatment and U.S. federal income tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Lender relating to such tax treatment and tax structure.

(c) The Borrower consents to the publication by the Lender of customary advertising material relating to the Transactions using the name, product photographs, logo or trademark of the Borrower.

Section 10.15 USA PATRIOT Act Notice. The Lender hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow the Lender to identify Borrower in accordance with the USA PATRIOT Act. The Borrower shall, and shall cause each Subsidiary to, provide such information and take such actions as are reasonably requested by the Lender in order to assist the Lender in maintaining compliance with the USA PATRIOT Act.

Section 10.16 No Fiduciary Duty. Borrower agrees that in connection with all aspects of the transactions contemplated hereby and any communications in connection therewith, Borrower and its Affiliates, on the one hand, and the Lender and its Affiliates, on the other hand, will have a business relationship that does not create, by implication or otherwise, any fiduciary duty on the part of the Lender or any of its

Affiliates and no such duty will be deemed to have arisen in connection with any such transactions or communications.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Witness: LENDER:

Edward S. Winslow
Senior Vice President

Attest:

BORROWER:

CHESAPEAKE UTILITIES CORPORATION, a
Delaware corporation

By: _____

Name: Title:

Beth W. Cooper
Executive Vice President and Chief Financial Officer

Attest:

Title: Executive Vice President and Corporate Secretary

BORROWER:

CHESAPEAKE UTILITIES CORPORATION, a
Delaware corporation

By:

Name: Beth W. Cooper
Title: Executive Vice President and Chief Financial Officer

SCHEDULE 5.6

DISCLOSED MATTERS

Eastern Shore Natural Gas Company, a subsidiary of Chesapeake Utilities Corporation, has received an arbitration claim from Appalachian Pipeline Contractors, LLP (“APC”) seeking \$15.3 million for additional construction costs incurred by APC related to ESNG’s 2017 Expansion Project. It is ESNG’s position that it has properly compensated APC through its contract payments and change orders.

SCHEDULE 5.13 SUBSIDIARIES; EQUITY INTERESTS

Name	Jurisdiction of Organization	Owner	Ownership Percentage
Eastern Shore Natural Gas Company	Delaware	Chesapeake Utilities Corporation	100%
Sharp Energy, Inc.	Delaware	Chesapeake Utilities Corporation	100%
Sharpgas, Inc.	Delaware	Sharp Energy, Inc.	100%
Xeron, Inc.	Mississippi	Chesapeake Utilities Corporation	100%
Peninsula Energy Services Company, Inc.	Delaware	Chesapeake Utilities Corporation	100%
Peninsula Pipeline Company, Inc.	Delaware	Chesapeake Utilities Corporation	100%
Florida Public Utilities Company	Florida	Chesapeake Utilities Corporation	100%
Flo-Gas Corporation	Florida	Florida Public Utilities Company	100%
Chesapeake Service Company	Delaware	Chesapeake Utilities Corporation	100%
Skipjack, Inc.	Delaware	Chesapeake Service Company	100%
Chesapeake Investment Company	Delaware	Chesapeake Service Company	100%
Eastern Shore Real Estate, Inc.	Delaware	Chesapeake Service Company	100%
Chesapeake OnSight Services, LLC	Delaware	Chesapeake Utilities Corporation	100%
Sandpiper Energy, Inc.	Delaware	Chesapeake Utilities Corporation	100%
Eight Flags Energy, LLC	Delaware	Chesapeake OnSight Services, LLC	100%
Austin Cox Home Services, Inc. <i>(Inactive)</i>	Delaware	Chesapeake Utilities Corporation	100%
Grove Energy, Inc. <i>(Inactive)</i>	Delaware	Chesapeake Utilities Corporation	100%
Aspire Energy, LLC	Florida	Chesapeake Utilities Corporation	100%
Aspire Energy Express, LLC	Delaware	Chesapeake Utilities Corporation	100%
Marlin Gas Services, LLC	Delaware	Chesapeake Utilities Corporation	100%
Aspire Energy of Ohio, LLC	Delaware	Chesapeake Utilities Corporation	100%
CPK Elkton, LLC	Delaware	Chesapeake Utilities Corporation	100%

OnSight Renewables, LLC	Delaware	Chesapeake Utilities Corporation	100%
Amelia Island Energy, LLC	Delaware	Chesapeake OnSight Services, LLC	100%
Sharp Water, Inc. <i>(Inactive)</i>	Delaware	Chesapeake Utilities Corporation	100%

EXHIBIT A
Form of Committed Loan Notice

See attachment.

FORM OF COMMITTED LOAN NOTICE

Citizens Bank, National Association 919 North Market Street
Suite 800
Wilmington, Delaware 19801 Attention: Edward S. Winslow Facsimile No. 302.425.7336
Email: Edward.S.Winslow@Citizensbank.com

Ladies and Gentlemen:

[], 20[]

Reference is made to the Credit Agreement, dated as of May 29, 2020, by and between CHESAPEAKE UTILITIES CORPORATION, a Delaware corporation (the "Borrower"), and CITIZENS BANK, NATIONAL ASSOCIATION (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

1. Revolving Loans. Pursuant to Section 2.1 of the Credit Agreement, the Borrower hereby irrevocably requests the following Revolving Loan under the Credit Agreement and sets forth below the information relating to such Revolving Loan (the "Proposed Loan") as required by Section 2.1 of the Credit Agreement:

(a) The Business Day of the Proposed Loan is [], 20[].

(b) The Type and amount of the Proposed Loan and, in the case of a LIBOR Loan or Daily LIBOR Loan, the initial Interest Period applicable thereto, are as follows:

Type of Revolving Loan (ABR, LIBOR, or Daily LIBOR)	Amount	Initial Interest Period
		__ months
		__ months

(c) disbursed is:

The location and number of the Borrower's account to which funds are to be

Bank: ABA #:
Account #: Account Name:

2. Certifications with respect to all Revolving Loans. The Borrower hereby certifies that on the date hereof as well as on the date of the Proposed Loan (a) each of the representations and warranties of the Borrower set forth in the Loan Documents are true and correct in all material respects (unless

qualified by materiality or reference to the absence of a Material Adverse Effect, in which event they shall be true and correct), in each case on and as of the date hereof as if made on and as of such date, provided that to the extent that such representations and warranties specifically refer to an earlier date, they shall be

true and correct in all respects as of such earlier date; and (b) no Default exists or would result from such Proposed Loan or from the application of the proceeds therefrom.

Delivery of an executed counterpart of this Committed Loan Notice by facsimile or other electronic method of transmission shall be effective as delivery of an original executed counterpart of this Committed Loan Notice.

[Signature page follows]

IN WITNESS WHEREOF, the Borrower has caused this Committed Loan Notice to be executed as of the date and year first written above.

CHESAPEAKE UTILITIES CORPORATION

By: Name: Title:

[Signature Page to Committed Loan Notice]

EXHIBIT B

Form of Compliance Certificate

See attachment.

Compliance Certificate

(INSERT DATE)

Edward Winslow, Senior Vice President Citizens Bank, National Association
919 N. Market Street, 8th Floor Wilmington, DE 19801

Dear Mr. Winslow,

I, _____, (Title), do hereby certify on behalf of

Chesapeake Utilities Corporation (“Borrower”) as of the quarter ended _____, 20 (the “Report Date”) as follows:

- 1) **Funded Debt to Total Capitalization**. The Funded Debt to Total Capitalization (as defined in the Credit Agreement) is % for the period ending _____, 20, which is less than the maximum Total Debt to Total Capitalization of 65.0% permitted.
- 2) The representations and warranties of the Borrower contained in the Credit Agreement and in the other Credit Documents (as defined in the Credit Agreement) are true on and as of this date with the same effect as though such representations and warranties have been made on and as of the date hereof and the Borrower has performed and complied in all respects with all covenants and conditions thereof.
- 3) No event has occurred and is continuing or exists as of the date hereof, which constitutes a Default or an Event of Default (as each term is defined in the Credit Agreement).

IN WITNESS WHEREOF, the undersigned has executed this Certificate on this _____, 20 .

By: (Name)
(Title)

day of

EXHIBIT C
Closing Checklist

See attachment.

CLOSING CHECKLIST

CITIZENS BANK, NATIONAL ASSOCIATION'S

\$25,000,000 REVOLVING LINE OF CREDIT TO
CHESAPEAKE UTILITIES CORPORATION MAY 29, 2020

Chesapeake Utilities Corporation 909 Silver Lake Boulevard Dover,
Delaware 19904

Contact Person: Thomas E. Mahn Telephone:302.734.6750

Citizens Bank, National Association Commercial Banking
919 North Market Street, Suite 800
Wilmington, DE 19801

Contact Person: Edward S. Winslow Telephone:302.425.7364
Email:Edward.S.Winslow@citizensbank.com

BORROWERS (“B”)

Contact Person: Cindy F. Tentarelli Telephone:302.425.7326
Email:Cindy.F.Tentarelli@citizensbank.com

LENDER (“L”)

Baker & Hostetler LLP Key Tower
127 Public Square, Suite 2000
Cleveland, Ohio 44114

Contact Person: Phillip M. Callesen Telephone:216.861.7884
E-mail:pcallesen@bakerlaw.com

BORROWERS’ COUNSEL (“BC”)

Pepper Hamilton LLP
1313 Market Street, Suite 5100
Wilmington, DE 19801

Contact Person: Christopher J. Lamb, Esquire
Telephone:302.777.6548
Fax:302.397.2713
Email:lambc@pepperlaw.com

Contact Person: Ashleigh Reibach Huggett, Esquire
Telephone:215.981.4381
Fax:866.894.9746

LENDER’S COUNSEL (“LC”)

Email:reibacha@pepperlaw.com

	Responsible Party	Status
Credit Documents		
1.Credit Agreement	LC	<i>Received</i>
2.Revolving Loan Note- \$25,000,000	LC	<i>Received</i>
Organizational Documents		
3.Certificate - Chesapeake Utilities Corporation	B/BC	<i>Received</i>
a. Certificate of Incorporation	B/BC	<i>Received</i>
b. Bylaws	B/BC	<i>Received</i>
c. Resolutions	B/BC	<i>Received</i>
d. Good Standing Certificate	B/BC	<i>Received</i>
e. Incumbency	B/BC	<i>Received</i>
Searches		
4.UCC/Judgment/Pending Litigation/Tax/ Bankruptcy Searches	BC	<i>Received</i>
Due Diligence		
5.Know Your Customer / Patriot Act / W-9 / W-8	L/B	<i>Satisfied</i>
6.Financial Information	B	<i>Satisfied</i>
7.Compliance Certificate with attachments evidencing pro-forma compliance	B	<i>Satisfied</i>
Insurance		
8.Liability	B	<i>Received</i>
9.Workers Compensation	B	<i>On liability certificate</i>
10.Property	B	<i>Received</i>
11.Business Interruption	B	<i>On property certificate</i>
Miscellaneous		
12.Borrower's Counsel Opinion	BC	<i>Received</i>
13.Disbursement Authorization and Sources and Uses	L/B	<i>N/A</i>

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	Responsible Party	Status
14.Committed Loan Notice	B/BC	<i>N/A</i>
15.Citizens Bank Automatic Payment Authorization Form	B/BC	<i>N/A</i>

THIS LOAN AGREEMENT (this “Agreement”) is dated as of May 6, 2020, by and between CHESAPEAKE UTILITIES CORPORATION, a corporation organized under the laws of the State of Delaware (the “Borrower”), and ROYAL BANK OF CANADA (the “Lender”).

RECITALS

- A. The Borrower has applied to the Lender for a revolving line of credit facility in the maximum principal amount of Twenty Million Dollars (\$20,000,000) (the “Commitment”), to be used by the Borrower for the uses specified in this Agreement.
- B. The Lender is willing to make the revolving line of credit facility available to the Borrower upon the terms and subject to the conditions set forth in this Agreement.

AGREEMENTS

NOW, THEREFORE, in consideration of the Loan described below and the mutual covenants and agreements contained herein, and intending to be legally bound hereby, the Lender and the Borrower agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Certain Defined Terms.

As used in this Agreement, the terms defined in the Preamble and Recitals hereto shall have the respective meanings specified therein, and the following terms shall have the following meanings:

“Adjustment” has the meaning set forth in Section 2.7(b).

“Affiliate” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Anti-Bribery and Corruption Laws” means all Laws relating to the prevention of bribery, corruption, or similar activities, including (without limitation) the *U.S. Foreign Corrupt Practices Act of 1977*, the *U.K. Bribery Act 2010*, and the *Corruption of Foreign Public Officials Act (Canada)*, as amended, and the rules and regulations thereunder, and all similar laws, rules, and regulations of any jurisdiction applicable to the Obligor.

“Anti-Money Laundering Laws” means all Laws relating to money laundering, terrorist financing, unlawful financial activities or unlawful use or appropriation of corporate funds, including (without limitation) the *U.S. Bank Secrecy Act* as amended by the *USA PATRIOT Act*, and similar laws, rules, and regulations of any jurisdiction applicable to the Obligor.

“Applicable Margin” means (i) with respect to any LIBOR Rate Loan, 1.75% per annum and (ii) with respect to any Prime Rate Loan, 0.75%.

“Beneficial Ownership Certification” means a certification regarding beneficial ownership required by the Beneficial Ownership Regulation.

“Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.

“Blocked Person” means any Person: (a) listed in any Sanctions-related list of designated Persons (including, but not limited to, Office of Foreign Assets Control lists); (b) fifty percent (50%) or more, individually or in the aggregate, owned by any Person described in clause (a) hereof; (c) with which any party

to the Agreement is prohibited from dealing or otherwise engaging in any transaction by any Sanctions; or (d) that is the government of a Sanctioned Country.

“Board of Governors” means the Board of Governors of the United States Federal Reserve System, or any successor thereto.

“Borrowing” means Loans of the same Type, made, converted or continued on the same date and, in the case of LIBOR Rate Loans, as to which a single Interest Period is in effect.

“Borrowing Request” means a request by the Borrower for a borrowing of Loans in accordance with Section 2.1.3 which shall be, in any case, a written request, substantially in the form of Exhibit C or any other form approved by the Lender.

“Business Day” means any day, other than a Saturday or Sunday or on which commercial banks in New York City are authorized or required to be closed, or are in fact closed for business, and if the applicable Business Day relates to any Loan to which the Libor Rate applies, such day must also be a day on which dealings are carried on in the London interbank markets.

“Change of Control” means any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), shall become, or obtain rights (whether by means or warrants, options or otherwise) to become, the “beneficial owner” (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of more than 50% of the equity interests of the Borrower.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commitment” has the meaning specified in the Recitals hereto.

“Commitment Fee” has the meaning set forth in Section 2.5(b).

“Consolidated Net Worth” means as of any date, the sum of the amounts that would be shown on a consolidated balance sheet of the Borrower and its Subsidiaries at such date for (a) capital stock, (b) capital surplus and (c) the other components of stockholders’ equity.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Current Indebtedness” means with respect to any Person, all Indebtedness for borrowed money and all Indebtedness secured by any Lien existing on property owned by that Person (whether or not such Indebtedness have been assumed) which, in either case, is payable on demand or within one year from their creation, plus the aggregate amount of Guaranties by that Person of all such Indebtedness of other Persons, except: (a) any Indebtedness which is renewable or extendible at the option of the debtor to a date more than one year from the date of creation thereof; (b) any Indebtedness which, although payable within one year, constitutes principal payments on Indebtedness expressed to mature more than one year from the date of its creation and (c) Loans, Revolving Credit Loans (as such term is defined in the Syndicated Credit Agreement) and Guaranties of Revolving Credit Loans.

“Debtor Relief Laws” means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

“Default” means an event which, with the giving of notice or lapse of time, or both, could or would constitute an Event of Default under the provisions of this Agreement.

“Enforcement Costs” means all expenses, charges, costs and fees whatsoever (including, without limitation, reasonable outside and allocated in-house counsel attorney’s fees and expenses) of any nature whatsoever paid or incurred by or on behalf of the Lender in connection with any or all of the Obligations, this Agreement and/or any of the other Financing Documents, including, without limitation, those costs and expenses more specifically enumerated in Section 7.3 (Costs, Expenses and Attorney’s Fees).

“ERISA” means the Employee Retirement Income Security Act of 1974, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

“ERISA Event” means (a) with respect to a Pension Plan, a reportable event under Section 4043 of ERISA as to which event (after taking into account notice waivers provided for in the regulations) there is a duty to give notice to the PBGC; (b) a withdrawal by Borrower or any member of the ERISA Group from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by Borrower or any member of the ERISA Group from a Multiemployer Plan, notification that a Multiemployer Plan is in reorganization, or occurrence of an event described in Section 4041A(a) of ERISA that results in the termination of a Multiemployer Plan; (d) the filing of a notice of intent to terminate a Pension Plan in a distress termination, the treatment of a Pension Plan amendment as a termination under Section 4041(e) of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; (f) the determination that any Pension Plan or Multiemployer Plan is considered an at-risk plan or a plan in endangered or critical status within the meaning of Sections 430.431 and 432 of the Code or Sections 303, 304 and 305 of ERISA; or (g) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon Borrower or any member of the ERISA Group.

“ERISA Group” means, at any time, the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control and all other entities which, together with the Borrower, are treated as a single employer under Section 414 of the Code or Section 4001(b)(1) of ERISA.

“Event of Default” has the meaning described in ARTICLE VI (Events of Default).

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Code.

“Financial Statements” means the financial statements referred to in Section 3.6.

“Financing Documents” means this Agreement, any and all promissory notes (including, for the avoidance of doubt, the Note) and any and all other documents, instruments, guarantees, certificates, agreements, loan agreements, security agreements, guaranties, deeds of trust, mortgages, assignments or other contract with or for the benefit of the Lender, or securing or evidencing payment of any indebtedness of the Borrower, previously, simultaneously or hereafter executed and/or delivered by the Borrower, any guarantor and/or any other Person in connection with this Agreement or the Loan made hereunder, all as the same may be amended, modified, restated, substituted, extended and renewed at any time and from time to time.

“Funded Indebtedness” means with respect to any Person, without duplication: (a) its Indebtedness for borrowed money, other than Current Indebtedness; (b) its Indebtedness secured by any Lien existing on property owned by the Person (whether or not such Indebtedness have been assumed); (c) the aggregate amount of Guaranties of Indebtedness by the Person, other than Guaranties which constitute Current Indebtedness; (d) its Indebtedness under capitalized leases; (e) reimbursement obligations (contingent or otherwise) under any letter of credit agreement and (f) Indebtedness under any Interest Rate Hedges (as such term is defined in the Syndicated Credit Agreement); provided that the amount of such Indebtedness under any such Interest Rate Hedges on any date shall be deemed to be the Hedge Termination Value (as such term is defined in the Syndicated Credit Agreement) thereof as of such date.

“Funded Indebtedness to Total Adjusted Capitalization Ratio” means the ratio of (a) the aggregate principal amount of all outstanding secured and unsecured Funded Indebtedness of the Borrower plus secured and unsecured

Funded Indebtedness of Subsidiaries (excluding Indebtedness owed by a Subsidiary to the Borrower of a Wholly-Owned Subsidiary (as defined in the Syndicated Credit Agreement)) to (b) Total Adjusted Capitalization.

“GAAP” means United States generally accepted accounting principles, as in effect from time to time, consistently applied.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any department, agency or instrumentality thereof.

“Guaranty” of any Person means of any Person shall mean any obligation of such Person guaranteeing or in effect guaranteeing any liability or obligation of any other Person in any manner, whether directly or indirectly, including any agreement to indemnify or hold harmless any other Person, any performance bond or other suretyship arrangement and any other form of assurance against loss, except endorsement of negotiable or other instruments for deposit or collection in the ordinary course of business.

“Hazardous Materials” includes all materials defined as hazardous wastes or substances under any environmental Laws, petroleum, petroleum products, oil and asbestos, and any substance the presence of which on any property now or hereafter controlled, owned or acquired by the Borrower is prohibited by any Law similar to those set forth in this definition; and any other substance which by Laws requires special handling in its collection, storage, treatment or disposal.

“Highest Lawful Rate” means the maximum lawful interest rate, if any, that at any time or from time to time may be contracted for, charged, or received under the Law applicable to the Lender which are presently in effect or, to the extent allowed by Law, under such applicable Law which may hereafter be in effect and which allow a higher maximum non-usurious interest rate than applicable Law now allow.

“Indebtedness” means as to any Person at any time, any and all indebtedness, obligations or liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) of such Person for or in respect of: (i) borrowed money, (ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) reimbursement obligations (contingent or otherwise) under any letter of credit agreement, (iv) obligations under any Commodity Hedges (as such term is defined in the Syndicated Credit Agreement), Interest Rate Hedges (as such term is defined in the Syndicated Credit Agreement), currency swap agreements or other similar agreements, (v) any other transaction (including forward sale or purchase agreements, capitalized leases and conditional sales agreements) having the commercial effect of a borrowing of money entered into by such Person to finance its operations or capital requirements (but not including trade payables and accrued expenses incurred in the ordinary course of business), or (vi) any Guaranty of Indebtedness for borrowed money.

“Indemnified Parties” has the meaning set forth in Section 7.13.

“Indemnified Taxes” means (a) Taxes imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Financing Document and (b) to the extent not otherwise described in (a), Other Taxes.

“Interest Payment Date” means (a) with respect to any Prime Rate Loan, the last day of each March, June, September and December and (b) with respect to any LIBOR Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part.

“Interest Period” means, with respect to any LIBOR Rate Loan, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one month thereafter, as the Borrower may elect; *provided* that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a LIBOR Rate Loan that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

“Interest Rate Determination Date” means, with respect to any Interest Period, the date that is two Business Days prior to the first day of such Interest Period.

“Insolvency Proceeding” means, with respect to any Person, (a) a case, action or proceeding with respect to such Person (i) before any court or any other Governmental Authority under any bankruptcy, insolvency, reorganization or other similar Law now or hereafter in effect, or (ii) for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of the Borrower or otherwise relating to the liquidation, dissolution, winding-up or relief of such Person, or (b) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of such Person’s creditors generally or any substantial portion of its creditors; undertaken under any Law.

“Laws” means any legislation, rules, regulations, guidelines and other legally binding measures issued, administered or enforced by any Governmental Authority, as they may be amended from time to time.

“LIBOR Rate” means a rate of interest per annum equal to (rounded upwards, if necessary, to the next higher 1/100th of 1.0%) One Month LIBOR, which shall be adjusted monthly on the first day of each Interest Period. The LIBOR Rate shall be adjusted for any change in the LIBOR Reserve Percentage so that Lender shall receive the same yield. The interest rate will in no instance exceed the maximum rate permitted by applicable Law. Notwithstanding the foregoing, in no event shall the LIBOR Rate be less than one percent.

“LIBOR Rate Loan” means the Loan for the period(s) when the rate of interest applicable thereto is based upon the LIBOR Rate.

“LIBOR Reserve Percentage” means, relative to any day of any Interest Period, the maximum aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements (including all basic, emergency, supplemental, marginal, special and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) under any regulations of the Board of Governors of the Federal Reserve System (the “Board”) or other governmental authority having jurisdiction with respect thereto as issued from time to time and then applicable to assets or liabilities consisting of “Eurocurrency Liabilities”, as currently defined in Regulation D of the Board, having a term approximately equal or comparable to such Interest Period. Without limiting the effect of the foregoing, the LIBOR Reserve Percentage shall reflect any other reserves required to be maintained by such member banks with respect to (i) any category of liabilities which includes deposits by reference to which the applicable One Month LIBOR or any other interest rate of a Loan is to be determined, or (ii) any category of extensions of credit or other assets which include LIBOR Rate Loans. A LIBOR Rate Loan shall be deemed to constitute Eurocurrency liabilities and as such shall be deemed subject to reserve requirements without benefits of credit for proration, exceptions or offsets that may be available from time to time to the Lender. The rate of interest on LIBOR Rate Loans shall be adjusted automatically on and as of the effective date of any change in the LIBOR Reserve Percentage.

“LIBOR Screen Rate” means the LIBOR quote on the applicable screen page the Lender designates to determine LIBOR (or such other commercially available source providing such quotations as may be designated by the Lender from time to time).

“LIBOR Successor Rate” has the meaning set forth in Section 2.7(b).

“LIBOR Successor Rate Conforming Changes” means, with respect to any proposed LIBOR Successor Rate, any conforming changes to the definitions of “Prime Rate” or “Interest Period” or “One Month LIBOR”, the timing and frequency of determining rates and making payments of interest and other technical, administrative or operational matters as may be appropriate, in the discretion of the Lender, to reflect the adoption and implementation of such LIBOR Successor Rate and to permit the administration thereof by the Lender in a manner substantially consistent with market practice (or, if the Lender determines that adoption of any portion of such market practice is not administratively feasible or that no market practice for the administration of such LIBOR Successor Rate exists, in such other manner of administration as the Lender determines in consultation with the Borrower).

“Lien” means any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature whatsoever, whether voluntarily or involuntarily given, including any conditional

sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security and any filed financing statement or other notice of any of the foregoing (whether or not a lien or other encumbrance is created or exists at the time of the filing).

“Loan” means the Revolving Loan.

“Margin Stock” means “margin stock” as such term is defined in Regulation U of the Board of Governors as in effect from time to time.

“Material Adverse Effect” means a material adverse effect on (i) business, properties, assets, operations or condition, financial or otherwise, of the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Borrower to pay or perform its obligations under this Agreement or the other Financing Documents as such payment or performance becomes due in accordance with the terms thereof; (iii) the legality, validity, binding effect or enforceability against the Borrower under this Agreement or any other Financing Document; or (iv) the rights, powers and remedies of the Lender under this Agreement or the other Financing Documents.

“Multiemployer Plan” means any employee pension benefit plan which is a “multiemployer plan” within the meaning of Section 4001(a)(3) of ERISA and to which the Borrower or any member of the ERISA Group is then making or accruing an obligation to make contributions or, within the preceding five plan years, has made or had an obligation to make such contributions, or to which the Borrower or any member of the ERISA Group has any liability (contingent or otherwise).

“Note” means the Revolving Credit Note.

“Obligations” means all present and future indebtedness, duties, obligations, and liabilities, whether now existing or contemplated or hereafter arising, of the Borrower to the Lender under, arising pursuant to, in connection with and/or on account of the Loan or the provisions of this Agreement and/or any of the other Financing Documents, including, without limitation, the principal of, and interest on, late charges, fees, Enforcement Costs, expenses (including, without limitation, reasonable attorneys’ fees), regardless of whether such indebtedness, duties, obligations, and liabilities be direct, indirect, primary, secondary, joint, several, joint and several, fixed or contingent; and also means any and all renewals, extensions and rearrangements of any such indebtedness, obligations and liabilities.

“Obligor” means the Borrower and any guarantors and other loan parties subject to any Financing Document from time to time and their respective Subsidiaries and agents.

“One Month LIBOR” means for any Interest Period with respect to a LIBOR Rate Loan, the rate per annum equal to the London Interbank Offered Rate (“LIBOR”) or a comparable or successor rate which rate is approved by the Lender, as published on the applicable Bloomberg screen page (or such other commercially available source providing quotations of LIBOR as may be designated by the Lender from time to time) for a one month duration at approximately 11:00 am London time two (2) Business Days prior to the commencement of the applicable Interest Period; provided that if the above method for determining one month LIBOR shall not be available, the rate quoted in *The Wall Street Journal*, or a rate determined by a substitute method of determination as designated by the Lender; and provided further that if One Month LIBOR above would be less than 1.00%, then One Month LIBOR shall be deemed to be 1.00% per annum.

“Other Taxes” means any and all present or future stamp, court or documentary taxes or any other excise, property, intangible, recording, filing or similar Taxes which arise from any payment made, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, this Agreement and the other Financing Documents.

“PBGC” means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any successor.

“Pension Plan” means at any time an “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA) (including a “multiple employer plan” as described in Sections 4063 and 4064 of ERISA, but not a Multiemployer Plan) which is covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 or Section 430 of the Code and either (i) is sponsored, maintained or contributed to by any member of the

ERISA Group for employees of any member of the ERISA Group, (ii) has at any time within the preceding five years been sponsored, maintained or contributed to by any entity which was at such time a member of the ERISA Group for employees of any entity which was at such time a member of the ERISA Group, or in the case of a “multiple employer” or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years or (iii) or to which the Borrower or any member of the ERISA Group may have any liability (contingent or otherwise).

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Official Body (as such term is defined in the Syndicated Credit Agreement) or other entity.

“Prime Rate” means the annual interest rate publicly announced by the Lender from time to time as its prime rate. The Prime Rate is determined from time to time by the Lender as a means of pricing some loans to its borrowers. The Prime Rate is not tied to any external rate of interest or index, and does not necessarily reflect the lowest rate of interest actually charged by the Lender to any particular class or category of customers. If and when the Prime Rate changes, the rate of interest with respect to any amounts hereunder to which the Prime Rate applies will change automatically without notice to Borrower, effective on the date of any such change.

“Prime Rate Loan” means the Loan for the period(s) when the rate of interest applicable to such Loan is calculated by reference to the Prime Rate.

“Principal Amount” has the meaning set forth in the Note, which shall in no event exceed the Commitment.

“Principal Office” for the Lender, means the office of the Lender as set forth in Section 7.1, or such other office or office of a third party or sub-agent, as appropriate, as the Lender may from time to time designate in writing to Borrower.

“Revolving Credit Note” has the meaning described in Section 2.1.2 (Revolving Credit Note).

“Revolving Credit Termination Date” means the earlier of (a) October 31, 2020, and (b) the date on which the Lender’s obligation to make advances under the Revolving Loan is terminated by the Lender following an Event of Default.

“Revolving Loan” has the meaning described in Section 2.1.1 (Revolving Loan Amount).

“Sanctioned Country” means, at any time, any country or territory, or whose government is, the subject or target of any comprehensive Sanctions (including, but not limited to, the Crimea region of Ukraine, Cuba, Iran, North Korea and Syria).

“Sanctions” means any economic, trade or embargo imposed on, or other restrictions on engaging in dealings or transactions with, an individual, group, entity, territory or country, which are administered or enforced under applicable Sanctions Laws.

“Sanctions Laws” means all Laws relating to Sanctions administered or enforced by any Governmental Authority, including (without limitation) the Office of Foreign Assets Control and the U.S. Department of State, Global Affairs Canada, the Department of Public Safety of Canada, the United Nations Security Council, the Office of Financial Sanctions Implementation, the European Union or relevant member states of the European Union.

“Scheduled Unavailability Date” has the meaning set forth in Section 2.7(b).

“Solvent” means, with respect to any Person on any date of determination, taking into account any right of reimbursement, contribution or similar right available to such Person from other Persons, that on such date (i) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (ii) the present fair saleable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (iii) such Person is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (iv) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person’s ability to pay as such debts and liabilities mature, and (v) such Person

is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

“Subsidiary” of any Person at any time shall mean any corporation, trust, partnership, limited liability company or other business entity (i) of which more than 50% of the outstanding voting securities or other interests normally entitled to vote for the election of one or more directors or trustees (regardless of any contingency which does or may suspend or dilute the voting rights) is at such time owned directly or indirectly by such Person or one or more of such Person's Subsidiaries, or (ii) which is controlled or capable of being controlled by such Person or one or more of such Person's Subsidiaries.

“Syndicated Credit Agreement” shall mean that certain Credit Agreement dated as of October 8, 2015, by and among Chesapeake Utilities Corporation, as borrower, certain lending parties named therein, PNC Bank, National Association, as Administrative Agent, Swing Loan Lender and Issuing Lender, PNC Capital Markets LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Joint Lead Arrangers and Joint Bookrunners, and Bank of America, N.A., as Syndication Agent, as amended, restated, amended and restated, supplemented or otherwise modified from time to time.

“Taxes” has the meaning set forth in Section 2.9.

“Total Adjusted Capitalization” means at any date, the aggregate amount at that date, as determined on a consolidated basis, of the Funded Indebtedness of the Borrower and its Subsidiaries, plus Consolidated Net Worth.

“Type”, when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the One Month LIBOR or the Prime Rate.

“Uniform Commercial Code” means, unless otherwise provided in this Agreement, the Uniform Commercial Code as adopted by and in effect from time to time in the State of Delaware.

Capitalized terms not otherwise defined herein shall have the meaning given to those terms in the Syndicated Credit Agreement.

Section 1.2 Accounting Terms and Other Definitional Provisions. Unless otherwise defined herein, as used in this Agreement and in any certificate, report or other document made or delivered pursuant hereto, accounting terms not otherwise defined herein, and accounting terms only partly defined herein, to the extent not defined, shall have the respective meanings given to them under GAAP. Unless otherwise defined herein, all terms used herein which are defined by the Uniform Commercial Code shall have the same meanings as assigned to them by the Uniform Commercial Code unless and to the extent varied by this Agreement. All computations and determinations as to accounting or financial matters and all financial statements to be delivered pursuant to this Agreement shall be made and prepared in accordance with GAAP (including principles of consolidation where appropriate). Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement and each other Financing Document: (i) the words “hereto”, “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; (ii) article, section, subsection, schedule and exhibit references are references to articles, sections or subsections of, or schedules or exhibits to, as the case may be, this Agreement unless otherwise specified; (iii) the singular number shall include the plural, the plural the singular and the use of the masculine, feminine or neuter gender shall include all genders, as the context may require; (iv) references to the plural include the singular, the plural, the part and the whole and the words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation”; (v) the word “will” shall be construed to have the same meaning and effect as the word “shall”; (vi) reference to any Person includes such Person's successors and assigns; (vii) reference to any agreement, including this Agreement and one or more of the Financing Documents together with the schedules and exhibits hereto or thereto, document or instrument shall mean the same as the foregoing may from time to time be amended, restated, substituted, extended, renewed, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements

or modifications set forth herein); (viii) relative to the determination of any period of time, “from” means “from and including,” “to” means “to but excluding,” and “through” means “through and including”; (ix) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time; (x) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights; (xi) section headings herein and in each other Financing Document are included for convenience and shall not affect the interpretation of this Agreement or such Financing Document, and (xii) unless otherwise specified, all references herein to times of day shall constitute references to Eastern Time.

ARTICLE II

THE CREDIT FACILITIES

Section 2.1 Revolving Loan.

2.1.1 Revolving Loan Amount. Subject to and upon the provisions of this Agreement and relying upon the representations and warranties herein set forth, the Lender establishes a revolving credit facility in favor of the Borrower (the “Revolving Loan”). The outstanding principal balance of the Revolving Loan shall at no time exceed the Commitment. The Lender’s obligation to make advances under the Revolving Loan shall terminate on the Revolving Credit Termination Date and, following a Default or an Event of Default under this Agreement, may be limited, suspended or terminated at the Lender’s sole and absolute discretion exercised from time to time.

2.1.2 Revolving Credit Note. The Borrower’s obligation to repay the advances of the Revolving Loan shall be evidenced by a certain Promissory Note dated the same date as this Agreement (as it may be amended, modified, restated, substituted, extended and renewed at any time or from time to time, the “Revolving Credit Note”) in substantially the form attached to this Agreement as Exhibit A and in the face principal amount of the Commitment and having a maturity date, repayment terms and interest rate as set forth in the Revolving Credit Note; provided, that, in no event shall the maturity date exceed the Revolving Credit Termination Date. Each sum advanced to the Borrower by the Lender under the Revolving Loan shall be evidenced by a Revolving Loan confirmation in customary form (the “Revolving Loan Confirmation”). Subject to the terms and conditions of this Agreement, sums borrowed under the Revolving Loan and repaid may be readvanced.

2.1.3 Revolving Loan Procedures. The Borrower may borrow under the Revolving Loan on any Business Day. If the Borrower wishes to borrow a Loan, the Borrower shall provide the Lender with a Borrowing Request not later than (i) with respect to LIBOR Rate Loans, 11:00 a.m., New York City time (or such later time as is acceptable to the Lender), three (3) Business Days before the date of the proposed borrowing or (ii) with respect to Prime Rate Loans, 11:00 a.m., New York City time (or such later time as is acceptable to the Lender), one (1) Business Day before the date of the proposed borrowing. Such Borrowing Request shall specify the following information: (a) the aggregate amount of the requested sum to be borrowed, which shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000; provided that a Borrowing of Loans at the Prime Rate may be in an aggregate amount that is equal to the entire unused balance of the total Principal Amount, (b) the date of the borrowing of such Loan, which shall be a Business Day, (c) the location and number of the Borrower’s account in which such Loan is to be deposited to the Borrower, (d) whether such Borrowing is to be at the LIBOR Rate or Prime Rate and (e) with respect to a continuation or conversion of a Type of Loans, the Borrowing to which such interest election applies. If requested by the Lender, the Borrower shall state in the Borrowing Request the purpose of the requested borrowing.

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be a Prime Rate Loan. The Interest Period with respect to any requested LIBOR Rate Loan shall be deemed to be an Interest Period of one month’s duration. Except as otherwise provided herein, a Borrowing Request for a LIBOR Rate Loan shall be irrevocable on and after the related Interest Rate Determination Date, and the Borrower shall be bound to make a borrowing in accordance therewith. As soon as practicable after 10:00 a.m., New York City time, on each Interest Rate Determination Date, the Lender shall determine (which determination shall, absent manifest error, be final, conclusive and binding upon all parties) the interest rate that shall apply to the LIBOR Rate Loan for which an interest

rate is then being determined for the applicable Interest Period and shall promptly give notice thereof (in writing or by telephone confirmed in writing) to Borrower.

Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a LIBOR Rate Loan, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a LIBOR Rate Loan, may elect Interest Periods therefor, all as provided in this Section.

If the Borrower fails to deliver a timely Borrowing Request with respect to a LIBOR Rate Loan prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be continued as a LIBOR Rate Loan with an Interest Period of one month's duration. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing, (i) no outstanding Borrowing may be converted to or continued as a LIBOR Rate Loan and (ii) unless repaid, each LIBOR Rate Loan shall be converted to a Prime Rate Loan at the end of the Interest Period applicable thereto.

Section 2.2 Interest.

(a) Interest Rates. Subject to paragraph (b) of this Section, (i) each Prime Rate Loan shall bear interest at the Prime Rate *plus* the Applicable Margin and (ii) each LIBOR Rate Loan shall bear interest at the One Month LIBOR for the Interest Period in effect for such Borrowing *plus* the Applicable Margin.

(b) Default Interest. Notwithstanding the foregoing, at all times when an Event of Default has occurred hereunder and is continuing, all overdue amounts outstanding hereunder shall bear interest, after as well as before judgment, at a rate *per annum* equal to (i) in the case of overdue principal of any Loan, 2.00% *plus* the rate otherwise applicable to such Loan as provided in Section 2.2(a) or (ii) in the case of any other overdue amount, 2.00% *plus* the rate applicable to Prime Rate Loans as provided in Section 2.2(a).

(c) Payment Date. Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and upon termination of the Commitment; *provided that* (i) interest accrued pursuant to paragraph (b) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of a Prime Rate Loan prior to the Revolving Credit Termination Date), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any LIBOR Rate Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(d) Interest Computations. All interest shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Prime Rate at times when the Prime Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Prime Rate or One Month LIBOR shall be determined by the Lender, as the case may be, and such determination shall be conclusive absent manifest error.

(e) Compensation for Breakage or Non-Commencement of Interest Periods. In the event of (i) the payment or prepayment (voluntary or otherwise) of any principal of any LIBOR Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (ii) the conversion of any LIBOR Rate Loan other than on the last day of the Interest Period applicable thereto or (iii) the failure to borrow, convert, continue or prepay any LIBOR Rate Loan on the date specified in any notice delivered pursuant hereto, the Borrower will compensate the Lender for the actual loss, cost and expense incurred by the Lender attributable to such event, excluding loss of anticipated profits or margin and without giving to any applicable LIBOR "floor." A certificate of the Lender computing any amount or amounts that the Lender is entitled to receive pursuant to this Section will be delivered to the Borrower and will be presumptively correct. The Borrower will pay the Lender the amount shown as due on any such certificate within ten days after receipt thereof.

Section 2.3 Termination and Reduction of Commitment.

(a) Unless previously terminated, the Commitment shall terminate on the Revolving Credit Termination Date. On the Revolving Credit Termination Date, the Borrower shall indefeasibly pay in full in cash the principal and interest on the Loans and any other Obligations outstanding under any Financing Document (other than any indemnification obligations for which no claim has been asserted).

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitment; *provided* that (i) each reduction of the Commitment shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000 and (ii) the Borrower shall not terminate or reduce the Commitment if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.4, the sum of the aggregate principal amount of all outstanding Loans would exceed the total Commitment.

(c) The Borrower shall notify the Lender of any election to terminate or reduce the Commitment under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; *provided* that a notice of termination of the Commitment delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities or another transaction, in which case such notice may be revoked by the Borrower (by notice to the Lender on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitment shall be permanent.

Section 2.4 Repayment of Loans.

(a) The Borrower may prepay the outstanding Principal Amount in whole or in part at any time in integral multiples of \$100,000 with accrued interest through the date of prepayment as set forth in Section 2.2.

(b) The Borrower shall notify the Lender in writing in substantially the form set forth in Exhibit D of any prepayment pursuant to clause (a) hereunder (i) in the case of prepayment of a LIBOR Rate Loan, not later than 12:00 noon, New York City time, two Business Days before the date of prepayment or (ii) in the case of prepayment of a Prime Rate Loan, not later than 12:00 noon, New York City time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.1.3. Prepayments shall be accompanied by accrued interest and costs as required by Section 2.2.

(c) If at any time the aggregate principal amount of all outstanding Loans exceeds the total Commitment then in effect, the Borrower shall forthwith prepay the Loans to the extent necessary so that the aggregate principal amount of all outstanding Loans shall not exceed the Commitment then in effect.

(d) Amounts to be applied in connection with prepayments made pursuant to this Section shall be applied to the Loans up to the amount of the then outstanding Loans (with no reduction in commitment amounts). The application of any prepayment to Loans pursuant to this Sections 2.4(d) shall be made, *first*, to Prime Rate Loans and, *second*, to LIBOR Rate Loans.

(e) The Borrower shall deliver to the Lender, at the time of each prepayment required under this Section, a certificate signed by an authorized officer of the Borrower setting forth in reasonable detail the calculation of the amount of such prepayment.

Section 2.5 General Provisions.

(a) Use of Loan Proceeds. The Borrower shall use the proceeds of the Loan solely for the purposes expressly permitted by this Agreement. No portion of the proceeds of or draws related to any Loan will be used to purchase or carry Margin Stock or in any manner that causes or might cause such Loan or the application of such proceeds to violate Regulation T, Regulation U or Regulation X of the Board of Governors or any other regulation thereof or to violate the Exchange Act. The Borrower nor any of its Subsidiaries or any of their respective directors and officers, will directly or indirectly use any part of any proceeds of any Loan or lend, contribute, or otherwise make available such proceeds to any Person (i) to fund or facilitate any activities or business of or with any Blocked Person (ii) to fund or facilitate any activities or business of or in any Sanctioned Country or (iii) in any other manner that will result in a violation by any party hereto of Sanctions. No part of the proceeds of any Loan will be used, directly or indirectly for any payments to any Governmental Authority or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of Anti-Bribery and Corruption Laws.

(b) Revolving Credit Unused Line Fee. The Borrower shall pay to the Lender a monthly revolving credit facility fee (collectively the "Commitment Fees" and individually, a "Commitment Fee") in an amount based upon the daily unused and undisbursed portion of the maximum committed amount under the Revolving Loan in effect

from time to time accruing during each month multiplied by 0.35%. The accrued and unpaid portion of the Commitment Fee shall be paid by the Borrower to the Lender on the first day of each month, commencing on the first such date following the date hereof, and on the Revolving Credit Termination Date. The Commitment Fee will be calculated on the basis of a 360-day year and the actual number of days elapsed.

(c) Payments Absolute. All payments to the Lender in respect of the Obligations, including, without limitation, principal, interest, prepayments, and fees, shall be paid by the Borrower without setoff, recoupment or counterclaim to the Lender at the Lender's office specified in the Note in immediately available funds not later than 12:00 noon, Eastern Standard Time, on the due date of such payment. All payments shall be applied to the Obligations in such order as is specified in this Agreement.

Section 2.6 LIBOR Rate Lending Unlawful. If the Lender shall determine (which determination shall, upon notice thereof to the Borrower, be conclusive and binding on the Borrower) that any law has made it unlawful, or change in or in the interpretation of any law, rule, regulation or guideline, (whether or not having the force of law) makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful, for the Lender to make, continue or maintain the Loan as a LIBOR Rate Loan, the obligations of the Lender to make, continue or maintain the Loan as a LIBOR Rate Loan shall, upon such determination, forthwith be suspended until the Lender shall notify the Borrower that the circumstances causing such suspension no longer exist.

Upon receipt of such notice, (i) the Borrower shall, upon demand from the Lender, prepay or, if applicable, convert all LIBOR Rate Loans to Prime Rate Loans (the interest rate on which Prime Rate Loans of the Lender shall, if necessary to avoid such illegality, be determined by the Lender without reference to the One Month LIBOR component of the Prime Rate), either on the last day of the Interest Period therefor, if the Lender may lawfully continue to maintain such LIBOR Rate Loans to such day, or immediately, if the Lender may not lawfully continue to maintain such LIBOR Rate Loans and (ii) if such notice asserts the illegality of the Lender determining or charging interest rates based upon One Month LIBOR, the Lender shall during the period of such suspension compute the Prime Rate applicable to the Lender without reference to the One Month LIBOR component thereof until the Lender determines in its sole discretion that it is no longer illegal for the Lender to determine or charge interest rates based upon One Month LIBOR. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted, together with any additional amounts required pursuant to Section 2.2(e).

Section 2.7 Unavailability of LIBOR Rate.

(a) In the event that the Lender, in its sole discretion, shall have determined that U.S. dollar deposits in the relevant amount and for any Interest Period are not available to the Lender in the London interbank market; or by reason of circumstances affecting the Lender in the London interbank market, adequate and reasonable means do not exist for ascertaining One Month LIBOR applicable to the relevant Interest Period; or One Month LIBOR no longer adequately and fairly reflects the Lender's cost of funding loans; upon notice from the Lender to the Borrower, the obligations of the Lender hereunder and under this Agreement to make or continue the Loan as a LIBOR Rate Loan shall forthwith be suspended until the Lender shall notify the Borrower that the circumstances causing such suspension no longer exist, and the Loan shall automatically convert into a Prime Rate Loan at the end of the then current Interest Period or sooner, if required by such law or assertion. In the event of a determination described in the preceding sentence with respect to the LIBOR Rate component of the Prime Rate, the utilization of the LIBOR Rate component in determining the Prime Rate shall be suspended, in each case until the Lender revokes such notice.

(b) Notwithstanding anything to the contrary in this Agreement or any other Financing Documents, if the Lender determines (which determination shall be conclusive absent manifest error) that:

(i) adequate and reasonable means do not exist for ascertaining LIBOR for any requested Interest Period, including, without limitation, because the LIBOR Screen Rate is not available or published on a current basis and such circumstances are unlikely to be temporary; or

(ii) the administrator of the LIBOR Screen Rate or a Governmental Authority having jurisdiction over the Lender has made a public statement identifying a specific date after which LIBOR or the LIBOR Screen Rate shall no longer be made available, or used for determining the interest rate of loans, provided that, at the time of such statement, there is no successor administrator that is satisfactory to the Lender, that will continue to provide LIBOR after such specific date (such specific date, the "Scheduled Unavailability Date"); or

(iii) loans currently being executed, or existing loans that include language similar to that contained in this Section 2.7, are being executed or amended (as applicable) to incorporate or adopt a new benchmark interest rate to replace LIBOR,

then, reasonably promptly after such determination by the Lender, the Lender and the Borrower may amend this Agreement solely for the purpose of replacing LIBOR in accordance with this Section 2.7 with an alternate benchmark rate giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated credit facilities for such alternative benchmarks and, in each case, including any mathematical or other adjustments to such benchmark giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated credit facilities for such benchmarks, which adjustment or method for calculating such adjustment shall be published on an information service as selected by the Lender from time to time in its reasonable discretion and may be periodically updated (the "Adjustment" and any such proposed rate, a "LIBOR Successor Rate"). Such LIBOR Successor Rate shall be applied in a manner consistent with market practice; provided that to the extent such market practice is not administratively feasible for the Lender, such LIBOR Successor Rate shall be applied in a manner as otherwise reasonably determined by the Lender.

If no LIBOR Successor Rate has been determined and the circumstances under clause (i) above exist or the Scheduled Unavailability Date has occurred (as applicable), the Lender will promptly so notify the Borrower. Thereafter, (x) the obligation of the Lender to make or maintain LIBOR Rate Loans shall be suspended (to the extent of the affected LIBOR Rate Loans or Interest Periods), and (y) the LIBOR Rate component shall no longer be utilized in determining the Prime Rate. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of LIBOR Rate Loans (to the extent of the affected LIBOR Rate Loans or Interest Periods) or, failing that, will be deemed to have converted such request into a request for a Borrowing of Prime Rate Loans in the amount specified therein.

Notwithstanding anything else herein, any definition of LIBOR Successor Rate shall provide that in no event shall such LIBOR Successor Rate be less than one percent for purposes of this Agreement.

In connection with the implementation of a LIBOR Successor Rate, the Lender will have the right to make LIBOR Successor Rate Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Financing Document, any amendments implementing such LIBOR Successor Rate Conforming Changes will become effective without any further action or consent of any other party to this Agreement; provided that, with respect to any such amendment effected, the Lender shall provide each such amendment implementing such LIBOR Successor Rate Conforming Changes to the Borrower reasonably promptly after such amendment becomes effective.

Section 2.8 Increased Costs.

(a) Increased Costs Generally. If, on or after the date hereof, the adoption of any applicable law, rule or regulation or guideline (whether or not having the force of law), or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Lender with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency ("Change in Law"):

(i) shall impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System of the United States) against assets of, deposits with or for the account of, or credit extended by, the Lender or shall impose on the Lender or on the London interbank market any other condition affecting loans based on One Month LIBOR or its obligation to make loans based on One Month LIBOR;

(ii) subject the Lender to any Taxes (other than Indemnified Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) shall impose on the Lender any other condition, cost or expense (other than Taxes) affecting this Agreement or the Loans made by the Lender,

and the result of any of the foregoing is to increase the cost to the Lender of making, converting to, continuing or maintaining any Loan or of maintaining its obligation to make such Loan, or to increase the cost to the Lender, or to reduce the amount of any sum received or receivable by the Lender (whether of principal, interest or any other amount) then, upon request of the Lender, the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any change in, or the introduction, adoption, effectiveness, interpretation, reinterpretation or phase-in of, any law or regulation, directive, guideline, decision or request (whether or not having the force of law) of any court, central bank, regulator or other Governmental Authority affects or would affect the amount of capital required to be maintained by the Lender, or person controlling the Lender (a “Change in Capital Law”), and the Lender determines that the rate of return on its or such controlling person’s capital as a consequence of its commitments hereunder or the loans made by the Lender under this Agreement is reduced to a level below that which the Lender or such controlling person could have achieved but for the occurrence of such Change in Capital Law (taking into consideration the Lender’s policies with respect to capital adequacy), then, in any such case upon notice from time to time by the Lender to the Borrower, the Borrower shall promptly pay directly to the Lender additional amounts sufficient to compensate the Lender or such controlling person for such reduction suffered.

(c) Certificates for Reimbursement. A certificate of the Lender as to any additional amount or amounts to compensate the Lender, as specified in clauses (a) or (b), shall be delivered to the Borrower and shall, in the absence of manifest error, be conclusive and binding on the Borrower. In determining such amount, the Lender may use any method of averaging and attribution that it (in good faith, but in its sole and absolute discretion) shall deem applicable. The Borrower shall pay the Lender the amount shown as due on any such certificate within ten days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of the Lender to demand compensation pursuant to the foregoing provisions shall not constitute a waiver of the Lender’s right to demand such compensation, provided that the Borrower shall not be required to compensate the Lender pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that the Lender notifies the Borrower of the Change in Law or the Change in Capital Law giving rise to such increased costs or reductions and of the Lender’s intention to claim compensation therefor (except that, if the Change in Law or the Change in Capital Law giving rise to such increased costs or reductions is retroactive, then the nine month period referred to above shall be extended to include the period of retroactive effect thereof).

Section 2.9 Taxes.

(a) Defined Terms. For purposes of this Section, the term “applicable law” includes FATCA.

(b) Payment Free of Taxes. All payments by the Borrower of principal of, and interest on, the Loan and all other amounts payable under the Financing Documents shall be made free and clear of and without deduction for any present or future income, excise, stamp or franchise taxes and other taxes, fees, duties, withholdings, interest, penalties or other charges of any nature whatsoever imposed by any taxing authority, but excluding franchise taxes and taxes imposed on or measured by the Lender’s net income or receipts (such non-excluded items being called “Taxes”). In the event that any withholding or deduction from any payment to be made by the Borrower hereunder is required in respect of any Taxes pursuant to any applicable law, rule or regulation, then the Borrower will:

- (1) pay directly to the relevant authority the full amount required to be so withheld or deducted;
- (2) promptly forward to the Lender an official receipt or other documentation satisfactory to the Lender evidencing such payment to such authority; and
- (3) pay to the Lender such additional amount or amounts as is necessary to ensure that after such deduction or withholding has been made (including such deductions and withholdings applicable to

additional sums payable under this Section) the net amount actually received by the Lender will equal the full amount the Lender would have received had no such withholding or deduction been required.

Moreover, if any Taxes are directly asserted against the Lender with respect to any payment received by the Lender hereunder, (a) Lender may pay such Taxes and the Borrower will promptly pay such additional amount (including any penalties, interest or expenses) as is necessary in order that the net amount received by the Lender after the payment of such Taxes (including any Taxes on such additional amount) shall equal the amount the Lender would have received had not such Taxes been asserted or (b) the Lender shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable Law and, if such Tax is an Indemnified Tax, then the aggregate principal amount of Loans outstanding shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the Lender receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by Borrower. The Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable Law, or at the option of the Lender timely reimburse it for the payment of, any Other Taxes.

(d) Indemnification by Borrower. The Borrower shall indemnify the Lender, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by the Lender or required to be withheld or deducted from a payment to the Lender and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by the Lender shall be conclusive absent manifest error.

(e) Evidence of Payment. As soon as practicable after any payment of Taxes by the Borrower to a Governmental Authority pursuant to this Section, the Borrower shall deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender.

(f) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section (including by the payment of additional amounts pursuant to this Section), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (f) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (f), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (f) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(g) Survival. Each party's obligations under this Section shall survive the replacement of, the Lender, the termination of the Commitment and the repayment, satisfaction or discharge of all obligations under any Financing Document.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lender, and shall be deemed to represent and warrant to the Lender at the time each request for an advance under the Loan is submitted and again at the time any advance is made under the Loan, as follows:

Section 3.1 Good Standing. The Borrower is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. The Borrower has the power and authority to own its property and to carry on its business in each jurisdiction in which the Borrower does business.

Section 3.2 Authority and Compliance. The Borrower has full power and authority to execute and deliver the Financing Documents and to incur and perform the obligations provided for therein, all of which have been duly authorized by all proper and necessary action of the appropriate governing body of the Borrower. No consent or approval of any Governmental Authority or other third party is required as a condition to the validity of any Financing Document. The Borrower is in compliance with all Laws to which it is subject, except where noncompliance would not have a Material Adverse Effect.

Section 3.3 Binding Agreement. This Agreement and the other Financing Documents executed by the Borrower constitute valid and legally binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms.

Section 3.4 No Conflicting Agreements. The execution, delivery and performance by the Borrower of this Agreement and the other Financing Documents does not conflict with or violate the (i) the Certificate of Incorporation or Bylaws of the Borrower, (ii) any provision of any existing agreement, mortgage, indenture or contract binding on the Borrower, or (iii) any Laws applicable to the Borrower.

Section 3.5 No Defaults. The Borrower is in compliance with its covenants and agreements in this Agreement and in the other Financing Documents. No Default or Event of Default has occurred and is continuing.

Section 3.6 Financial Statements and Other Information. The audited financial statements of the Borrower as of December 31, 2019, have been delivered to the Lender and have been prepared on a consolidated basis in accordance with GAAP applied on a consistent basis throughout the period involved and fairly present the Borrower's financial condition as of the date thereof. The unaudited financial statements of the Borrower as of September 30, 2019, have been delivered to the Lender and have been prepared on a consolidated basis in accordance with GAAP applied on a consistent basis throughout the period involved and fairly present the Borrower's financial condition as of the date thereof, subject to normal year-end adjustments. There has been no material adverse change in the Borrower's financial condition or operations since December 31, 2019. All factual information (oral or written) previously furnished by the Borrower to the Lender in connection with this Agreement and the other Financing Documents was accurate and complete in all material respects on the date as of which such information was delivered to the Lender and did not omit or misstate any material fact necessary to make such information not misleading. All factual information (oral or written) to be furnished by the Borrower to the Lender in connection with this Agreement and the other Financing Documents in the future will be accurate and complete in all material respects on the date as of which such information is delivered to the Lender and will not omit any material fact necessary to make such information not misleading. There is no fact known to the Borrower which materially adversely affects the business, property, assets, financial condition, results of operations or prospects of the Borrower and its Subsidiaries, taken as a whole, which has not been set forth in this Agreement or in the certificates, statements, agreements or other documents furnished in writing to the Lender prior to or at the date hereof in connection with the transactions contemplated hereby.

Section 3.7 Information. The information contained in Exhibit B, which is attached to and a part of this Agreement, is true, correct and complete in all respects.

Section 3.8 Litigation. Except as disclosed in notes to the Financial Statements, there is no proceeding involving the Borrower pending or, to the knowledge of the Borrower, threatened before any court or Governmental Authority, agency, instrumentality or arbitration authority, which, if adversely determined, could reasonably be expected to have a Material Adverse Effect or which state to affect, impact or restate this Agreement or any of the Financing Documents or the transactions contemplated hereby or thereby.

Section 3.9 Taxes and Other Obligations. All federal, state, local and other tax returns required to have been filed with respect to the Borrower and each Subsidiary of the Borrower have been filed, and payment or adequate provision has been made for the payment of all taxes, fees, assessments and other governmental charges which have

or may become due pursuant to said returns or otherwise levied or imposed upon them, their properties, income or assets which are due and payable, except to the extent that such taxes, fees, assessments and other charges are being contested in good faith by appropriate proceedings diligently conducted and for which such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made.

Section 3.10 Environmental Matters. Except as disclosed in the notes to the financial statements identified in Section 3.6, to the knowledge of the Borrower, the conduct by the Borrower of its business operations does not violate any Laws for environmental protection, regulations of the U.S. Environmental Protection Agency or any other applicable Laws relating to the environment or Hazardous Materials, except where such violation would not have a Material Adverse Effect.

Section 3.11 Government Sanctions. The Borrower confirms it has policies, procedures and controls reasonably designed to comply with all applicable Anti-Money Laundering Laws, including all those applicable in the jurisdictions in which Obligor conducts business. The Borrower warrants on behalf of itself and its Subsidiaries that neither it, nor to its knowledge any of its Affiliates and their respective directors, officers, employees and agents: (a) is in violation of any Anti-Money Laundering Laws; or (b) is engaged in or will engage in any transaction contemplated by this Agreement that evades or avoids, or has the purpose of evading or avoiding, or violates or attempts to violate, any of the requirements set forth in any Anti-Money Laundering Laws.

The Borrower, on behalf of itself and its Subsidiaries, represents, warrants and covenants that neither it, nor to its knowledge any of its Affiliates and their respective directors, officers, employees and agents: (a) is, or is owned or controlled by, a person, group or entity that is (i) the subject of any Sanctions, or (ii) is located, organized or resident in a country or territory that is the subject of Sanctions; (b) has engaged, or will engage, in any dealings or transactions with or for the benefit of any person, group or entity, or in any country or territory, that at the time of the dealing or transaction was the subject of Sanctions; (c) is in violation of any Sanctions Laws; (d) is engaged in or will engage in any transaction contemplated by this Agreement that evades or avoids, or has the purpose of evading or avoiding, or violates or attempts to violate, any of the prohibitions set forth in any Sanctions Laws; and (e) will, directly or indirectly, use the proceeds of the transaction contemplated by this Agreement, or lend, contribute or otherwise make available such proceeds to any other person, in any manner that violates any Sanctions Laws applicable to any party hereto, including for the purpose of funding, financing or facilitating (i) any activities of, or business with, any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions, or (ii) any other transaction that will result in a violation by any Person (including any Person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions.

The Borrower, on behalf of itself and its Subsidiaries, represents, warrants and covenants that neither it, nor to its knowledge any of its Affiliates and their respective directors, officers, employees and agents: (a) is in violation of any Anti-Bribery and Corruption Laws; (b) is engaged in or will engage in any transaction contemplated by this Agreement that evades or avoids, or has the purpose of evading or avoiding, or violates or attempts to violate, any of the prohibitions set forth in any Anti-Bribery and Corruption Laws; or (c) will, directly or indirectly, use the proceeds of the transactions contemplated by this Agreement, or lend, contribute or otherwise make available such proceeds to any other person, in any manner that violates any Anti-Bribery and Corruption Laws applicable to any party hereto, including (i) for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, and (ii) for making any bribe, unlawful rebate or payoff, influence payment, kickback or other unlawful payment.

Section 3.12 Beneficial Ownership Certification. The information included in the Beneficial Ownership Certification most recently provided to the Lender, if applicable, is true and correct in all respects.

Section 3.13 Use of Revolving Loan Proceeds. The proceeds of the Revolving Loan shall be used for working capital, for capital expenditures, to fund acquisition of business opportunities, and for general corporate purposes of the Borrower or its Subsidiaries and not in contravention of any Law or of any Financing Document.

ARTICLE IV

CONDITIONS OF LENDING

In addition to the conditions stated elsewhere in this Agreement, the Lender shall not be obligated to consider or to make any advance under this Agreement, unless on the date of the advance is requested and on the date the advance is to be made:

Section 4.1 Representations and Warranties. The representations and warranties contained in ARTICLE III (Representations and Warranties) are true and correct in all material respects (except for representations and warranties that are already qualified by materiality, which representations and warranties will be true and correct in all respects) immediately prior to and after giving effect to such requested advance. Each request for an advance shall be deemed a representation by Borrower that the conditions of this Article IV have been met.

Section 4.2 Compliance. The Borrower is in compliance with all of the covenants and agreements contained in this Agreement and in the other Financing Documents.

Section 4.3 Default. No Default or Event of Default has occurred and is continuing.

Section 4.4 No Adverse Changes. There shall have been no material adverse change in the financial condition or business of Borrower since December 31, 2019.

Section 4.5 Documentation. The Lender shall have received such Financing Documents, opinions, record searches, financial statements, assignments, waivers, certificates and other documents as the Lender may require, all in form and substance reasonably satisfactory to the Lender and its counsel.

Section 4.6 Fees and Expenses. The Borrower has paid (i) all fees charged by the Lender for the Loan as of the date this Agreement is signed, including, without limitation, a loan fee in an amount equal to \$30,000 (the "Loan Fee"), which Loan Fee shall be paid by the Borrower on the date hereof, is fully-earned and is non-refundable, and (ii) the Commitment Fee and all other fees charged by the Lender as such fees become due hereafter, including, without limitation the cost, expenses and attorneys' fees the Borrower is required to pay to Lender pursuant to Section 7.3 of this Agreement.

Section 4.7 KYC Information. Upon the request of the Lender, the Borrower shall have provided to the Lender, and the Lender shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act. If the Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, it shall have provided a Beneficial Ownership Certification to the Lender if so requested.

Section 4.8 Syndicated Credit Agreement Compliance. Prior to and immediately after the incurrence of any Borrowing, the Borrower shall be in pro forma compliance with Section 9.8 of the Syndicated Credit Agreement and no Event of Default (as defined in the Syndicated Credit Agreement) or Potential Default (as defined in the Syndicated Credit Agreement) shall have occurred and be continuing or would result therefrom.

Section 4.9 Solvency. On the date of this Agreement and prior to and immediately after the incurrence of any Borrowing, the Borrower and its Subsidiaries on a consolidated basis are Solvent.

ARTICLE V

COVENANTS

Until the Commitments have expired or been terminated and all Obligations have been indefeasibly paid in full in cash, the Borrower covenants and agrees that (without limiting any requirement of any other Financing Document):

Section 5.1 Affirmative and Negative Covenants.

5.1.1 Financial Statements and Other Information. The Borrower will furnish to the Lender the following, which shall be in form and content reasonably satisfactory to the Lender:

(a) Within one hundred fifty (150) days after the close of the Borrower's fiscal year, annual financial statements prepared on a consolidated basis in accordance with GAAP and audited by the Borrower's independent certified public accountants reasonably acceptable to the Lender. The opinion or report of accountants shall be prepared in accordance with reasonably acceptable auditing standards and shall be free of any qualification (other than any consistency qualification that may result from a change in the method used to prepare the financial statements as to which such accountants concur), including without limitation as to the scope of such audit or status as a "going concern" of the Borrower on a consolidated basis (all of which may be provided by means of delivery of the applicable SEC Form 10-K, which will be deemed delivered upon filing thereof).

(b) Within forty-five (45) days after the close of each of the Borrower's fiscal quarters, financial statements of the Borrower, consisting of (i) a consolidated balance sheet as of the end of such fiscal quarter, (ii) related consolidated statements of income, stockholders' equity for the fiscal quarter then ended and the fiscal year through that date and (iii) related consolidated statements of cash flows for the fiscal year through that date, in each case, all in reasonable detail and certified (subject to normal year-end audit adjustments) by the Chief Executive Officer, President or Chief Financial Officer of the Borrower as having been prepared in accordance with GAAP (subject only to normal year-end audit adjustments and the absence of notes), consistently applied, and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year (all of which may be provided by means of delivery of the applicable SEC Form 10-Q, which will be deemed delivered upon filing thereof).

(c) Within ninety (90) days after the end of each fiscal year, a twelve-month capital budget showing the projected short term borrowings of the Borrower for the new fiscal year.

(d) Such additional information, reports and statements respecting the business operations and financial condition of the Borrower, from time to time, as the Lender may reasonably require.

5.1.2 Accounting; Books and Records. The Borrower will maintain a system of accounting that enables it to prepare its financial statement in accordance with GAAP, and permit the officers or representatives of the Lender, during normal business hours, to visit and inspect the Borrower's books of account and other records, businesses and properties. Unless written notice of another location is given to the Lender, the Borrower's books and records will be located at the Borrower's chief executive office described on Exhibit B.

5.1.3 Existence and Compliance. The Borrower will maintain its existence, good standing and qualification to do business wherever required, and will comply with all Laws, including, without limitation, the Employment Retirement Income Security Act of 1974, as amended from time to time, and environmental Laws applicable to it or to any of its property, business operations and transactions, except where any such lack of qualification or noncompliance would not have a Material Adverse Effect.

Neither the Borrower nor its Subsidiaries shall (a) engage, in any dealings or transactions with or for the benefit of any person, group or entity, or in any country or territory, that at the time of the dealing or transaction was the subject of Sanctions; (b) engage in any transaction contemplated by this Agreement that evades or avoids, or has the purpose of evading or avoiding, or violates or attempts to violate, any of the prohibitions set forth in any Sanctions Laws; (c) directly or indirectly, use the proceeds of the transactions contemplated by this Agreement, or lend, contribute or otherwise make available such proceeds to any other person, in any manner that violates any Anti-Bribery and Corruption Laws applicable to any party hereto, including (i) for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, and (ii) for making any bribe, unlawful rebate or payoff, influence payment, kickback or other unlawful payment; or (d) act, or omit to act, in a way that could put the Lender at risk of violating Anti-Money Laundering Laws, Anti-Bribery and Corruption Laws or Sanctions Laws applicable to the Lender. Any violation by the Borrower or any of its Subsidiaries of any Anti-Money Laundering Laws, Anti-Bribery and Corruption Laws or Sanctions Laws will be considered a material breach of this Agreement, and the Lender may, without limiting any other remedy it has, exercise its rights under this Agreement to audit the Borrower or to terminate the Agreement.

5.1.4 Maintenance. The Borrower will maintain all of its tangible property in good condition and repair and make all necessary replacements thereof, and preserve and maintain all licenses, trademarks, privileges, permits, franchises, certificates and the like, in each case, as it deems necessary or desirable for the operation of its business.

5.1.5 Insurance. The Borrower shall, and shall cause each of its Subsidiaries to, insure its properties and assets against loss or damage by fire and such other insurable hazards and against other risks as such assets are commonly insured in such amounts as similar properties and assets are insured by prudent companies in similar circumstances carrying on similar businesses, and with reputable and financially sound insurers which are not Affiliates of the Borrower, (except to the extent customarily self-insured or such Affiliates are otherwise acceptable to the Lender).

5.1.6 Taxes and Other Obligations. The Borrower will file all material federal, state, local and other tax returns on a timely basis as required by Law, subject to extensions or exemptions available under applicable Law or by the applicable Governmental Authority. The Borrower will pay when due all of its taxes and other governmental assessments as the same become due and payable, except to the extent the same are being contested in good faith and in a diligent manner by appropriate proceedings and against which adequate reserves are being maintained.

5.1.7 Hazardous Materials. The Borrower will not use, and will use reasonable efforts to prevent any other party from using, any Hazardous Materials at any of the Borrower's places of business or at any other property owned, controlled or operated by the Borrower except such materials as are incidental to the Borrower's normal course of business, maintenance and repairs and which are handled in compliance with all applicable Laws. The Borrower agrees to permit the Lender, its agents, contractors and employees to enter and inspect any of the Borrower's places of business or any other property of the Borrower at any reasonable times upon three (3) days prior notice for the purposes of conducting, at Lender's expense, an environmental investigation and audit (including taking physical samples) to insure that the Borrower is complying with this covenant. The Borrower shall provide the Lender, its agents, contractors, employees and representatives with access to and copies of any and all data and documents relating to or dealing with any Hazardous Materials used, generated, manufactured, stored or disposed of by the Borrower's business operations within five (5) days of the Lender's request therefor.

5.1.8 Notices.

(a) Environmental. The Borrower will promptly notify the Lender in writing of (a) any and all enforcement, cleanup, remedial, removal, or other governmental or regulatory actions against the Borrower instituted or threatened pursuant to any applicable Laws relating to any Hazardous Materials; and (b) all material claims made or threatened by any third party against the Borrower relating to damages, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials.

(b) Adverse Matters. The Borrower will promptly notify the Lender in writing of (a) any condition, event or act that comes to its attention that is reasonably likely to have a Material Adverse Effect; or (b) the occurrence of any Default or Event of Default.

(c) Change in Information. The Borrower will provide the Lender not less than 30 days' written notice prior to any change to the information set forth on Exhibit B.

(d) Litigation. Promptly after the commencement thereof, notice of all actions, suits, proceedings or investigations before or by any Governmental Authority or any other Person against the Borrower or Subsidiary of the Borrower which involve a claim or series of claims in excess of \$15,000,000 or which if adversely determined would constitute a Material Adverse Effect.

(e) ERISA Event. Immediately upon the occurrence of any ERISA Event, notice in writing setting forth the details thereof and the action which the Borrower proposes to take with respect thereto.

(f) SEC Filings and other Material Reports. Promptly upon their becoming available to the Borrower, public SEC filings and other material reports, including 8-K, registration statements, proxies, prospectuses, financial statements and other shareholder communications, filed by the Borrower with the SEC excluding any Form 3, Form 4 or Form 5 (all of which may be provided by means of delivery of the applicable SEC Form or filing).

(g) Other Information. Such other reports and information as the Lender may from time to time reasonably request.

5.1.9 Financial Covenants. The Borrower will comply with the following financial covenant: Maximum Funded Indebtedness to Total Adjusted Capitalization Ratio. The Borrower will not, as of the last day of each fiscal quarter of the Borrower, permit the Funded Indebtedness to Total Adjusted Capitalization Ratio to exceed 0.65:1.00, commencing with the Borrower's fiscal quarter ending on June 30, 2020.

5.1.10 Patriot Act; Beneficial Ownership Regulation; Customer Identification Program (CIP) Notice. Promptly following any request therefor, to provide information and documentation reasonably requested by the Lender for purposes of compliance with applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act the Beneficial Ownership Regulation and the Lender's Customer Identification Program.

5.1.11 Margin Stock; Investment Company Act. Neither the Borrower nor any of its Subsidiaries will carry or purchase with the proceeds of the Loans any Margin Stock. Neither the Borrower nor any Subsidiaries of the Borrower is an "investment company" registered or required to be registered under the Investment Company Act of 1940 or under the "control" of an "investment company" as such terms are defined in the Investment Company Act of 1940 and shall not become such an "investment company" or under such "control."

5.1.12 Change in Control / Change to Organizational Documents. Borrower shall not permit a Change in Control of its ownership or make any amendment, modifications, terminate or other changes to its organizational documents that would be material and adverse to the Lender without the prior written consent of the Lender; provided, however, that the Lender shall not unreasonably withhold its consent.

5.1.13 Transactions with Affiliates. Neither Borrower nor any of its Subsidiaries will enter into any material transaction or material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Borrower or a Subsidiary of the Borrower), except pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate; provided that the foregoing restriction shall not apply to the payment or grant of reasonable compensation, benefits and indemnities to any director or officer of the Borrower or any of its Subsidiaries. Notwithstanding the foregoing, nothing in this Section 5.1.13 shall restrict transactions with any Affiliate that have been approved by or are entered into pursuant to any orders or decisions of any Governmental Authority having jurisdiction over the Borrower or the applicable Subsidiary.

5.1.14 Limitation on Negative Pledges and Restrictive Agreements. Neither the Borrower or its Subsidiaries shall enter into, or permit to exist, any contractual obligation (except for this Agreement and the other Financing Documents) that encumbers or restricts the ability of any such Person to (i) perform its obligations hereunder or under any other Financing Document; (ii) make dividends or distribution to the Borrower, (iii) pay any Indebtedness or other obligation owed to the Borrower or (iv) make loans or advances to the Borrower.

ARTICLE VI

DEFAULT

Section 6.1 Events of Default.

The Borrower shall be in default under this Agreement and under each of the other Financing Documents upon the occurrence of any one or more of the following (each an "Event of Default"):

- (a) there occurs any failure to pay (i) when due, any payment of principal or interest or (ii) within five days after the date due, any other Obligations;
- (b) any representation or warranty made in this Agreement or in any other Financing Document shall prove to have been false or misleading when made (or, if applicable, when reaffirmed) in any material respect;

- (c) the Borrower or any other obligor under the Financing Documents fails to timely and properly observe, keep or perform, any term, covenant, agreement or condition in this Agreement or in any of the other Financing Documents;
- (d) the Borrower suspends or terminates its business operations or liquidates, dissolves or terminates its existence;
- (e) (a) the Borrower or Subsidiary of the Borrower is in default under the payment terms of any other agreement involving borrowed money or the extension of credit or any other Indebtedness which the Borrower or any Subsidiary of the Borrower may be obligated as a borrower or guarantor in excess of One Million Dollars (\$1,000,000) or (b) a breach, default or event of default shall occur at any time under the terms of any other agreement involving borrowed money or the extension of credit or any other Indebtedness under which the Borrower or Subsidiary of the Borrower may be obligated as a borrower or guarantor in excess of Ten Million Dollars (\$10,000,000) in the aggregate, and such breach, default or event of default either (i) consists of the failure to pay (beyond any period of grace permitted with respect thereto, whether waived or not) any such Indebtedness when due (whether at stated maturity, by acceleration or otherwise) or (ii) causes, or permits the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such guarantee to become payable or cash collateral in respect thereof to be demanded;
- (f) (i) an Insolvency Proceeding shall have been instituted against the Borrower or Subsidiary of the Borrower or such court shall enter a decree or order granting any of the relief sought in such Insolvency Proceeding and such Insolvency Proceeding shall remain undismissed or unstayed and in effect for a period of thirty (30) consecutive days or such court shall enter a decree or order granting any of the relief sought in such Insolvency Proceeding,, (ii) the Borrower or Subsidiary of the Borrower institutes, or takes any action in furtherance of, an Insolvency Proceeding, (iii) the Borrower or any Subsidiary of the Borrower ceases to be Solvent or admits in writing its inability generally to pay its debts as they mature or shall make any assignment for the benefit of any of its creditors or (iv) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of the Borrower or any Subsidiary of the Borrower and is not released, vacated or fully bonded within thirty (30) days after its issue or levy.
- (g) an Event of Default (as defined therein) occurs under the Syndicated Credit Agreement (as may be amended, restated, modified, substituted, extended, and renewed from time to time);
- (h) any final judgments or orders for the payment of money in excess of \$10,000,000 in the aggregate shall be entered against the Borrower by a court having jurisdiction in the premises, and with respect to which either (i) enforcement proceedings are commenced by any creditor upon such judgment or order, or (ii) there is a period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, is not in effect;
- (i) any Financing Document shall cease to be legal, valid and binding agreements enforceable against the party executing the same or such party's successors and assigns (as permitted under the Financing Documents) in accordance with the respective terms thereof or shall in any way be terminated (except in accordance with its terms) or become or be declared ineffective or inoperative or shall in any way be challenged or contested or cease to give or provide the respective rights, titles, interests, remedies, powers or privileges intended to be created thereby;
- (j) a Change of Control shall occur;
- (k) an ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of Borrower or any member of the ERISA Group under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of \$10,000,000, or Borrower or any member of the ERISA Group fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan, where the aggregate amount of unamortized withdrawal liability is in excess of \$10,000,000; or
- (l) there shall occur any material uninsured damage to or loss, theft or destruction of any of property of the Borrower in excess of \$10,000,000 or assets of the Borrower in excess of \$10,000,000 are attached, seized, levied upon or subjected to a writ or distress warrant; or such come within the possession of any receiver,

trustee, custodian or assignee for the benefit of creditors and the same is not cured within thirty (30) days thereafter; or.

Section 6.2 Rights And Remedies. Upon the occurrence of Event of Default, the Lender may at any time thereafter exercise any one or more of the following rights, powers or remedies:

6.2.1 Acceleration. The Lender may declare the Obligations to be immediately due and payable, notwithstanding anything contained in this Agreement or in any of the other Financing Documents to the contrary, without presentment, demand, protest, notice of protest or of dishonor, or other notice of any kind, all of which the Borrower hereby waives. Further, upon the occurrence of an Event of Default, (a) the Lender's commitment to make available the Revolving Loan and any agreement in any of the Financing Documents to provide additional credit shall immediately and automatically terminate and (b) upon the Lender's declaration, the unpaid principal amount of the promissory notes evidencing any of the Obligations (with accrued interest thereon) and all other Obligations then outstanding, shall immediately become due and payable without further action of any kind and without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower.

6.2.2 Further Advances. Upon the occurrence of an Event of Default, the Lender may from time to time, without notice to the Borrower, suspend, terminate or limit any further loans or other extensions of credit under this Agreement and under any of the other Financing Documents.

6.2.3 Other Remedies. The Lender may from time to time proceed to protect or enforce its rights by an action or actions at law or in equity or by any other appropriate proceeding, whether for the specific performance of any of the covenants contained in this Agreement or in any of the other Financing Documents, or for an injunction against the violation of any of the terms of this Agreement or any of the other Financing Documents, or in aid of the exercise or execution of any right, remedy or power granted in this Agreement, the Financing Documents, and/or applicable Laws. The Lender is authorized to setoff, offset and apply to all or any part of the Obligations all moneys, credits and other property of any nature whatsoever of the Borrower now or at any time hereafter in the possession of or under the control or custody of, or on deposit with, the Lender, irrespective of whether or not the Lender shall have made any demand under this Agreement, the Note or any other Financing Document or a branch office or affiliate of the Lender different from the branch office or Affiliate holding such deposit or obligation on such indebtedness, and, upon the occurrence of an Event of Default, although such obligations of the Borrower may be contingent or unmatured or are owed. The rights of the Lender and its Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that the Lender or its Affiliates may have. The Lender agrees to notify the Borrower promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

ARTICLE VII

MISCELLANEOUS

The Borrower and the Lender further covenant and agree as follows, without limiting any requirement of any other Financing Document:

Section 7.1 Notices.

All notices, requests or demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing, and hand delivered or sent by certified mail-return receipt requested or a nationally recognized overnight courier or by telecopy or other electronic communication, addressed to the Borrower at the address of the Borrower set forth on Exhibit B, which is attached to and a part of this Agreement, and to the Lender at the following address:

The Lender: Royal Bank of Canada
Three World Financial Center
200 Vesey Street
New York, NY 10281-8098

Attention: Lauren Chen; Ghazal Akbari
Email: rbcnewyorkgl3@rbc.com

with a copy to: Attorney

or to such other address as any party may designate by written notice to the other party given in accordance with the provisions of this Section 7.1. Each such notice, request and demand shall be deemed given or made as follows:

- (a) If sent by hand delivery, upon delivery;
- (b) If sent by nationally recognized overnight courier service, on the Business Day next following the day on which the notice is delivered to such courier;
- (c) If sent by mail, upon the date of receipt; or
- (d) If sent by telecopier or through other electronic communication, shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient).

Section 7.2 Cumulative Rights and No Waiver. Each and every right granted to the Lender under any Financing Document, or allowed it by law or equity shall be cumulative of each other and may be exercised in addition to any and all other rights of the Lender, and no delay in exercising any right shall operate as a waiver thereof, nor shall any single or partial exercise by the Lender of any right preclude any other or future exercise thereof or the exercise of any other right. The Borrower expressly waives any presentment, demand, protest or other notice of any kind, including but not limited to notice of intent to accelerate and notice of acceleration. No notice to or demand on the Borrower in any case shall, of itself, entitle the Borrower to any other or future notice or demand in similar or other circumstances, unless expressly required in this Agreement or any other Finance Document. Without limiting the generality of the foregoing, the Lender may proceed against the Borrower with or without proceeding against any guarantor, surety, indemnitor or any other Person who may be liable for all or any part of the Obligations.

Section 7.3 Costs, Expenses and Attorney's Fees. The Borrower shall pay to the Lender, within 30 days of demand, the full amount of all expenses, charges, costs, taxes, and fees including, without limitation, reasonable outside counsel fees and all allocated costs of the Lender's in-house counsel if permitted by applicable Laws, whether incurred prior to the institution of any suit or other proceeding or otherwise, incurred by or on behalf of the Lender in connection with the enforcement or protection of its rights or collection of the Obligations (including, without limitation, in connection with any workout, restructuring or negotiations in respect of the Obligations) and shall also pay to the Lender immediately interest thereon from the date that payment is due until paid in full at a per annum rate of interest equal at all times to the rate of interest permitted under any promissory note at any time evidencing any of the Obligations and designated by the Lender or the default rate of interest. The Lender may, at its option exercised from time to time, make an advance under the Revolving Loan to cover in whole or in part any amounts owed under this Agreement. The Borrower's obligations under this Section shall survive the termination of this Agreement and the other Financing Documents and payment of the obligations hereunder and thereunder.

Section 7.4 Governing Law; Jurisdiction; Etc.

(a) Governing Law. **THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE UNDER OR RELATING TO THIS AGREEMENT, WHETHER BASED IN CONTRACT (AT LAW OR IN EQUITY), TORT OR ANY OTHER THEORY, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.**

(b) Jurisdiction. The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County, Borough of Manhattan and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(c) Waiver of Venue. The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Service of Process. Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 7.1. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

(e) WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER FINANCING DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION. THE BORROWER FURTHER REPRESENTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

Section 7.5 Amendment; Other Provisions. No modification, consent, amendment or waiver of any provision of this Agreement, nor consent to any departure by the Borrower therefrom, shall be effective against the Lender unless the same shall be in writing and signed by an officer of the Lender, and then shall be effective only in the specified instance and for the purpose for which given. No modification, consent, amendment or waiver of any provision of this Agreement, nor consent to any departure by the Lender therefrom, shall be effective against the Borrower unless the same shall be in writing and signed by an officer of the Borrower, and then shall be effective only in the specified instance and for the purpose for which given. This Agreement is binding upon and shall inure to the benefit of the Borrower and the Lender, and their respective successors and assigns; however, no assignment or other transfer of the Borrower's rights or obligations hereunder shall be made or be effective without the Lender's prior written consent, nor shall it relieve the Borrower of any obligations hereunder. There is no third party beneficiary of this Agreement.

Section 7.6 Documents. All documents, certificates and other items required under this Agreement to be executed and/or delivered to the Lender shall be in form and content satisfactory to the Lender and its counsel.

Section 7.7 Partial Invalidity. The unenforceability or invalidity of any provision of this Agreement shall not affect the enforceability or validity of any other provision herein and the invalidity or unenforceability of any provision of any Financing Document to any Person or circumstance shall not affect the enforceability or validity of such provision as it may apply to other Persons or circumstances.

Section 7.8 Indemnification as to Hazardous Materials. The Borrower shall indemnify, defend and hold the Lender and its successors and assigns harmless from and against any and all claims, demands, suits, losses, damages, assessments, fines, penalties, costs or other expenses (including reasonable attorneys' fees and court costs) arising from or in any way related to any of the transactions contemplated hereby, including but not limited to actual or threatened damage to the environment, agency costs of investigation, personal injury or death, or property damage, due to a release or alleged release of Hazardous Materials, arising from the Borrower's business operations, any other property owned by the Borrower or in the surface or ground water arising from the Borrower's business operations, or gaseous emissions arising from the Borrower's business operations or any other condition existing or arising from the Borrower's business operations resulting from the use or existence of Hazardous Materials, whether such claim proves to be true or false, except to the extent that such claim, demand, suit, loss, damage, assessment, fine, penalty, cost or other expense results primarily from the Lender's gross negligence or willful misconduct. The Borrower further agrees that its indemnity obligations shall include, but are not limited to, liability for damages resulting from the

personal injury or death of an employee of the Borrower, regardless of whether the Borrower has paid the employee under the workmen's compensation laws of any state or other similar federal or state legislation for the protection of employees. The term "property damage" as used in this section includes, but is not limited to, damage to any real or personal property of the Borrower, the Lender, and of any third parties. The Borrower's obligations under this section shall survive the repayment of the Loan.

Section 7.9 Survivability. All covenants, agreements, representations and warranties made herein or in the other Financing Documents shall survive the making of the Loan and shall continue in full force and effect so long as any Loan or other Obligations are outstanding.

Section 7.10 Entire Agreement. This Agreement is intended by the Lender and the Borrower to be a complete, exclusive and final expression of the agreements contained herein. Neither the Lender nor the Borrower shall hereafter have any rights under any prior agreements pertaining to the matters addressed by this Agreement but shall look solely to this Agreement for definition and determination of all of their respective rights, liabilities and responsibilities under this Agreement.

Section 7.11 Headings. The headings in this Agreement are included herein for convenience only, shall not constitute a part of this Agreement for any other purpose, and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 7.12 NO ORAL AGREEMENT. THIS WRITTEN AGREEMENT AND THE OTHER FINANCING DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 7.13 Indemnification Generally; Damage Waiver.

(a) Indemnification by the Borrower. The Borrower agrees to indemnify and hold harmless, the Lender, the Lender's parent and Affiliates and the Lender's, Lender's parent's and Affiliates' officers, directors, shareholders, partners, employees, advisors, trustees, counsel, accountants, agents and other representatives (each and collectively, the "Indemnified Parties"), from and against any and all claims, liabilities, losses, damages, costs and expenses (whether or not such Indemnified Party is a party to any litigation), including without limitation, attorney's fees and costs and costs of investigation, document production, attendance at depositions or other discovery, incurred by any Indemnified Party with respect to, arising out of or as a consequence of (a) this Agreement or any of the other Financing Documents, including without limitation, any failure of the Borrower to pay when due (at maturity, by acceleration or otherwise) any principal, interest, fee or any other amount due under this Agreement or the other Financing Documents, or any other Event of Default; (b) any Loan or the use of any proceeds therefrom; (c) the transactions contemplated hereunder; or (d) any claim, demand, action or cause of action being asserted against (i) the Borrower or any of its Affiliates by any other Person, or (ii) any Indemnified Party by the Borrower in connection with the transactions contemplated hereunder or (e) any actual or prospective claim, litigation, investigation or proceeding related to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, and regardless of whether any Indemnified Party is a party thereto. Notwithstanding anything herein or elsewhere to the contrary, the Borrower shall not be obligated to indemnify or hold harmless any Indemnified Party from any liability, loss or damage resulting from the gross negligence, willful misconduct or unlawful actions of any Indemnified Party. Any amount payable to the Lender under this Section will bear interest at the rate of interest then applicable to the outstanding principal balance of the Loan from the due date until paid.

(b) Damage Waiver. To the fullest extent permitted by Law, the Borrower shall not assert and hereby waives, any claim against any Indemnified Party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct to actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Financial Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan, or the use of proceeds thereof. No Indemnified Person shall be liable for

any damages arising from the use by unintended recipients of any information or other materials distributed through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Financing Documents or the transactions contemplated hereby or thereby.

Each party's obligations under this Section shall survive the termination of this Agreement and the other Financing Documents and payment of the obligations hereunder and thereunder.

Section 7.14 Acknowledgement Regarding Any Supported QFCs.

To the extent that the Financing Documents provide support, through a guarantee or otherwise, for any swap contract or any other agreement or instrument that is a QFC (such support, "QFC Credit Support", and each such QFC, a "Supported QFC"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Financing Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of Delaware and/or of the United States or any other state of the United States):

(a) In the event a Covered Entity that is party to a Supported QFC (each, a "Covered Party") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Financing Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Financing Documents were governed by the laws of the United States or a state of the United States.

(b) As used in this Section 7.14, the following terms have the following meanings:

"BHC Act Affiliate" of a party means an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

"Covered Entity" means any of the following: (i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"QFC" has the meaning assigned to the term "qualified financial contract" in, and shall be interpreted in accordance with, 12 U.S.C.

Section 7.15 Interest Rate Limitations. Notwithstanding any other provision herein, the aggregate interest rate charged with respect to any of the obligations under this Agreement, the Note or any other Financing Document, including all charges or fees in connection therewith deemed in the nature of interest under applicable Law will not exceed the Highest Lawful Rate. If the rate of interest (determined without regard to the preceding sentence) under this Agreement, the Note or any other Financing Document at any time exceeds the Highest Lawful Rate, the outstanding amount of the Loans made hereunder will bear interest at the Highest Lawful Rate until the total amount of interest due hereunder equals the amount of interest which would have been due hereunder if the stated rates of interest set forth in this Agreement, the Note or any other Financing Document had at all times been in effect. In addition, if when

the Loans made hereunder are repaid in full the total interest due hereunder (taking into account the increase provided for above) is less than the total amount of interest which would have been due hereunder if the stated rates of interest set forth in this Agreement or the Note had at all times been in effect, then to the extent permitted by law, the Borrower will pay to the Lender an amount equal to the difference between the amount of interest paid and the amount of interest which would have been paid if the Highest Lawful Rate had at all times been in effect. Notwithstanding the foregoing, it is the intention of the Lender and the Borrower to conform strictly to any applicable usury laws. Accordingly, if the Lender contracts for, charges, or receives any consideration which constitutes interest in excess of the Highest Lawful Rate, then any such excess will be cancelled automatically and, if previously paid, will at the Lender's option be applied to the outstanding amount of the Loans made hereunder or be refunded to the Borrower.

Section 7.16 Payments Set Aside

. To the extent that any payment by or on behalf of the Borrower is made to the Lender, or the Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred.

Section 7.17 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Financing Document), the Borrower acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (a) (i) no fiduciary, advisory or agency relationship between the Borrower and its Subsidiaries and the Lender is intended to be or has been created in respect of the transactions contemplated hereby or by the other Financing Documents, irrespective of whether the Lender has advised or is advising the Borrower or any Subsidiary on other matters, (ii) the arranging and other services regarding this Agreement provided by the Lender are arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Lender, on the other hand, (iii) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent that it has deemed appropriate and (iv) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Financing Documents; and (b) (i) the Lender is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates, or any other Person; (ii) the Lender has no obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Financing Documents; and (iii) the Lender and its Affiliates may be engaged, for their own accounts or the accounts of customers, in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and the Lender has no obligation to disclose any of such interests to the Borrower or its Affiliates. To the fullest extent permitted by Law, the Borrower hereby waives and releases any claims that it may have against any of the Lender with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 7.18 PATRIOT Act. The Lender subject to the PATRIOT Act hereby notifies the Borrower that, pursuant to the requirements of the PATRIOT Act. For purposes of compliance with the PATRIOT Act, U.S. federal law requires the Lender identify, verify and record information of a customer, as applicable. The Lender may ask for specific information that will allow the Lender to verify the identity of the customer. The Lender may ask to see specific identifying information and/or documentation to satisfy its customer identification program obligations or other identifying documents.

Section 7.20 Electronic Execution of Amendment and Certain Other Documents. The words "execution," "execute", "signed," "signature," and words of like import in or related to any document to be signed in connection with this Agreement, any other Financing Documents and the transactions contemplated hereby or thereby shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic

Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

[Remainder of page intentionally left blank; signature pages follow]

Signature Page to Loan Agreement

The parties hereto have caused this Agreement to be executed under seal and delivered as of the day and year first above written.

CHESAPEAKE UTILITIES CORPORATION, as Borrower

By: _____ (SEAL)

Name: Beth Cooper

Title: Executive Vice President and Chief Financial Officer

The parties hereto have caused this Agreement to be executed under seal and delivered as of the day and year first above written.

ROYAL BANK OF CANADA, as Lender

By: _____

Name:

Title:

EXHIBIT A LOAN AGREEMENT

REVOLVING CREDIT NOTE

\$20,000,000 New York, New York
May 6, 2020

FOR VALUE RECEIVED CHESAPEAKE UTILITIES CORPORATION, a corporation organized under the laws of the State of Delaware (the "Borrower"), promises to pay ROYAL BANK OF CANADA or its successors or permitted assigns (the "Lender"), Revolving Loans, in dollars, in immediately available funds, at the office of the Lender at its Principal Office, in the principal amount of TWENTY MILLION DOLLARS (\$20,000,000), or so much thereof as has been or may be advanced from time to time in the Lender's sole and absolute discretion (the "Principal Amount"), payable at such times and in such amounts as specified in the Loan Agreement (as defined below).

This Revolving Credit Note (this "Note") is one of the Notes referred to in the Loan Agreement dated as of even date herewith by and between the Borrower and the Lender (as may be amended, restated, modified, substituted, extended, and renewed from time to time, the "Loan Agreement"; capitalized terms used but not defined herein shall have the respective meanings given to them in the Loan Agreement) and is entitled to the benefits thereof and of the other Loan Documents, including any security or guarantees therein.

The Borrower promises also to pay to the Lender interest on the unpaid principal amount of each Revolving Loan incurred by the Borrower from the Lender in like money at said office from the date such Revolving Loan is made until paid at the rates and at the times provided in Section 2.2 of the Loan Agreement.

As provided in the Loan Agreement, this Note is subject to voluntary and mandatory prepayment, in whole or in part, prior to the Revolving Credit Termination Date, the conversion of Revolving Loans from one Type into another Type to the extent provided in the Loan Agreement, the acceleration of the maturity hereof upon the happening of certain events and the amendment or waiver of certain provisions of the Loan Agreement, all upon the terms and conditions therein specified.

All payments and prepayments of the principal hereof and interest hereon and the respective dates thereof shall be endorsed by the holder hereof on the schedules attached hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof, or otherwise recorded by such holder in its internal records; provided, however, that the failure of the holder hereof to make such a notation or any error in such notation shall not affect the obligations of the Borrower under this Note.

In case an Event of Default shall occur and be continuing, the principal of and accrued interest on this Note may be declared to be due and payable in the manner and with the effect provided in the Loan Agreement.

The Borrower hereby waives diligence, presentment, demand, protest and notice of any kind in connection with this Note to the extent possible under any applicable law. The non-exercise by the holder hereof of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

THE ASSIGNMENT OF THIS NOTE AND ANY RIGHTS WITH RESPECT THERETO ARE SUBJECT TO THE PROVISIONS OF THE LOAN AGREEMENT.

THIS NOTE AND ANY CLAIM, CONTROVERSY OR DISPUTE UNDER OR RELATING TO THIS AGREEMENT, WHETHER BASED IN CONTRACT (AT LAW OR IN EQUITY), TORT OR ANY OTHER THEORY, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[Remainder of page intentionally left blank; signature page follows]

Signature Page to Revolving Credit Note

The Borrower has caused this Note to be executed under seal by its duly authorized representative as of the date first written above.

CHESAPEAKE UTILITIES CORPORATION

By: _____ (SEAL)

Name: Beth Cooper

Title: Chief Financial Officer

LOANS, CONVERSIONS AND REPAYMENT OF PRIME RATE LOANS

City or Town: Dover

State: Delaware

(d) The Borrower in fact manages the main part of its business operations at the executive office; and persons dealing with the Borrower would normally look for credit information at the executive office.

(e) The mailing address of the Borrower is:
909 Silver Lake Boulevard

Dover, DE 19904

(f) The Borrower's address for notice under Section 7.1 is:
CHESAPEAKE UTILITIES CORPORATION]
909 Silver Lake Boulevard
Dover, DE 19904
Attn: Treasurer
Telephone: 302-736-7656
E-mail: tmahn@chpk.com

(g) In the twelve years preceding the date hereof, the Borrower has not changed its name.

EXHIBIT C TO LOAN AGREEMENT

Royal Bank of Canada
as Lender
Three World Financial Center
200 Vesey Street
New York, NY 10281-8098
Attention: Lauren Chen; Ghazal Akbari
Email: rbcnewyorkgla3@rbc.com

Re: CHESAPEAKE UTILITIES CORPORATION

Reference is made to the Loan Agreement, dated as of May 6, 2020 (as the same may be amended, restated, amended and restated, supplemented, waived and/or otherwise modified from time to time, the "**Loan Agreement**"; capitalized terms used herein without definition are used as defined in the Loan Agreement), among Chesapeake Utilities Corporation, a Delaware limited liability company, as Borrower and Royal Bank of Canada, as Lender.

The Borrower hereby gives you irrevocable notice, pursuant to Section 2.1.3 of the Loan Agreement, of its request of a Borrowing (the "**Proposed Borrowing**") under the Loan Agreement and sets forth the following information:

I. The date of the Proposed Borrowing is _____, _____. Notices pursuant to Section 2.1.3 of the Loan Agreement must be delivered no later than 11:00 a.m. (New York City time) one (1) Business Day prior to the date of the Proposed Borrowing for Prime Rate Loans and three (3) Business Days prior to the date of the Proposed Borrowing for LIBOR Rate Loans. (the "**Credit Date**").

II. The aggregate principal amount of requested Loans is \$[_____], of which [\$[_____]] consists of Prime Rate Loans [and] [\$_____ consists of LIBOR Rate Loans].

III. [The LIBOR Rate Loans shall have an initial Interest Period of one month.

IV. The requested funds are to be disbursed to the Borrower’s account with [_____] (Routing No. []; Account No. []).

V. The undersigned hereby certifies that as of the Credit Date:

A. all the representations and warranties contained in the Loan Agreement and in the other Financing Documents are true and correct in all material respects (except for those representations and warranties that are conditioned by materiality, which are true and correct in all respects) both immediately before and after the Proposed Borrowing, on and as of the Credit Date to the same extent as though made on and as of the Credit Date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties were true and correct in all material respects (except for those representations and warranties that are conditioned by materiality, which were true and correct in all respects) on and as of such earlier date; and

B. no Default or Event of Default has occurred and is continuing or will have occurred and be continuing.

[Remainder of Page Intentionally Left Blank; Signature Page Follows.]

Signature Page to Borrowing Request (Borrowing)

The Borrower as caused this Borrowing Request to be executed under seal by a duly authorized officer and delivered as of the day and year first above written.

CHESAPEAKE UTILITIES CORPORATION

By:

Name:

Title:

Royal Bank of Canada
as Lender
Three World Financial Center
200 Vesey Street
New York, NY 10281-8098
Attention: Lauren Chen; Ghazal Akbari
Email: rbcnewyorkgl3@rbc.com

_____ , _____

Re: CHESAPEAKE UTILITIES CORPORATION

Reference is made to the Loan Agreement, dated as of May 6, 2020 (as the same may be amended, restated, amended and restated, supplemented, waived and/or otherwise modified from time to time, the “**Loan Agreement**”;

capitalized terms used herein without definition are used as defined in the Loan Agreement), among Chesapeake Utilities Corporation, a Delaware limited liability company, as Borrower and Royal Bank of Canada, as Lender.

The Borrower hereby gives you irrevocable notice, pursuant to Section 2.1.3 of the Loan Agreement, of its request of a Borrowing (the “**Proposed Borrowing**”) under the Loan Agreement and sets forth the following information:

[[I]. a continuation, on _____, _____. Notices pursuant to Section 2.1.3 of the Loan Agreement must be delivered no later than 11:00 a.m. (New York City time) one (1) Business Day prior to the date of conversion to Prime Rate Loans and three (3) Business Days prior to the date of continuation of or conversion to LIBOR Rate Loans. (the “**Credit Date**”), as LIBOR Rate Loans having an interest period of one-month of Loans in an aggregate outstanding principal amount of \$[_____] having an Interest Period ending on the proposed date for such continuation.]

[[II]. a conversion, on _____, _____. Refer to preceding footnote. (the “**Credit Date**”), to LIBOR Rate Loans having an interest period of one-month of Loans in an aggregate outstanding principal amount of \$[_____] having an Interest Period ending on the proposed date for such continuation.]

[[III]. a conversion, on _____, _____. Refer to preceding footnote. (the “**Credit Date**”), to Prime Rate Loans in an aggregate outstanding principal amount of \$[_____].

[IV]. the undersigned hereby certifies that as of the Credit Date:]

A. all the representations and warranties contained in the Loan Agreement and in the other Financing Documents are true and correct in all material respects (except for those representations and warranties that are conditioned by materiality, which are true and correct in all respects) both immediately before and after the Proposed Borrowing, on and as of the Credit Date to the same extent as though made on and as of the Credit Date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties were true and correct in all material respects (except for those representations and warranties that are conditioned by materiality, which were true and correct in all respects) on and as of such earlier date; and

B. no Default or Event of Default has occurred and is continuing or will have occurred and be continuing.

[Remainder of Page Intentionally Left Blank; Signature Page Follows.]

Signature Page to Borrowing Request (Continuation / Conversion)

The Borrower as caused this Borrowing Request to be executed under seal by a duly authorized officer and delivered as of the day and year first above written.

CHESAPEAKE UTILITIES CORPORATION

By:
Name:
Title:

EXHIBIT D TO LOAN AGREEMENT

To: Royal Bank of Canada, as Lender under the Loan Agreement referred to below

[Date] Notice must be received by the Lender not later than 11:00 a.m. (New York City time) (A) three (3) Business Days prior to any date of prepayment of LIBOR Rate Loans and (B) one (1) Business Day prior to any date of prepayment of Prime Rate Loans.

Ladies and Gentlemen:

Reference is made to the Loan Agreement, dated as of May 6, 2020 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "**Loan Agreement**"), among Chesapeake Utilities Corporation, a Delaware limited liability company, as Borrower and Royal Bank of Canada, as Lender. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned to such terms in the Loan Agreement.

The undersigned Borrower hereby gives you notice that, pursuant to Section 2.4 of the Loan Agreement, the undersigned intends to make a prepayment on the terms set forth below:

1. Date of Prepayment: _____.
2. Type of Loans: _____. Specify whether LIBOR Rate Loans, Prime Rate Loans or a combination thereof.
3. In the principal amount of \$_____. If a combination of LIBOR Rate Loans and Prime Rate Loans, specify the principal amount allocable to each.
4. Conditions to Prepayment (if any): _____.
[remainder of page intentionally left blank; signature page follows]

Signature Page to Prepayment Notice

The Borrower as caused this Prepayment Notice to be executed under seal by a duly authorized officer and delivered as of the day and year first above written.

CHESAPEAKE UTILITIES CORPORATION

By: _____

Name:

Title:

REVOLVING LOAN NOTE

May 29, 2020

FOR VALUE RECEIVED, **CHESAPEAKE UTILITIES CORPORATION**, a Delaware corporation (the "Borrower"), hereby promises to pay to the order of **CITIZENS BANK, NATIONAL ASSOCIATION**, a national banking association (the "Lender"), or its registered assigns the unpaid principal amount of the Revolving Loans made by the Lender to the Borrower, in the amounts and at the times set forth in the Credit Agreement, dated as of even date herewith, by and between the Borrower and Lender (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") and to pay interest from the date hereof on the principal balance of such Revolving Loans from time to time outstanding at the rate or rates and at the times set forth in the Credit Agreement, in each case in Dollars in immediately available funds. Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Revolving Loans evidenced by this Revolving Loan Note (this "Note") are prepayable in the amounts, and under the circumstances, and their respective maturities are subject to acceleration upon the terms, set forth in the Credit Agreement. This Note is subject to, and shall be construed in accordance with, the provisions of the Credit Agreement and is entitled to the benefits set forth in the Loan Documents.

The Lender is hereby authorized to record on the Schedule annexed hereto, and any continuation sheets which the Lender may attach hereto, (a) the date of each Revolving Loan made by the Lender, (b) the Type and amount thereof, (c) the interest rate (without regard to the Applicable Margin) and Interest Period applicable to each such Revolving Loan that is a LIBOR Loan, and (d) the date and amount of each conversion of, and each payment or prepayment of the principal of, each such Revolving Loan. The entries made on such Schedule shall be prima facie evidence of the existence and amounts of the obligations recorded thereon, provided that the failure to so record or any error therein shall not in any manner affect the obligation of the Borrower to repay such Revolving Loans in accordance with the terms of the Credit Agreement.

Except as specifically otherwise provided in the Credit Agreement, the Borrower hereby waives presentment, demand, notice of dishonor, protest, notice of protest and all other demands, protests and notices in connection with the execution, delivery, performance, collection and enforcement of this Note.

Whenever in this Note a Person is referred to, such reference shall be deemed to include the successors and assigns of such Person. The Borrower shall not have the right to assign its rights or obligations hereunder or any interest herein (and any such attempted assignment shall be void), except as expressly permitted by the Loan Documents. No failure or delay of the Lender 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. Neither this Note nor any provision hereof may be waived, amended or modified, nor shall any departure therefrom be consented to, except pursuant to a written agreement entered into between the Borrower and the Lender with respect to which such waiver, amendment, modification or consent is to apply, subject to any consent required in accordance with Section 10.2 of the Credit Agreement.

All communications and notices hereunder shall be in writing and given as provided in Section 10.1 of the Credit Agreement.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO THE PRINCIPALS OF CONFLICTS OF LAW (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW)).

The Borrower, and by accepting this Note, the Lender, each hereby irrevocably and unconditionally

submits, for itself and its property, to the exclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in the State of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Note or the other Loan Documents, or for recognition or enforcement of any judgment, and the Borrower, and by accepting this Note, the Lender, each hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by applicable law, in such Federal court. The Borrower, and by accepting this Note, the Lender, each agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Note shall affect any right that the Lender may otherwise have to bring any action or proceeding relating to this Note or the other Loan Documents against the Borrower, or any of its property, in the courts of any jurisdiction.

The Borrower, and by accepting this Note, the Lender, hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Note or the other Loan Documents in any court referred to in the preceding paragraph hereof. The Borrower, and by accepting this Note, the Lender, hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

The Borrower, and by accepting this Note, the Lender, irrevocably consents to service of process in the manner provided for notices herein. Nothing herein will affect the right of the Lender to serve process in any other manner permitted by law.

THE BORROWER, AND BY ACCEPTING THIS NOTE, THE LENDER, EACH HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE. THE BORROWER, AND BY ACCEPTING THIS NOTE, THE LENDER, EACH (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT SUCH OTHER PERSON HAS BEEN INDUCED TO ACCEPT THIS NOTE AND ENTER INTO THE LOAN DOCUMENTS TO WHICH IT IS A PARTY BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Borrower has executed this Revolving Loan Note as of the date and year first written above.

Attest:

Name: James F. Moriarty Title: Executive Vice president
and Corporate Secretary

BORROWER:

CHESAPEAKE UTILITIES CORPORATION, a

Delaware corporation

By: Name: Beth W. Cooper
Title: Executive Vice President
and Chief Financial and Officer

[Signature Page to Revolving Loan Note]

REVOLVING CREDIT NOTE

\$20,000,000 New York, New York

May 6, 2020

FOR VALUE RECEIVED CHESAPEAKE UTILITIES CORPORATION, a corporation organized under the laws of the State of Delaware (the "Borrower"), promises to pay ROYAL BANK OF CANADA or its successors or permitted assigns (the "Lender"), Revolving Loans, in dollars, in immediately available funds, at the office of the Lender at its Principal Office, in the principal amount of TWENTY MILLION DOLLARS (\$20,000,000), or so much thereof as has been or may be advanced from time to time in the Lender's sole and absolute discretion (the "Principal Amount"), payable at such times and in such amounts as specified in the Loan Agreement (as defined below).

This Revolving Credit Note (this "Note") is one of the Notes referred to in the Loan Agreement dated as of even date herewith by and between the Borrower and the Lender (as may be amended, restated, modified, substituted, extended, and renewed from time to time, the "Loan Agreement"; capitalized terms used but not defined herein shall have the respective meanings given to them in the Loan Agreement) and is entitled to the benefits thereof and of the other Loan Documents, including any security or guarantees therein.

The Borrower promises also to pay to the Lender interest on the unpaid principal amount of each Revolving Loan incurred by the Borrower from the Lender in like money at said office from the date such Revolving Loan is made until paid at the rates and at the times provided in Section 2.2 of the Loan Agreement.

As provided in the Loan Agreement, this Note is subject to voluntary and mandatory prepayment, in whole or in part, prior to the Revolving Credit Termination Date, the conversion of Revolving Loans from one Type into another Type to the extent provided in the Loan Agreement, the acceleration of the maturity hereof upon the happening of certain events and the amendment or waiver of certain provisions of the Loan Agreement, all upon the terms and conditions therein specified.

All payments and prepayments of the principal hereof and interest hereon and the respective dates thereof shall be endorsed by the holder hereof on the schedules attached hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof, or otherwise recorded by such holder in its internal records; provided, however, that the failure of the holder hereof to make such a notation or any error in such notation shall not affect the obligations of the Borrower under this Note.

In case an Event of Default shall occur and be continuing, the principal of and accrued interest on this Note may be declared to be due and payable in the manner and with the effect provided in the Loan Agreement.

The Borrower hereby waives diligence, presentment, demand, protest and notice of any kind in connection with this Note to the extent possible under any applicable law. The non-exercise by the holder hereof of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

THE ASSIGNMENT OF THIS NOTE AND ANY RIGHTS WITH RESPECT THERETO ARE SUBJECT TO THE PROVISIONS OF THE LOAN AGREEMENT.

THIS NOTE AND ANY CLAIM, CONTROVERSY OR DISPUTE UNDER OR RELATING TO THIS AGREEMENT, WHETHER BASED IN CONTRACT (AT LAW OR IN EQUITY), TORT OR ANY OTHER THEORY, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[Remainder of page intentionally left blank; signature page follows]
Signature Page to Revolving Credit Note

The Borrower has caused this Note to be executed under seal by its duly authorized representative as of the date first written above.

CHESAPEAKE UTILITIES CORPORATION

By: _____ (SEAL)

Name: Beth Cooper

Title: Executive Vice President and Chief Financial Officer

**CERTIFICATE PURSUANT TO RULE 13A-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Jeffrey M. Householder, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2020 of Chesapeake Utilities Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2020

/s/ JEFFRY M. HOUSEHOLDER

Jeffrey M. Householder
President and Chief Executive Officer

**CERTIFICATE PURSUANT TO RULE 13A-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Beth W. Cooper, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2020 of Chesapeake Utilities Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2020

/s/ BETH W. COOPER

Beth W. Cooper
Executive Vice President, Chief Financial Officer, and
Assistant Corporate Secretary

Certificate of Chief Executive Officer
of
Chesapeake Utilities Corporation
(pursuant to 18 U.S.C. Section 1350)

I, Jeffrey M. Householder, President and Chief Executive Officer of Chesapeake Utilities Corporation, certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Chesapeake Utilities Corporation (“Chesapeake”) for the period ended June 30, 2020, filed with the Securities and Exchange Commission on the date hereof (i) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained therein fairly presents, in all material respects, the financial condition and results of operations of Chesapeake.

/s/ JEFFRY M. HOUSEHOLDER

Jeffrey M. Householder

August 5, 2020

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Chesapeake Utilities Corporation and will be retained by Chesapeake Utilities Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Certificate of Chief Financial Officer
of
Chesapeake Utilities Corporation
(pursuant to 18 U.S.C. Section 1350)

I, Beth W. Cooper, Executive Vice President, Chief Financial Officer and Assistant Corporate Secretary of Chesapeake Utilities Corporation, certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Chesapeake Utilities Corporation (“Chesapeake”) for the period ended June 30, 2020, filed with the Securities and Exchange Commission on the date hereof (i) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained therein fairly presents, in all material respects, the financial condition and results of operations of Chesapeake.

/s/ BETH W. COOPER

Beth W. Cooper

August 5, 2020

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Chesapeake Utilities Corporation and will be retained by Chesapeake Utilities Corporation and furnished to the Securities and Exchange Commission or its staff upon request.