

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: **March 31, 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.

[Table of Contents](#)

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 — 16,435,835 shares outstanding as of April 30, 2020.

Table of Contents

<u>PART I—FINANCIAL INFORMATION</u>	<u>1</u>
<i>ITEM 1.</i> <u>FINANCIAL STATEMENTS</u>	<u>1</u>
<i>ITEM 2.</i> <u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>34</u>
<i>ITEM 3.</i> <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>52</u>
<i>ITEM 4.</i> <u>CONTROLS AND PROCEDURES</u>	<u>54</u>
<u>PART II—OTHER INFORMATION</u>	<u>55</u>
<i>ITEM 1.</i> <u>LEGAL PROCEEDINGS</u>	<u>55</u>
<i>ITEM 1A.</i> <u>RISK FACTORS</u>	<u>55</u>
<i>ITEM 2.</i> <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>56</u>
<i>ITEM 3.</i> <u>DEFAULTS UPON SENIOR SECURITIES</u>	<u>56</u>
<i>ITEM 5.</i> <u>OTHER INFORMATION</u>	<u>56</u>
<i>ITEM 6.</i> <u>EXHIBITS</u>	<u>57</u>
<u>SIGNATURES</u>	<u>58</u>

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

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

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

[Table of Contents](#)

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 March 31,	
	2020	2019
<i>(in thousands, except shares and per share data)</i>		
Operating Revenues		
Regulated Energy	\$ 102,955	\$ 103,618
Unregulated Energy and other	49,755	56,846
Total Operating Revenues	152,710	160,464
Operating Expenses		
Regulated Energy cost of sales	34,832	36,516
Unregulated Energy and other cost of sales	18,036	24,411
Operations	35,992	35,413
Maintenance	3,836	3,680
Depreciation and amortization	12,252	10,928
Other taxes	5,649	5,392
Total Operating Expenses	110,597	116,340
Operating Income	42,113	44,124
Other income (expense), net	3,318	(57)
Interest charges	5,814	5,628
Income from Continuing Operations Before Income Taxes	39,617	38,439
Income Taxes on Continuing Operations	10,591	9,625
Income from Continuing Operations	29,026	28,814
Loss from Discontinued Operations, Net of Tax	(96)	(150)
Net Income	\$ 28,930	\$ 28,664
Weighted Average Common Shares Outstanding:		
Basic	16,414,773	16,384,927
Diluted	16,471,827	16,432,852
Basic Earnings Per Share of Common Stock:		
Earnings from Continuing Operations	\$ 1.77	\$ 1.76
Loss from Discontinued Operations	(0.01)	(0.01)
Basic Earnings Per Share of Common Stock	\$ 1.76	\$ 1.75
Diluted Earnings Per Share of Common Stock:		
Earnings from Continuing Operations	\$ 1.77	\$ 1.75
Loss from Discontinued Operations	(0.01)	(0.01)
Diluted Earnings Per Share of Common Stock	\$ 1.76	\$ 1.74

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 March 31,	
	2020	2019
<i>(in thousands)</i>		
Net Income	\$ 28,930	\$ 28,664
Other Comprehensive Income (Loss), net of tax:		
Employee Benefits, net of tax:		
Amortization of prior service cost, net of tax of \$(5), and \$(5), respectively	(14)	(14)
Net gain, net of tax of \$28, and \$42, respectively	80	121
Cash Flow Hedges, net of tax:		
Unrealized gain on commodity contract cash flow hedges, net of tax of \$2, and \$1,194, respectively	7	2,982
Total Other Comprehensive Income, net of tax	73	3,089
Comprehensive Income	\$ 29,003	\$ 31,753

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

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

Assets	March 31, 2020	December 31, 2019
<i>(in thousands, except shares and per share data)</i>		
Property, Plant and Equipment		
Regulated Energy	\$ 1,447,089	\$ 1,441,473
Unregulated Energy	274,970	265,209
Other businesses and eliminations	39,370	39,850
Total property, plant and equipment	1,761,429	1,746,532
Less: Accumulated depreciation and amortization	(345,206)	(336,876)
Plus: Construction work in progress	75,510	54,141
Net property, plant and equipment	1,491,733	1,463,797
Current Assets		
Cash and cash equivalents	3,982	6,985
Trade and other receivables	46,730	50,899
Less: Allowance for credit losses	(1,421)	(1,337)
Trade receivables, net	45,309	49,562
Accrued revenue	16,931	20,846
Propane inventory, at average cost	5,136	5,824
Other inventory, at average cost	5,621	6,067
Regulatory assets	4,441	5,144
Storage gas prepayments	753	3,541
Income taxes receivable	15,230	20,050
Prepaid expenses	10,707	13,928
Derivative assets, at fair value	151	—
Other current assets	3,666	2,879
Total current assets	111,927	134,826
Deferred Charges and Other Assets		
Goodwill	32,668	32,668
Other intangible assets, net	7,824	8,129
Investments, at fair value	7,217	9,229
Operating lease right-of-use assets	11,696	11,563
Regulatory assets	73,552	73,407
Receivables and other deferred charges	51,602	49,579
Total deferred charges and other assets	184,559	184,575
Total Assets	\$ 1,788,219	\$ 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	March 31, 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)	7,998	7,984
Additional paid-in capital	259,521	259,253
Retained earnings	322,804	300,607
Accumulated other comprehensive loss	(6,194)	(6,267)
Deferred compensation obligation	5,468	4,543
Treasury stock	(5,468)	(4,543)
Total stockholders' equity	584,129	561,577
Long-term debt, net of current maturities	440,183	440,168
Total capitalization	1,024,312	1,001,745
Current Liabilities		
Current portion of long-term debt	15,600	45,600
Short-term borrowing	254,339	247,371
Accounts payable	52,568	54,068
Customer deposits and refunds	29,122	30,939
Accrued interest	5,014	2,554
Dividends payable	6,655	6,644
Accrued compensation	7,518	16,236
Regulatory liabilities	13,524	5,991
Derivative liabilities, at fair value	1,986	1,844
Other accrued liabilities	16,170	12,077
Total current liabilities	402,496	423,324
Deferred Credits and Other Liabilities		
Deferred income taxes	186,431	180,656
Regulatory liabilities	128,027	127,744
Environmental liabilities	6,046	6,468
Other pension and benefit costs	28,043	30,569
Operating lease liabilities	10,165	9,896
Deferred investment tax credits and other liabilities	2,699	2,796
Total deferred credits and other liabilities	361,411	358,129
Environmental and other commitments and contingencies (Notes 6 and 7)		
Total Capitalization and Liabilities	\$ 1,788,219	\$ 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)

	Three Months Ended	
	March 31,	
	2020	2019
<i>(in thousands)</i>		
Operating Activities		
Net income	\$ 28,930	\$ 28,664
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,252	11,074
Depreciation and accretion included in other costs	2,361	2,135
Deferred income taxes	5,738	3,430
Realized gain on commodity contracts and sale of assets	(4,458)	(363)
Unrealized loss (gain) on investments and commodity contracts	1,511	(721)
Employee benefits and compensation	11	382
Share-based compensation	1,056	487
Changes in assets and liabilities:		
Accounts receivable and accrued revenue	8,139	18,147
Propane inventory, storage gas and other inventory	3,921	7,207
Regulatory assets/liabilities, net	7,309	3,121
Prepaid expenses and other current assets	3,359	11,873
Accounts payable and other accrued liabilities	(4,243)	(44,783)
Income taxes receivable	4,820	6,241
Customer deposits and refunds	(1,817)	(4,445)
Accrued compensation	(8,766)	(5,548)
Other assets and liabilities, net	(1,315)	3,585
Net cash provided by operating activities	<u>58,808</u>	<u>40,486</u>
Investing Activities		
Property, plant and equipment expenditures	(35,182)	(43,216)
Proceeds from sale of assets	4,106	115
Environmental expenditures	(422)	(268)
Net cash used in investing activities	<u>(31,498)</u>	<u>(43,369)</u>
Financing Activities		
Common stock dividends	(6,483)	(5,877)
Issuance (repurchase) of stock under the Dividend Reinvestment Plan	192	(183)
Tax withholding payments related to net settled stock compensation	(977)	(692)
Change in cash overdrafts due to outstanding checks	(4,727)	84
Net borrowings (repayments) under line of credit agreements	11,695	(18,149)
Proceeds from issuance of long-term debt, net of offering fees	(13)	30,000
Repayment of long-term debt and capital lease obligation	(30,000)	(414)
Net cash (used) provided by financing activities	<u>(30,313)</u>	<u>4,769</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(3,003)</u>	<u>1,886</u>
Cash and Cash Equivalents—Beginning of Period	6,985	6,089
Cash and Cash Equivalents—End of Period	<u>\$ 3,982</u>	<u>\$ 7,975</u>

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

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

(in thousands, except shares and per share data)	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 December 31, 2018	16,378,545	\$ 7,971	\$ 255,651	\$ 261,530	\$ (6,713)	\$ 3,854	\$ (3,854)	\$ 518,439
Net income	—	—	—	28,664	—	—	—	28,664
Prior period reclassification	—	—	—	115	(115)	—	—	—
Other comprehensive income	—	—	—	—	3,089	—	—	3,089
Dividend declared (\$0.3700 per share)	—	—	—	(6,198)	—	—	—	(6,198)
Dividend reinvestment plan	—	—	(1)	—	—	—	—	(1)
Share-based compensation and tax benefit ⁽³⁾⁽⁴⁾	18,472	9	(343)	—	—	—	—	(334)
Treasury stock activities	—	—	—	—	—	522	(522)	—
Balance at March 31, 2019	16,397,017	\$ 7,980	\$ 255,307	\$ 284,111	\$ (3,739)	\$ 4,376	\$ (4,376)	\$ 543,659
Balance at December 31, 2019	16,403,776	\$ 7,984	\$ 259,253	\$ 300,607	\$ (6,267)	\$ 4,543	\$ (4,543)	\$ 561,577
Net income	—	—	—	28,930	—	—	—	28,930
Other comprehensive income	—	—	—	—	73	—	—	73
Dividend declared (\$0.4050 per share)	—	—	—	(6,703)	—	—	—	(6,703)
Dividend reinvestment plan	3,743	2	352	—	—	—	—	354
Share-based compensation and tax benefit ^{(3) (4)}	25,586	12	(84)	—	—	—	—	(72)
Treasury stock activities	—	—	—	—	—	925	(925)	—
Cumulative effect of the adoption of ASU 2016-13	—	—	—	(30)	—	—	—	(30)
Balance at March 31, 2020	16,433,105	\$ 7,998	\$ 259,521	\$ 322,804	\$ (6,194)	\$ 5,468	\$ (5,468)	\$ 584,129

(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 104,871 shares at March 31, 2020, and 95,329 shares at December 31, 2019, 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 three months ended March 31, 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 on 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 connection with this strategy, during the third and fourth quarter of 2019, we reached agreements with four entities to sell PESCO's assets and contracts. These transactions closed during the fourth quarter of 2019. As a result of the sale, 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 have 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 significantly impacted economic conditions in the United States, and the economic impact is expected to continue as long as the social distancing restrictions remain in place. We are considered an “essential business,” which allows us to continue operational activities and construction projects while the social distancing restrictions remain in place. In response to the COVID-19 pandemic and related restrictions, we have 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 first quarter of 2020, the COVID-19 impact on our results of operations or financial position was immaterial. Any future impact on our results of operations, liquidity or financial position from COVID-19, particularly from continued social distancing and other restrictions recommended or required by federal, state and local authorities, cannot be estimated at this time. We are committed to communicating timely updates and will continue to monitor developments affecting our employees, customers, suppliers and shareholders and take additional precautions as warranted to operate safely and to comply with the CDC, state and local requirements in order to protect our employees, customers and the communities we serve.

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.

[Table of Contents](#)

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 service business units consist of our natural gas pipelines and our mobile 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, the COVID-19 virus 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 loss and a slowing of economic activity across the United States and in the areas that we serve. At this time it is unclear as to when these restrictions might be eased or lifted, and the timing and extent to which they are lifted or eased may be determined by the state and local authorities with guidance from the CDC. We have been identified as an “essential business” which allows us to continue operational activity and construction projects with social distancing restrictions in place. We considered the impact of the COVID-19 virus for the first quarter of 2020 and will continue to monitor developments which impact our customers’ ability to pay and revise our estimates as new information becomes available.

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 March 31, 2020:

(in thousands)

Balance at December 31, 2019	\$	1,337
Additions:		
Provision for credit losses		273
Recoveries		84
Deductions:		
Write offs		(273)
Balance at March 31, 2020	\$	1,421

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 for our annual and interim financial statements 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 for our annual and interim financial statements 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	
	March 31,	
	2020	2019
<i>(in thousands, except shares and per share data)</i>		
Calculation of Basic Earnings Per Share:		
Income from Continuing Operations	\$ 29,026	\$ 28,814
Loss from Discontinued Operations	(96)	(150)
Net Income	<u>\$ 28,930</u>	<u>\$ 28,664</u>
Weighted average shares outstanding	16,414,773	16,384,927
Basic Earnings Per Share from Continuing Operations	<u>\$ 1.77</u>	<u>\$ 1.76</u>
Basic Loss Per Share from Discontinued Operations	<u>(0.01)</u>	<u>(0.01)</u>
Basic Earnings Per Share	<u>\$ 1.76</u>	<u>\$ 1.75</u>
Calculation of Diluted Earnings Per Share:		
Reconciliation of Denominator:		
Weighted shares outstanding—Basic	16,414,773	16,384,927
Effect of dilutive securities—Share-based compensation	57,054	47,925
Adjusted denominator—Diluted	<u>16,471,827</u>	<u>16,432,852</u>
Diluted Earnings Per Share from Continuing Operations	<u>\$ 1.77</u>	<u>\$ 1.75</u>
Diluted Loss Per Share from Discontinued Operations	<u>(0.01)</u>	<u>(0.01)</u>
Diluted Earnings Per Share	<u>\$ 1.76</u>	<u>\$ 1.74</u>

3. Acquisitions and Divestitures

Acquisition of Elkton Gas

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. The acquisition, which is expected to close in the third quarter of 2020, is subject to approval by the Maryland PSC. 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 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 quarter ended March 31, 2020, Boulden generated operating revenue and income of \$2.8 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 and 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 \$22.9 million in cash consideration from the buyers, inclusive of working capital of \$8.0 million. We recognized a pre-tax gain of \$7.3 million (\$5.4 million after tax) in connection with the closing of these transactions during 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 months ended March 31, 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:

<i>(in thousands)</i>	Three Months Ended	
	March 31,	
	2020	2019
Operating revenues ⁽¹⁾	\$ —	\$ 77,022
Cost of sales ⁽¹⁾	(9)	75,162
Other operating expenses	116	1,991
Operating loss	(107)	(131)
Interest and other expense	(24)	(70)
Loss from Discontinued Operations before income taxes	(131)	(201)
Income tax benefit	(35)	(51)
Loss from Discontinued Operations, Net of Tax	<u>\$ (96)</u>	<u>\$ (150)</u>

⁽¹⁾ Included in operating revenues and cost of sales for the three months ended March 31, 2019, is \$9.9 million representing amounts which had been previously eliminated in consolidation related to intercompany activity that will continue 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 2019, there were no assets or liabilities classified as held for sale at March 31, 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	
	March 31, 2019	
Depreciation and amortization	\$	146
Deferred income taxes	\$	1,396
Realized loss on commodity contracts	\$	584

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 now 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 March 31, 2020 and 2019:

(in thousands)	Three months ended March 31, 2020				Three Months Ended March 31, 2019			
	Regulated Energy	Unregulated Energy	Other and Eliminations	Total	Regulated Energy	Unregulated Energy	Other and Eliminations	Total
Energy distribution								
Delaware natural gas division	\$ 26,567	\$ —	\$ —	\$ 26,567	\$ 27,549	\$ —	\$ —	\$ 27,549
Florida natural gas division	8,477	—	—	8,477	7,900	—	—	7,900
FPU electric distribution	14,219	—	—	14,219	14,378	—	—	14,378
FPU natural gas distribution	25,444	—	—	25,444	23,786	—	—	23,786
Maryland natural gas division	9,138	—	—	9,138	10,047	—	—	10,047
Sandpiper Energy natural gas/propane operations	6,292	—	—	6,292	7,082	—	—	7,082
Total energy distribution	90,137	—	—	90,137	90,742	—	—	90,742
Energy transmission								
Aspire Energy	—	9,781	—	9,781	—	13,470	—	13,470
Eastern Shore	19,279	—	—	19,279	19,056	—	—	19,056
Peninsula Pipeline	4,824	—	—	4,824	3,565	—	—	3,565
Total energy transmission	24,103	9,781	—	33,884	22,621	13,470	—	36,091
Energy generation								
Eight Flags	—	4,323	—	4,323	—	4,142	—	4,142
Propane operations								
Propane delivery operations	—	38,282	—	38,282	—	46,125	—	46,125
Energy delivery services								
Marlin Gas Services	—	1,309	—	1,309	—	2,434	—	2,434
Other	—	20	—	20	—	—	—	—
Total energy delivery services	—	1,329	—	1,329	—	2,434	—	2,434
Other and eliminations								
Eliminations	(11,285)	(25)	(4,409)	(15,719)	(9,745)	(5,496)	(4,366)	(19,607)
Other	—	341	133	474	—	405	132	537
Total other and eliminations	(11,285)	316	(4,276)	(15,245)	(9,745)	(5,091)	(4,234)	(19,070)
Total operating revenues⁽¹⁾	\$ 102,955	\$ 54,031	\$ (4,276)	\$ 152,710	\$ 103,618	\$ 61,080	\$ (4,234)	\$ 160,464

(1) Total operating revenues for the three months ended March 31, 2020, include other revenue (revenues from sources other than contracts with customers) of \$0.7 million and \$0.1 million for our Regulated and Unregulated Energy segments, respectively, and \$0.1 million and \$0.1 million for our Regulated and Unregulated Energy segments, respectively, for the three months ended March 31, 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 March 31, 2020 and December 31, 2019 were as follows:

	<u>Trade Receivables</u>	<u>Contract Assets (Current)</u>	<u>Contract Assets (Non-current)</u>	<u>Contract Liabilities (Current)</u>
<i>(in thousands)</i>				
Balance at 12/31/2019	\$ 47,430	\$ 18	\$ 3,465	\$ 589
Balance at 3/31/2020	43,614	18	4,098	428
Increase (decrease)	\$ (3,816)	\$ —	\$ 633	\$ (161)

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 sheets. Our non-current contract assets are included in receivables and other deferred charges in the condensed consolidated balance sheets 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 the three months ended March 31, 2020 and 2019, we recognized revenue of \$0.4 million and \$0.3 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 March 31, 2020, are expected to be recognized as follows:

<i>(in thousands)</i>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026 and thereafter</u>
Eastern Shore and Peninsula Pipeline	\$ 28,084	\$ 34,404	\$ 27,249	\$ 21,795	\$ 19,548	\$ 18,699	\$ 177,607
Natural gas distribution operations	2,992	4,124	5,167	4,936	4,699	4,166	32,996
FPU electric distribution	424	566	566	566	566	275	825
Total revenue contracts with remaining performance obligations	<u>\$ 31,500</u>	<u>\$ 39,094</u>	<u>\$ 32,982</u>	<u>\$ 27,297</u>	<u>\$ 24,813</u>	<u>\$ 23,140</u>	<u>\$ 211,428</u>

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 propose to acquire each CGS one at a time and to pay replacement cost for each CGS system. In addition, we are requesting 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 is anticipated in the second quarter of 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. The acquisition, which is expected to close in the third quarter of 2020, is subject to approval by the Maryland PSC. Elkton Gas territory is contiguous to our franchised service territory in Cecil County, Maryland. 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 dated December 2019. We are anticipating a decision by the Maryland PSC in the second quarter of 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. The Company has 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 is currently on the schedule for approval at the Florida PSC agenda in September 2020.

Western 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. The Company expects to complete the remainder of the project in phases through the third quarter of 2020.

Callahan Pipeline, Nassau County: In July 2019, Peninsula Pipeline filed a petition for approval of the firm transportation service agreement with FPU and the restructuring of the business and operational agreements between Peoples Gas, FPU and Seacoast Gas Transmission. This petition was approved by the Florida PSC at the December 10, 2019 Agenda. 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 will enhance FPU's ability to expand service into Nassau County and will enable Peoples Gas to enhance its

system pressure and the reliability of its service in Duval County. The project is expected to be placed in-service during the third 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.

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, for the period 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. 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 as of March 31, 2020:

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)	\$12,818	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)	\$4,058	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)	\$3,752	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)	\$8,274	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)	\$19,209	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	\$291	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)	\$5,704	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 March 31, 2020 and December 31, 2019, we had approximately \$7.6 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 from customers through rates, up to \$14.0 million of its environmental costs related to its MGP sites. As of March 31, 2020 and December 31, 2019, we had recovered approximately \$12.1 million and \$11.9 million, respectively, leaving approximately \$1.9 million and \$2.1 million, respectively, in regulatory assets for future recovery 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 the east parcel of the site. We expect to implement similar remedial actions on the site's west parcel in 2020.	Between \$4.5 million to \$15.4 million, including costs associated with the relocation of FPU's operations at this site, and any potential costs associated with future 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, our 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 March 31, 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 March 31, 2020 was \$37.0 million. The aggregate amount guaranteed at March 31, 2020 was approximately \$17.9 million with the guarantees expiring on various dates through March 2, 2021. The amounts related to PESCO were \$6.8 million and are expected to be terminated or transferred in the second 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 March 31, 2020, we have issued letters of credit totaling approximately \$5.4 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 March 31, 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. The outstanding letters of credit as of March 31, 2020 also included those issued to support the operations of our divested subsidiary, PESCO. As a result of the sale of assets and contracts for PESCO, letters of credit associated with PESCO are expected to be terminated or transferred in the second quarter of 2020.

8. Segment Information

We use the management approach to identify operating segments. We organize our business around differences in regulatory environment and/or products or services, 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 our mobile compressed natural gas 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	
	March 31,	
	2020	2019
<i>(in thousands)</i>		
Operating Revenues, Unaffiliated Customers		
Regulated Energy	\$ 102,494	\$ 103,071
Unregulated Energy	50,216	57,393
Total operating revenues, unaffiliated customers	<u>\$ 152,710</u>	<u>\$ 160,464</u>
Intersegment Revenues ⁽¹⁾		
Regulated Energy	\$ 461	\$ 547
Unregulated Energy	3,815	3,687
Other businesses	132	132
Total intersegment revenues	<u>\$ 4,408</u>	<u>\$ 4,366</u>
Operating Income		
Regulated Energy	\$ 27,888	\$ 29,741
Unregulated Energy	13,841	15,258
Other businesses and eliminations	384	(875)
Operating income	<u>42,113</u>	<u>44,124</u>
Other income (expense), net	3,318	(57)
Interest charges	5,814	5,628
Income from Continuing Operations before Income Taxes	<u>39,617</u>	<u>38,439</u>
Income Taxes on Continuing Operations	10,591	9,625
Income from Continuing Operations	<u>29,026</u>	<u>28,814</u>
Loss from Discontinued Operations, net of tax	<u>(96)</u>	<u>(150)</u>
Net Income	<u>\$ 28,930</u>	<u>\$ 28,664</u>

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

<i>(in thousands)</i>	March 31, 2020	December 31, 2019
Identifiable Assets		
Regulated Energy segment	\$ 1,448,114	\$ 1,434,066
Unregulated Energy segment	295,470	296,810
Other businesses and eliminations	44,635	52,322
Total identifiable assets	\$ 1,788,219	\$ 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, 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 March 31, 2020 and 2019. All amounts except the stranded tax reclassification are presented net of tax.

<i>(in thousands)</i>	Defined Benefit Pension and Postretirement Plan Items	Commodity Contract Cash Flow Hedges	Total
As of December 31, 2019	\$ (4,933)	\$ (1,334)	\$ (6,267)
Other comprehensive income before reclassifications	—	895	895
Amounts reclassified from accumulated other comprehensive income (loss)	66	(888)	(822)
Net current-period other comprehensive income	66	7	73
As of March 31, 2020	\$ (4,867)	\$ (1,327)	\$ (6,194)

<i>(in thousands)</i>	Defined Benefit Pension and Postretirement Plan Items	Commodity Contract Cash Flow Hedges	Total
As of December 31, 2018	\$ (5,928)	\$ (785)	\$ (6,713)
Other comprehensive income before reclassifications	—	3,021	3,021
Amounts reclassified from accumulated other comprehensive income	107	(39)	68
Net prior-period other comprehensive income	107	2,982	3,089
Prior-year reclassification		(115)	(115)
As of March 31, 2019	\$ (5,821)	\$ 2,082	\$ (3,739)

The following table presents amounts reclassified out of accumulated other comprehensive loss for the three months ended March 31, 2020 and 2019. Deferred gains or losses for our commodity contract cash flow hedges are recognized in earnings upon settlement.

	Three Months Ended	
	March 31,	
	2020	2019
<i>(in thousands)</i>		
Amortization of defined benefit pension and postretirement plan items:		
Prior service credit ⁽¹⁾	\$ 19	\$ 19
Net loss ⁽¹⁾	(108)	(163)
Total before income taxes	(89)	(144)
Income tax benefit	23	37
Net of tax	\$ (66)	\$ (107)
Gains and losses on commodity contracts cash flow hedges:		
Propane swap agreements ⁽²⁾	\$ 1,227	\$ 606
Natural gas swaps ⁽²⁾⁽³⁾	—	11
Natural gas futures ⁽²⁾⁽³⁾	—	(573)
Total before income taxes	1,227	44
Income tax benefit (expense)	(339)	(5)
Net of tax	888	39
Total reclassifications for the period	\$ 822	\$ (68)

⁽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 for the first quarter of 2019 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 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 months ended March 31, 2020 and 2019 are set forth in the following tables:

For the Three Months Ended March 31, (in thousands)	Chesapeake Pension Plan		FPU Pension Plan		Chesapeake SERP		Chesapeake Postretirement Plan		FPU Medical Plan	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Interest cost	\$ 46	\$ 105	\$ 518	\$ 615	\$ 16	\$ 21	\$ 8	\$ 10	\$ 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	79	(92)	51	21	47	1	3	10	12
Amortization of pre-merger regulatory asset	—	—	—	190	—	—	—	—	2	2
Total periodic cost	\$ 69	\$ 79	\$ (92)	\$ 241	\$ 21	\$ 47	\$ 1	\$ 3	\$ 12	\$ 14

We expect to record immaterial pension and postretirement 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 months ended March 31, 2020 and 2019:

For the Three Months Ended March 31, 2020 (in thousands)	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	\$ 65	\$ 135	\$ 5	\$ (7)	\$ —	\$ 198

For the Three Months Ended March 31, 2019 (in thousands)	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	\$ 101	\$ 129	\$ 26	\$ (7)	\$ —	\$ 249

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

During the three months ended March 31, 2020, we contributed approximately \$0.3 million to the FPU Pension Plan. Our contribution to the Chesapeake Pension Plan was immaterial. We expect to contribute approximately \$0.3 million and \$3.2 million to the Chesapeake Pension Plan and FPU Pension Plans, respectively, during 2020, which represents the minimum annual contribution payments required. A provision in the Coronavirus Aid, Relief, and Economy Stimulus 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 will not defer any of our 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 months ended March 31, 2020 were immaterial. 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 months ended March 31, 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 months ended March 31, 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 March 31, 2020 and December 31, 2019, consisted of the following:

<i>(in thousands)</i>	March 31, 2020	December 31, 2019
Rabbi trust (associated with the Non-Qualified Deferred Compensation Plan)	\$ 7,194	\$ 9,202
Investments in equity securities	23	27
Total	\$ 7,217	\$ 9,229

We classify these investments as trading securities and report them at their fair value. For the three months ended March 31, 2020 and 2019, we recorded a net unrealized loss of approximately \$1.5 million and a net unrealized gain of approximately \$0.7 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 months ended March 31, 2020 and 2019:

<i>(in thousands)</i>	Three Months Ended	
	March 31,	
	2020	2019
Awards to non-employee directors	\$ 176	\$ 149
Awards to key employees	880	338
Total compensation expense	1,056	487
Less: tax benefit	(276)	(127)
Share-based compensation amounts included in net income	\$ 780	\$ 360

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 2019, after the most recent election of directors, each of our continuing non-employee directors received an annual retainer of 751 shares of common stock under the SICP for service as a director through the 2020 Annual Meeting of Stockholders; accordingly, 6,759 shares, with a weighted average fair value of \$93.14 per share, were issued and vested in 2019.

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 will be recognized over the remaining service period ending on the date of the 2020 Annual Meeting of Stockholders.

At March 31, 2020, there was approximately \$0.1 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 2020 Annual Meeting of Stockholders.

Key Employees

The table below presents the summary of the stock activity for awards to key employees for the three months ended March 31, 2020:

	Number of Shares	Weighted Average Fair Value
Outstanding—December 31, 2019	157,817	\$ 80.28
Granted	65,775	\$ 92.78
Vested	(35,651)	\$ 66.48
Expired	(5,302)	\$ 65.32
Outstanding—March 31, 2020	182,639	\$ 87.01

In February 2020, our Board of Directors granted awards of 65,775 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 election 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 March 31, 2020, the aggregate intrinsic value of the SICP awards granted to key employees was approximately \$15.7 million. At March 31, 2020, there was approximately \$6.7 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 three months ended March 31, 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. 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. As of March 31, 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.

Volume of Derivative Activity

As of March 31, 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)	15.9	Cash flows hedges	June 2022

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 March 2020 through March 2024), 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 \$1.5 million from accumulated other comprehensive loss to earnings during the next 12-month period ended March 31, 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	March 31, 2020	December 31, 2019
Sharp	Other Current Assets	\$ 3,111	\$ 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 March 31, 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 March 31, 2020 and December 31, 2019, are as follows:

<i>(in thousands)</i>	Balance Sheet Location	Derivative Assets	
		Fair Value As Of	
		March 31, 2020	December 31, 2019
Derivatives designated as cash flow hedges			
Propane swap agreements	Derivative assets, at fair value	\$ 151	\$ —
Total asset derivatives		\$ 151	\$ —

(in thousands)	Balance Sheet Location	Derivative Liabilities	
		Fair Value As Of	
		March 31, 2020	December 31, 2019
Derivatives designated as cash flow hedges			
Propane swap agreements	Derivative liabilities, at fair value	\$ 1,986	\$ 1,844
Total liability derivatives		\$ 1,986	\$ 1,844

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

(in thousands)	Location of Gain (Loss) on Derivatives	Amount of Gain (Loss) on Derivatives:	
		For the Three Months Ended March 31,	
		2020	2019
Derivatives designated as cash flow hedges			
Propane swap agreements	Cost of sales	\$ 1,227	\$ 606
Propane swap agreements	Other comprehensive income	9	1,009
Natural gas swap contracts	Other comprehensive loss	—	(59)
Natural gas futures contracts	Other comprehensive income	—	3,226
Total		\$ 1,236	\$ 4,782

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:

Fair Value Hierarchy	Description of Fair Value Level	Fair Value Technique Utilized
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 March 31, 2020 and December 31, 2019:

As of March 31, 2020 (in thousands)	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	\$ 23	\$ 23	\$ —	\$ —
Investments—guaranteed income fund	835	—	—	835
Investments—mutual funds and other	6,359	6,359	—	—
Total investments	7,217	6,382	—	835
Derivative assets	151	—	151	—
Total assets	\$ 7,368	\$ 6,382	\$ 151	\$ 835
Liabilities:				
Derivative liabilities	\$ 1,986	\$ —	\$ 1,986	\$ —

As of December 31, 2019 (in thousands)	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	\$ 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 three months ended March 31, 2020 and 2019:

(in thousands)	Three Months Ended March 31,	
	2020	2019
Beginning Balance	\$ 803	\$ 686
Purchases and adjustments	9	6
Transfers	57	—
Distribution	(38)	—
Investment income	4	3
Ending Balance	\$ 835	\$ 695

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

At March 31, 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 March 31, 2020, long-term debt which includes current maturities but excludes debt issuance costs, had a carrying value of approximately \$456.6 million, compared to the estimated fair value of \$447.8 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>	March 31, 2020	December 31, 2019
FPU secured first mortgage bonds ⁽¹⁾ :		
9.08% bond, due June 1, 2022	\$ 7,991	\$ 7,990
Uncollateralized senior notes:		
5.50% note, due October 12, 2020	2,000	2,000
5.93% note, due October 31, 2023	12,000	12,000
5.68% note, due June 30, 2026	20,300	20,300
6.43% note, due May 2, 2028	6,300	6,300
3.73% note, due December 16, 2028	18,000	18,000
3.88% note, due May 15, 2029	50,000	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	(808)	(822)
Total long-term debt	455,783	485,768
Less: current maturities	(15,600)	(45,600)
Total long-term debt, net of current maturities	\$ 440,183	\$ 440,168

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

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, with no party under any obligation to purchase any unsecured debt. The Prudential Shelf Agreement totaling \$150.0 million was entered into in October 2015 and we issued \$70.0 million of 3.25 percent unsecured debt in April 2017. The Prudential Shelf Agreement was then amended in September 2018 to increase the borrowing capacity back to \$150.0 million, and in August 2019, we issued \$100.0 million of 3.98 percent unsecured debt. In January 2020, we submitted a request for Prudential to purchase \$50.0 million of our unsecured debt which was accepted and confirmed by Prudential. The Shelf Notes will bear interest at the rate of 3.00 percent per annum and the proceeds received from the issuance will be used to reduce short-term borrowings under our revolving credit facility, lines of credit and/or to fund capital expenditures. The closing of the issuance of the Shelf Notes is expected to occur on or before July 15, 2020. In April 2020, the Prudential Shelf Agreement was amended to reinstate and increase the available borrowing capacity back to \$150.0 million.

The NYL Shelf Agreement totaling \$100.0 million was entered into in March 2017 and we issued unsecured debt totaling \$100.0 million during 2018. The NYL Shelf Agreement was amended in November 2018 to provide additional borrowing capacity of \$50.0 million. In February 2020, we submitted a request for NYL to purchase \$40.0 million of our unsecured debt which was accepted and confirmed by NYL. The Shelf Notes will bear interest at the rate of 2.96 percent per annum and the proceeds received from the issuance will be used to reduce short-term borrowings under our revolving credit facility, lines of credit and/or to fund capital expenditures. The closing of the issuance of the Shelf Notes is expected to occur on or before August 14, 2020.

The MetLife Shelf Agreement was entered into in March 2017 and it expired in March 2020. As of March 31, 2020, we had not requested that MetLife purchase unsecured senior debt under the MetLife Shelf Agreement. In April 2020, we

agreed to commercial terms with MetLife to provide a new \$150.0 million MetLife Shelf Agreement for a three-year term ending March 31, 2023. The MetLife Shelf Agreement will be finalized in May 2020.

The following table summarizes the available borrowing capacity under our Shelf Agreements and is reflective of activity that occurred subsequent to March 31, 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⁾	\$ 220,000	\$ (170,000)	\$ (50,000)	\$ —
NYL Shelf Agreement ⁽²⁾	150,000	(100,000)	(40,000)	10,000
Total Shelf Agreements as of March 31, 2020	370,000	(270,000)	(90,000)	10,000
Subsequent amendments / renewals:				
Prudential Shelf Agreement ⁽³⁾	150,000	—	—	150,000
MetLife Shelf Agreement ⁽⁴⁾	150,000	—	—	150,000
Total Shelf Agreements added after March 31, 2020	300,000	—	—	300,000
Total Shelf Agreements as of May 5, 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.

⁽²⁾ In February 2020, we requested and NYL accepted our request to purchase \$40.0 million of our unsecured debt.

⁽³⁾ In April 2020, the Prudential Shelf Agreement was amended to reinstate and increase the available borrowing capacity back to \$150.0 million.

⁽⁴⁾ In April 2020, we agreed to commercial terms with MetLife to provide a new \$150.0 million MetLife Shelf Agreement for a three-year term ending March 31, 2023. The MetLife Shelf Agreement will be finalized in May 2020.

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

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. These facilities are available to provide funds for our short-term cash needs to meet seasonal working capital requirements and to temporarily fund portions of our capital expenditures.

At March 31, 2020 and December 31, 2019, we had \$254.3 million and \$247.4 million, respectively, of short-term borrowings outstanding at the weighted average interest rates of 2.30 percent and 2.62 percent, respectively. 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. All of these facilities expire in October 2020. The following table summarizes our short-term borrowing facilities information at March 31, 2020 and December 31, 2019:

(in thousands)	Total Facility	LIBOR Based Interest Rate	Outstanding borrowings at		Available at March 31, 2020
			March 31, 2020	December 31, 2019	
Bank Credit Facility					
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	72,389	57,150	7,611
Committed revolving credit facility C	45,000	plus 0.75 percent	35,515	42,040	9,485
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	50,000	50,000	100,000
Total short term credit facilities	\$ 370,000		252,904	244,190	\$ 117,096
Book overdrafts ⁽¹⁾			1,435	3,181	
Total short-term borrowing			\$ 254,339	\$ 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, shall not exceed \$350.0 million.

As a result of the uncertainty regarding the length of and depth of the impacts of the COVID-19 pandemic, in April 2020, we received commitments for an additional \$50.0 million of short-term debt capacity through two credit facilities that mature on October 31, 2020. These facilities have a commitment fee of 35 basis points with an interest rate of 175 basis points over LIBOR, to the extent we borrow under these facilities. Additionally, we have also agreed to commercial terms for two additional short-term credit facilities totaling \$45.0 million that mature on October 31, 2020. These credit facilities are expected to be finalized in May 2020.

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 March 31, 2020, we are in compliance with all of our debt covenants.

In April 2020, we entered into interest rate swaps with notional amounts totaling \$70.0 million associated with two of our short-term lines of credit for a six-month term beginning April 2020 and terminating in 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 respective fixed swap rates will be 0.3875 and 0.275 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 not have resulted in material 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 March 31, 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 March 31, 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	
		March 31,	
		2020	2019
Operating lease cost ⁽¹⁾	Operations expense	\$ 626	\$ 635
Finance lease cost:			
Amortization of lease assets	Depreciation and amortization	—	401
Interest on lease liabilities	Interest expense	—	4
Net lease cost		<u>\$ 626</u>	<u>\$ 1,040</u>

⁽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 March 31, 2020 and December 31, 2019:

<i>(in thousands)</i>	Balance sheet classification	December 31,	
		March 31, 2020	2019
Assets			
Operating lease assets	Operating lease right-of-use assets	\$ 11,696	\$ 11,563
Total lease assets		<u>\$ 11,696</u>	<u>\$ 11,563</u>
Liabilities			
Current			
Operating lease liabilities	Other accrued liabilities	\$ 1,608	\$ 1,705
Noncurrent			
Operating lease liabilities	Operating lease - liabilities	10,165	9,896
Total lease liabilities		<u>\$ 11,773</u>	<u>\$ 11,601</u>

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

	March 31, 2020	December 31, 2019
Weighted-average remaining lease term (in years)		
Operating leases	8.75	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 March 31, 2020 and 2019:

<i>(in thousands)</i>	Three Months Ended	
	March 31,	
	2020	2019
Operating cash flows from operating leases	\$ 527	\$ 537
Operating cash flows from finance leases	—	4
Financing cash flows from finance leases	—	401

The following table presents the future undiscounted maturities of our operating leases at March 31, 2020 and for each of the next five years and thereafter:

<i>(in thousands)</i>	Operating Leases ⁽¹⁾	
Remainder of 2020	\$	1,545
2021		2,010
2022		1,916
2023		1,852
2024		1,597
2025		1,363
Thereafter		3,787
Total lease payments	\$	14,070
Less: Interest		2,297
Present value of lease liabilities	\$	11,773

⁽¹⁾ Operating lease payments include \$4.1 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 Months Ended March 31, 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 have 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 significantly impacted economic conditions in the United States, and the economic impact is expected to continue as long as the social distancing restrictions remain in place. We are considered an "essential business," which allows us to continue operational activities and construction projects while the social distancing restrictions remain in place. In response to the COVID-19 pandemic and related restrictions, we have 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 first quarter of 2020, the COVID-19 impact on our results of operations or financial position was immaterial. Any future impact on our results of operations, liquidity, or financial position from COVID-19, particularly from continued social distancing and other restrictions recommended or required by federal, state and local authorities, cannot be estimated at this time. We are committed to communicating timely updates and will continue to monitor developments affecting our employees, customers, suppliers and shareholders and take additional precautions as warranted to operate safely and to comply with the CDC, state and local requirements in order to protect our employees, customers and the communities we serve.

Operational Highlights

Our net income for the quarter ended March 31, 2020 was \$28.9 million, compared to \$28.7 million for the same quarter of 2019. Our earnings per share for the quarter ended March 31, 2020 increased \$0.02 to \$1.76 per share, compared to the same quarter of 2019.

Our income from continuing operations for the quarter ended March 31, 2020 was \$29.0 million, compared to \$28.8 million for the same quarter of 2019. Our earnings per share from continuing operations for the quarter ended March 31, 2020 increased \$0.02 to \$1.77 per share, compared to the same quarter of 2019. Operating income decreased by \$2.0 million for the quarter ended March 31, 2020, compared to the same period in the prior year. Weather during the first quarter of 2020, was 20 and 17 percent warmer than the first quarter of 2019, on the Delmarva Peninsula and in Ohio, respectively, which was a significant driver of lower consumption and reduced operating income by \$4.2 million. This decrease was largely offset by growth in earnings from our organic growth projects and contributions from the December 2019 acquisition of certain propane assets of Boulden. The decrease in operating income was offset by a \$3.2 million gain from the sale of two properties as we consolidate our facilities in support of our strategic initiatives.

	Three Months Ended		Increase (decrease)
	March 31,		
	2020	2019	
<i>(in thousands except per share)</i>			
Gross Margin			
Regulated Energy segment	\$ 68,123	\$ 67,102	\$ 1,021
Unregulated Energy segment	31,803	32,542	(739)
Other businesses and eliminations	(85)	(107)	22
Total Gross Margin	\$ 99,841	\$ 99,537	\$ 304
Operating Income			
Regulated Energy segment	\$ 27,888	\$ 29,741	\$ (1,853)
Unregulated Energy segment	13,841	15,258	(1,417)
Other businesses and eliminations	384	(875)	1,259
Total Operating Income	42,113	44,124	(2,011)
Other income (expense), net	3,318	(57)	3,375
Interest charges	5,814	5,628	186
Income from Continuing Operations Before Income Taxes	39,617	38,439	1,178
Income Taxes on Continuing Operations	10,591	9,625	966
Income from Continuing operations	29,026	28,814	212
Loss from Discontinued Operations	(96)	(150)	54
Net Income	\$ 28,930	\$ 28,664	\$ 266
Basic Earnings Per Share of Common Stock			
Earnings from Continuing Operations	\$ 1.77	\$ 1.76	\$ 0.01
Loss from Discontinued Operations	(0.01)	(0.01)	—
Basic Earnings Per Share of Common Stock	\$ 1.76	\$ 1.75	\$ 0.01
Diluted Earnings Per Share of Common Stock			
Earnings from Continuing Operations	\$ 1.77	\$ 1.75	\$ 0.02
Loss from Discontinued Operations	(0.01)	(0.01)	—
Diluted Earnings Per Share of Common Stock	\$ 1.76	\$ 1.74	\$ 0.02

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

<i>(in thousands, except per share data)</i>	Pre-tax Income	Net Income	Earnings Per Share
First Quarter of 2019 Reported Results from Continuing Operations	\$ 38,439	\$ 28,814	\$ 1.75
Adjusting for Unusual Items:			
Decreased customer consumption primarily due to warmer weather	(4,220)	(3,092)	(0.19)
Absence of Florida tax savings (net of GRIP refunds) recorded in Q1 2019 for 2018	(910)	(667)	(0.04)
Gains from sales of assets	3,162	2,317	0.14
	<u>(1,968)</u>	<u>(1,442)</u>	<u>(0.09)</u>
Increased (Decreased) Gross Margins:			
Margin contribution from Boulden acquisition (completed December 2019)*	1,888	1,383	0.08
Increased retail propane margins per gallon	1,217	892	0.05
Natural gas distribution growth (excluding service expansions)	1,096	803	0.05
Peninsula Pipeline service expansions*	1,039	761	0.05
Higher Aspire Energy margins from negotiated rate increases	388	284	0.02
Marlin Gas Services - higher level of pipeline integrity services for existing customers in 2019*	(982)	(720)	(0.04)
	<u>4,646</u>	<u>3,403</u>	<u>0.21</u>
(Increased) Decreased Operating Expenses (Excluding Cost of Sales):			
Depreciation, amortization and property tax costs due to new capital investments	(1,347)	(987)	(0.06)
Insurance expense (non-health) - both insured and self-insured	(1,028)	(753)	(0.05)
Operating expenses from Boulden acquisition (completed December 2019)	(535)	(392)	(0.02)
Facilities maintenance costs and outside services	(462)	(338)	(0.02)
Payroll, Benefits and other employee-related expenses	1,293	947	0.06
	<u>(2,079)</u>	<u>(1,523)</u>	<u>(0.09)</u>
Interest Charges	(186)	(136)	(0.01)
Other income tax effects	—	(651)	(0.04)
Net other changes	765	561	0.04
	<u>579</u>	<u>(226)</u>	<u>(0.01)</u>
First Quarter of 2020 Reported Results from Continuing Operations	\$ 39,617	\$ 29,026	\$ 1.77

*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, 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/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.

<i>in thousands</i>	Gross Margin for the Period				
	Three Months Ended		Year Ended	Estimate for	
	March 31,		December 31,	Fiscal	
	2020	2019	2019	2020	2021
Expansions:					
Western Palm Beach County, Florida Expansion - including interim services	\$ 1,000	\$ 131	\$ 2,139	\$ 5,227	\$ 5,227
Del-Mar Energy Pathway - including interim services	189	165	731	2,512	4,100
Auburndale	170	—	283	679	679
Callahan Intrastate Pipeline	—	—	—	3,219	6,400
Guernsey Power Station	—	—	—	—	700
Marlin Gas Services	1,347	2,329	5,410	6,400	7,000
Total Expansions	<u>2,706</u>	<u>2,625</u>	<u>8,563</u>	<u>18,037</u>	<u>24,106</u>
Acquisitions:					
Boulden Propane	1,888	—	329	3,800	4,200
Elkton Gas	—	—	—	TBD	TBD
Total Acquisitions	<u>1,888</u>	<u>—</u>	<u>329</u>	<u>3,800</u>	<u>4,200</u>
Regulatory Initiatives					
Florida GRIP ⁽¹⁾	3,695	3,782	13,528	14,858	15,831
Hurricane Michael regulatory proceeding	—	—	—	TBD	TBD
Total Regulatory Initiatives	<u>3,695</u>	<u>3,782</u>	<u>13,528</u>	<u>14,858</u>	<u>15,831</u>
Total	<u>\$ 8,289</u>	<u>\$ 6,407</u>	<u>\$ 22,420</u>	<u>\$ 36,695</u>	<u>\$ 44,137</u>

(1) In the first quarter of 2020, we recorded a reduction in depreciation expense totaling \$0.3 million, as a result of a Florida PSC approved depreciation study that lowered annual depreciation rates. We also recorded \$0.2 million in lower GRIP margin due to a concurrent reduction in the surcharge collected from customers as a result of the reduced depreciation rates during the first quarter of 2020.

Detailed Discussion of Major Projects and Initiatives

Expansions

Western 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 \$0.9 million, including interim services, for the three months ended March 31, 2020 compared to 2019. 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 \$5.2 million in 2020 and beyond.

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 \$0.2 million gross margin for the three months ended March 31, 2020. The estimated gross margin from this project is approximately \$2.5 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 for the three months ended March 31, 2020 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 in Nassau County, Florida with Seacoast Gas Transmission. The 26-mile pipeline, having an initial capacity of 148,000 Dts/d, will serve growing demand in both Nassau and Duval Counties, Florida. Construction of the project is currently ongoing and it is expected to be placed in-service during the third quarter of 2020. Peninsula Pipeline expects to generate gross margin of \$3.2 million in 2020 and \$6.4 million annually thereafter.

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 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.

Marlin Gas Services

Marlin Gas Services provides temporary hold services, pipeline integrity services, emergency services for damaged pipelines and specialized gas services for customers who have unique requirements. We estimate that Marlin Gas Services will generate annual gross margin of approximately \$6.4 million in 2020 and \$7.0 million in 2021 and beyond. Marlin Gas Services continues to actively expand the territories it serves, as well as leverage its patented technology to serve liquefied natural gas transportation needs and to aid in the transportation of renewable natural gas from the supply sources to various pipeline interconnection points.

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 \$1.9 million of incremental gross margin for the three months ended March 31, 2020. 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 is expected to close in third quarter of 2020, subject to approval by the Maryland PSC.

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 \$148.7 million of capital expenditures to replace 303 miles of qualifying distribution mains, including \$4.8 million of new pipes during the first three months of 2020. GRIP gross margin increased by \$0.1 million for the three months ended March 31, 2020 compared to 2019, on a gross basis.

In the first quarter of 2020, we recorded a reduction in depreciation expense totaling \$0.3 million, as a result of a Florida PSC approved depreciation study that lowered annual depreciation rates. We also recorded \$0.2 million in lower GRIP margin due to a concurrent reduction in the surcharge collected from customers as a result of the reduced depreciation rates during the first

quarter of 2020. Including this impact, gross margin generated from Florida GRIP for the first quarter of 2020 decreased on a net basis by \$0.1 million.

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, the Company has recorded a reserve for the interim rate increases, pending a final resolution of the proceeding.

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

Significantly warmer temperatures during the three months ended March 31, 2020, had a negative impact on gross margin for the quarter. Lower customer consumption, directly attributable to warmer than normal temperatures during the three months ended March 31, 2020, reduced gross margin by \$4.2 million compared to the same quarter in 2019 and \$5.1 million compared to normal temperatures as defined below. The following table summarizes heating degree day ("HDD") and cooling degree day ("CDD") variances from the 10-year average HDD/CDD ("Normal") for the three months ended March 31, 2020 and 2019.

	Three Months Ended		Variance
	March 31,		
	2020	2019	
Delmarva			
Actual HDD	1,859	2,322	(463)
10-Year Average HDD ("Normal")	2,349	2,362	(13)
Variance from Normal	(490)	(40)	
Florida			
Actual HDD	334	361	(27)
10-Year Average HDD ("Normal")	495	518	(23)
Variance from Normal	(161)	(157)	
Ohio			
Actual HDD	2,496	2,996	(500)
10-Year Average HDD ("Normal")	3,019	3,045	(26)
Variance from Normal	(523)	(49)	
Florida			
Actual CDD	226	134	92
10-Year Average CDD ("Normal")	105	97	8
Variance from Normal	121	37	

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 \$1.1 million of additional margin for the three months ended March 31, 2020 compared to 2019. The average number of residential customers served on the Delmarva Peninsula and in Florida increased by 3.9 percent and 3.8 percent, respectively, during the first quarter of 2020. Growth in commercial and industrial customers also contributed additional margin during 2020. The details are provided in the following table:

	Gross Margin Increase	
	Three Months Ended March 31, 2020	
	Delmarva Peninsula	Florida
<u>Customer growth:</u>		
Residential	\$ 441	\$ 223
Commercial and industrial	154	278
Total customer growth	\$ 595	\$ 501

Regulated Energy Segment

For the quarter ended March 31, 2020, compared to the quarter ended March 31, 2019:

	Three Months Ended		Increase (decrease)
	March 31,		
	2020	2019	
<i>(in thousands)</i>			
Revenue	\$ 102,955	\$ 103,618	\$ (663)
Cost of sales	34,832	36,516	(1,684)
Gross margin	68,123	67,102	1,021
Operations & maintenance	26,241	24,548	1,693
Depreciation & amortization	9,319	8,446	873
Other taxes	4,675	4,367	308
Total operating expenses	40,235	37,361	2,874
Operating income	\$ 27,888	\$ 29,741	\$ (1,853)

Operating income for the Regulated Energy segment for the three months ended March 31, 2020 was \$27.9 million, a decrease of \$1.9 million compared to the same period in 2019. The decreased operating income resulted from increased gross margin of \$1.0 million offset by \$2.9 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
Natural gas distribution growth (excluding service expansions)	\$ 1,096
Peninsula Pipeline service expansions	1,039
Tax savings (net of GRIP refunds) recorded in Q1 2019 for 2018 associated with lower federal tax rates for certain Florida natural gas distribution operations	(910)
Decreased customer consumption - primarily due to warmer weather	(521)
Other variances	317
Quarter-over-quarter increase in gross margin	\$ 1,021

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.

Natural Gas Distribution Customer Growth

We generated additional gross margin of \$1.1 million from natural gas distribution customer growth. Gross margin increased by \$0.6 million on the Delmarva Peninsula and \$0.5 million in Florida for the three months ended March 31, 2020, as compared to the same period in 2019. These increases were the result of residential customer growth of 3.9 percent and 3.8 percent on the Delmarva Peninsula and in Florida, respectively, as well as increases in the number of commercial and industrial customers served.

Peninsula Pipeline Service Expansions

We generated additional gross margin of \$1.0 million from Peninsula Pipeline's Western Palm Beach County and Auburndale Projects.

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

Gross margin decreased by \$0.9 million for the three months ended March 31, 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.

Decreased Customer Consumption - Primarily Due to Warmer Weather

Gross margin decreased by \$0.5 million due to lower weather-related usage as weather on the Delmarva Peninsula and in Florida

[Table of Contents](#)

was approximately 20 percent and 7 percent, respectively, warmer for the three months ended March 31, 2020, compared to the same period in 2019.

Other Operating Expenses

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

(in thousands)

Depreciation, amortization and property tax costs due to growth investments	\$	1,227
Insurance expense (non-health) - both insured and self-insured components		834
Outside services, regulatory, and facilities maintenance costs		540
Payroll, benefits and other employee-related expenses		200
Other variances		73
Quarter-over-quarter increase in other operating expenses	\$	2,874

Unregulated Energy Segment

For the quarter ended March 31, 2020, compared to the quarter ended March 31, 2019:

	Three Months Ended		Increase (decrease)
	March 31,		
	2020	2019	
(in thousands)			
Revenue	\$ 54,031	\$ 61,081	\$ (7,050)
Cost of sales	22,228	28,539	(6,311)
Gross margin	31,803	32,542	(739)
Operations & maintenance	14,076	13,823	253
Depreciation & amortization	2,918	2,465	453
Other taxes	968	996	(28)
Total operating expenses	17,962	17,284	678
Operating income	<u>\$ 13,841</u>	<u>\$ 15,258</u>	<u>\$ (1,417)</u>

Operating income for the Unregulated Energy segment for the first quarter of 2020 was \$13.8 million a 9.3 percent decrease over the same period in 2019. The decreased operating income reflects \$3.7 million in lower gross margin primarily due to the impact of warmer weather during the first quarter of 2020. These decreases were partially offset by the incremental margin from the Boulden assets and higher propane retail margins per gallon.

Gross Margin

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

(in thousands)

	Margin Impact
Propane Operations	
Decrease in customer consumption - primarily due to warmer weather	\$ (2,799)
Boulden acquisition (assets acquired in December 2019)	1,888
Increased retail propane margins per gallon driven by favorable market conditions and supply management	1,217
Aspire Energy	
Decrease in customer consumption - primarily due to warmer weather	(900)
Higher margins from negotiated rate increases	388
Marlin Gas Services - higher level of pipeline integrity services for existing customers in 2019	(982)
Other variances	449
Quarter-over-quarter decrease in gross margin	\$ (739)

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

- *Decreased Customer Consumption Primarily Driven by Weather* - Gross margin decreased by \$2.7 million for the Mid-Atlantic propane operations and by \$0.1 million in Florida as weather on the Delmarva Peninsula and in Florida was approximately 20 and 7 percent, respectively, warmer for the three months ended March 31, 2020 compared to the same period in 2019.
- *Propane Operations - Boulden* - Gross margin increased by \$1.9 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 \$1.2 million, in the first 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 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.

Aspire Energy

- *Decreased Customer Consumption Primarily Driven by Weather* - Gross margin decreased by \$0.9 million due to decreased consumption as weather in Ohio was approximately 17 percent warmer for the three months ended March 31, 2020 compared to the same period in 2019.
- *Increased Margin Driven by Changes in Rates* - Gross margin increased by \$0.4 million in the first quarter of 2020, as compared to the same period in the prior year, due primarily to higher margins from negotiated rate increases.

Marlin Gas Services

- Gross margin decreased by \$1.0 million in the first quarter of 2020, as compared to the same period in the prior year. First quarter 2019 results included gross margin from existing customers for a higher level of pipeline integrity services.

Other Operating Expenses

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

(in thousands)

Operating expenses for Boulden (assets acquired in December 2019)	\$	342
Depreciation, amortization and property taxes due to new capital investments		448
Insurance expense (non-health) - both insured and self-insured components		194
Payroll, benefits and other employee-related expenses		(292)
Other variances		(14)
Quarter-over-quarter increase in other operating expenses	\$	678

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 INCOME (EXPENSE), NET***For the quarter ended March 31, 2020 compared to the quarter ended March 31, 2019***

Other income (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 in the first quarter 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 March 31, 2020 compared to the quarter ended March 31, 2019***

Interest charges for the quarter ended March 31, 2020 increased by \$0.2 million, compared to the same period in 2019, attributable primarily to an increase of \$1.4 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; offset by a decrease of \$1.0 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 a completed building in Florida.

INCOME TAXES***For the quarter ended March 31, 2020 compared to the quarter ended March 31, 2019***

Income tax expense was \$10.6 million and \$9.6 million for the quarters ended March 31, 2020 and 2019, respectively. Our effective income tax rate was 26.7 percent for the three months ended March 31, 2020, compared to 25.0 percent for the three months ended March 31, 2019. The lower effective tax rate for the first quarter of 2019 was principally due to the impact of a gross up in deferred taxes associated with the TCJA for certain of our Florida natural gas distribution operations.

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.

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 \$41.2 million for the three months ended March 31, 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	\$ 72,000	\$ 83,000
Natural gas transmission	83,000	96,000
Electric distribution	5,000	7,000
Total Regulated Energy	160,000	186,000
Unregulated Energy:		
Propane distribution	10,000	11,000
Energy transmission	6,000	6,000
Other unregulated energy	6,000	8,000
Total Unregulated Energy	22,000	25,000
Other:		
Corporate and other businesses	3,000	4,000
Total Other	3,000	4,000
Total 2020 Expected Capital Expenditures	\$ 185,000	\$ 215,000

The 2020 budget, excluding acquisitions, includes: Eastern Shore’s Del-Mar Energy Pathway Project, Florida’s Callahan and Palm Beach County Western Expansion 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 March 31, 2020 and December 31, 2019:

	March 31, 2020		December 31, 2019	
<i>(in thousands)</i>				
Long-term debt, net of current maturities	\$ 440,183	43%	\$ 440,168	44%
Stockholders' equity	584,129	57%	561,577	56%
Total capitalization, excluding short-term debt	<u>\$ 1,024,312</u>	<u>100%</u>	<u>\$ 1,001,745</u>	<u>100%</u>

	March 31, 2020		December 31, 2019	
<i>(in thousands)</i>				
Short-term debt	\$ 254,339	20%	\$ 247,371	19%
Long-term debt, including current maturities	455,783	35%	485,768	38%
Stockholders' equity	584,129	45%	561,577	43%
Total capitalization, including short-term debt	<u>\$ 1,294,251</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 March 31, 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, with no party under any obligation to purchase any unsecured debt. The Prudential Shelf Agreement totaling \$150.0 million was entered into in October 2015 and we issued \$70.0 million of 3.25 percent unsecured debt in April 2017. The Prudential Shelf Agreement was then amended in September 2018 to increase the borrowing capacity back to \$150.0 million, and in August 2019, we issued \$100.0 million of 3.98 percent unsecured debt. In January 2020, we submitted a request for Prudential to purchase \$50.0 million of our unsecured debt which was accepted and confirmed by Prudential. The Shelf Notes will bear interest at the rate of 3.00 percent per annum and the proceeds received from the issuance will be used to reduce short-term borrowings under our revolving credit facility, lines of credit and/or to fund capital expenditures. The closing of the issuance of the Shelf Notes is expected to occur on or before July 15, 2020. In April 2020, the Prudential Shelf Agreement was amended to reinstate and increase the available borrowing capacity back to \$150.0 million.

The NYL Shelf Agreement totaling \$100.0 million was entered into in March 2017 and we issued unsecured debt totaling \$100.0 million during 2018. The NYL Shelf Agreement was amended in November 2018 to provide additional borrowing capacity of \$50.0 million. In February 2020, we submitted a request for NYL to purchase \$40.0 million of our unsecured debt which was accepted and confirmed by NYL. The Shelf Notes will bear interest at the rate of 2.96 percent per annum and the proceeds received from the issuance will be used to reduce short-term borrowings under our revolving credit facility, lines of credit and/or to fund capital expenditures. The closing of the issuance of the Shelf Notes is expected to occur on or before August 14, 2020.

The MetLife Shelf Agreement was entered into in March 2017 and it expired in March 2020. As of March 31, 2020, we had not requested that MetLife purchase unsecured senior debt under the MetLife Shelf Agreement. In April 2020, we agreed to commercial terms with MetLife to provide a new \$150.0 million MetLife Shelf Agreement for a three-year term ending March 31, 2023. The MetLife Shelf Agreement will be finalized in May 2020.

The following table summarizes the available borrowing capacity under our Shelf Agreements and is reflective of activity that occurred subsequent to March 31, 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⁾	\$ 220,000	\$ (170,000)	\$ (50,000)	\$ —
NYL Shelf Agreement ⁽²⁾	150,000	(100,000)	(40,000)	10,000
Total Shelf Agreements as of March 31, 2020	370,000	(270,000)	(90,000)	10,000
Subsequent amendments / renewals:				
Prudential Shelf Agreement ⁽³⁾	150,000	—	—	150,000
MetLife Shelf Agreement ⁽⁴⁾	150,000	—	—	150,000
Total Shelf Agreements added after March 31, 2020	300,000	—	—	300,000
Total Shelf Agreements as of May 5, 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.

⁽²⁾ In February 2020, we requested and NYL accepted our request to purchase \$40.0 million of our unsecured debt.

⁽³⁾ In April 2020, the Prudential Shelf Agreement was amended to reinstate and increase the available borrowing capacity back to \$150.0 million.

⁽⁴⁾ In April 2020, we agreed to commercial terms with MetLife to provide a new \$150.0 million MetLife Shelf Agreement for a three-year term ending March 31, 2023. The MetLife Shelf Agreement will be finalized in the May 2020.

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 March 31, 2020, we had five 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. None of the unsecured bank lines of credit requires compensating balances. Our outstanding short-term borrowings at March 31, 2020 and December 31, 2019 were \$254.3 million and \$247.4 million at weighted average interest rates of 2.30 percent and 2.62 percent, respectively.

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.

As a result of the uncertainty regarding the length of and depth of the impacts of the COVID-19 pandemic, in April 2020, we received commitments for an additional \$50.0 million of short-term debt capacity through two credit facilities that mature on October 31, 2020. These facilities have a commitment fee of 35 basis points with an interest rate of 175 basis points over LIBOR, to the extent we borrow under these facilities. Additionally, we have also agreed to commercial terms for two additional short-term credit facilities totaling \$45.0 million that mature on October 31, 2020. These credit facilities are expected to be finalized in May 2020.

In April 2020, we entered into interest rate swaps with notional amounts totaling \$70.0 million associated with two of our short-term lines of credit for a six-month term beginning April 2020 and terminating in 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 respective fixed swap rates will be 0.3875 and 0.275 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 three months ended March 31, 2020 and 2019:

	Three Months Ended	
	March 31,	
	2020	2019
<i>(in thousands)</i>		
Net cash provided by (used in):		
Operating activities	\$ 58,808	\$ 40,486
Investing activities	(31,498)	(43,369)
Financing activities	(30,313)	4,769
Net increase (decrease) in cash and cash equivalents	(3,003)	1,886
Cash and cash equivalents—beginning of period	6,985	6,089
Cash and cash equivalents—end of period	\$ 3,982	\$ 7,975

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 three months ended March 31, 2020 and 2019, net cash provided by operating activities was \$58.8 million and \$40.5 million, respectively, resulting in an increase in cash flows of \$18.3 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 \$30.5 million, due in part to the timing and receipt of payments and the absence of PESCO, whose assets and contracts we sold in the fourth quarter of 2019;
- Changes in net regulatory assets and liabilities increased cash flows by \$4.2 million due primarily to the change in fuel costs collected through the various cost recovery mechanisms;
- Net income, adjusted for reconciling activities, increased cash flows by \$2.3 million, due primarily to deferred income taxes, unrealized loss from investments and commodity contracts and depreciation and amortization, offset by realized gain from property sales due to consolidation of facilities in line with our strategic initiatives;
- Changes in net prepaid expenses and other current assets, accrued compensation and other assets and liabilities, net decreased cash flows by \$16.6 million; and
- Net cash flows from changes in propane inventory, storage gas and other inventories decreased by approximately \$3.3 million.

Cash Flows Used in Investing Activities

Net cash used in investing activities totaled \$31.5 million and \$43.4 million during the three months ended March 31, 2020 and 2019, respectively, resulting in an increase in cash flows of \$11.9 million. Proceeds from sale of assets increased by \$4.0 million due primarily to the sale of two properties in the first quarter of 2020. Cash paid for capital expenditures was \$35.2 million for the first three months of 2020, compared to \$43.2 million for the same period in 2019, resulting in increased cash flows of \$8.0 million.

Cash Flows Provided by Financing Activities

Net cash used by financing activities totaled \$30.3 million during the three months ended March 31, 2020 compared to net cash provided of \$4.8 million used in financing activities during the prior year period resulting in an decrease in cash flows of \$35.1 million. The decrease in net cash provided by financing activities resulted primarily from the following:

- Decreased cash flows of \$59.6 million from repayments of term notes of \$29.6 million during the three months ended March 31, 2020 and decreased cash flows of \$30.0 million from the issuance of term notes in January 2019;
- Increased cash flows from short-term borrowing of \$29.8 million under our line of credit arrangements; and
- Cash dividends of \$6.5 million paid during the three months ended March 31, 2020, compared to \$5.9 million for the three months ended March 31, 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 March 31, 2020 was \$17.9 million, with the guarantees expiring on various dates through March 2, 2021.

The amounts related to PESCO were \$6.8 million and are expected to be terminated or transferred in the second quarter of 2020. See Note 3, *Acquisitions and Divestitures*, for additional details on the sale of assets and contracts for PESCO.

As of March 31, 2020, we have issued letters of credit totaling approximately \$5.4 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 as well as PESCO. These letters of credit have various expiration dates through October 22, 2020. There have been no draws on these letters of credit as of March 31, 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 are expected to be terminated or transferred in the second quarter of 2020. See Note 3, *Acquisitions and Divestitures*, 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 March 31, 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⁾	8,276	6,402	—	—	14,678
Total	\$ 8,276	\$ 6,402	\$ —	\$ —	\$ 14,678

⁽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 March 31, 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 March 31, 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. Additional information about our long-term debt is disclosed in Note 15, *Long-term Debt*, 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 March 31, 2020:

<i>(in thousands)</i>	Balance at December 31, 2019	Increase (Decrease) in Fair Market Value	Less Amounts Settled	Balance at March 31, 2020
Sharp	\$ (1,844)	\$ (1,218)	\$ 1,227	\$ (1,835)
Total	\$ (1,844)	\$ (1,218)	\$ 1,227	\$ (1,835)

There were no changes in methods of valuations during the three months ended March 31, 2020.

The following is a summary of fair market value of financial derivatives as of March 31, 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	\$ (1,083)	\$ (681)	\$ (71)	\$ —	\$ —	\$ (1,835)
Total	\$ (1,083)	\$ (681)	\$ (71)	\$ —	\$ —	\$ (1,835)

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 March 31, 2020. Based upon their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 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 March 31, 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, 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.

We could be negatively impacted by the recent outbreak of COVID-19.

The outbreak of COVID-19 poses a health and financial crisis in the United States and globally, and related government restrictions and requirements and private sector responses could adversely affect our business operations. It is impossible to predict the effect and ultimate impact of COVID-19 pandemic as the situation is rapidly evolving. We are responding to COVID-19 by taking steps to mitigate the potential risks to us posed by its spread. We provide a critical service to our customers, which means that it is paramount that we keep our employees who operate our businesses safe and minimize unnecessary risk of exposure to COVID-19. We have a Pandemic Response Plan that dates back to 2007. As soon as there were indications that the virus was spreading from China to other countries, we updated this plan, and continue to modify and adapt given the fluid situation. This plan guides our emergency response, business continuity, and the precautionary measures we are taking on behalf of our employees, our customer and the communities we serve. We have taken extra precautions for our employees who work in the field and for employees who continue to work in our facilities, and we have implemented work from home policies where appropriate. We have canceled travel plans, stopped movement between offices, transitioned to virtual, or on-line meetings and events, and instituted “social distancing” as directed by the CDC and state and local governments in the areas we serve. We temporarily suspended walk-in customer access to our natural gas, propane and electric offices, and reminded customers of our on-line and direct mail payment options. We also established critical teams and task forces to guide us through key aspects of this pandemic. This is a rapidly evolving situation that could lead to extended disruption of economic activity in our markets. We have instituted measures to ensure our supply chains remain open to us; however, there could be global shortages that will impact our maintenance and capital programs that we currently cannot anticipate. We will continue to monitor developments affecting our workforce, our customers and our suppliers, and we will take additional precautions that we determine are necessary in order to mitigate the impacts. We continue to implement measures to ensure that our systems remain functional in order to both serve our operational needs with a remote workforce and keep them running to ensure uninterrupted service to our customers. We currently cannot estimate the potential impacts to our financial position, results of operations, and cash flows.

Although it is not possible to reliably estimate the duration or severity of the pandemic and, hence, its financial impact on the Company, the extent to which COVID-19 impacts our results, financial position and liquidity will depend on future developments, which are highly uncertain and cannot be predicted, including new information, which may emerge concerning the severity and duration of the pandemic, the actions mandated by governmental authorities to contain COVID-19 and the availability for vaccines or therapies to treat its impact, among others.

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

Period	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)
January 1, 2020 through January 31, 2020 ⁽¹⁾	411	\$ 93.41	—	—
February 1, 2020 through February 29, 2020	—	—	—	—
March 1, 2020 through March 31, 2020	—	—	—	—
Total	411	\$ 93.41	—	—

⁽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 March 31, 2020, 411 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.

[Table of Contents](#)

Item 6. Exhibits

- [10.1*](#) [Executive Employment Agreement dated May 6, 2020 between Chesapeake Utilities Corporation and Beth W. Cooper.](#)
- [10.2*](#) [Executive Employment Agreement dated May 6, 2020 between Chesapeake Utilities Corporation and James F. Moriarty.](#)
- [10.3*](#) [Loan Agreement dated April 24, 2020, between Chesapeake Utilities Corporation and PNC Bank, National Association.](#)
- [10.4*](#) [Loan Agreement dated April 27, 2020, between Chesapeake Utilities Corporation and Bank of America, N.A.](#)
- [10.5*](#) [Revolving Line of Credit Note dated April 24, 2020, issued by Chesapeake Utilities Corporation in favor of PNC Bank, National Association.](#)
- [10.6*](#) [Promissory Note dated April 27, 2020, issued by Chesapeake Utilities Corporation in favor of Bank of America, N.A.](#)
- [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.

*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: May 6, 2020

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the "Agreement") dated this 6th day of May, 2020, is hereby made by and between Chesapeake Utilities Corporation, a Delaware corporation (the "Company"), and Beth W. Cooper (the "Executive").

Recitals

WHEREAS, the Company is currently obtaining the benefit of Executive's services as a full-time executive employee in the capacity of Executive Vice President, Chief Financial Officer & Assistant Secretary;

WHEREAS, the parties to this Amendment (the "Parties") entered into an Executive Employment Agreement dated as of January 9, 2013, regarding the Executive's employment relationship with the Company and previously extended the Current Term (as defined in the January 9, 2013 Executive Employment Agreement) through December 31, 2020. The Parties desire to enter into this new Agreement to memorialize a future extension of the Current Term through December 31, 2021.

WHEREAS, the Company's Board of Directors (the "Board") has authorized the Company to provide for the Executive's continued employment pursuant to the terms of this Agreement as the Company's Executive Vice President, Chief Financial Officer & Assistant Secretary; and

WHEREAS, Executive is willing, in consideration of the covenants and consideration hereinafter provided, to continue to be employed by the Company in the capacity of Executive Vice President, Chief Financial Officer & Assistant Secretary; and to render services incident to such position during the term of this Agreement.

Agreement

In consideration of the mutual promises and covenants contained herein, the Company and Executive hereby agree as follows:

1. Employment. The Company agrees to employ Executive, and Executive agrees to accept employment, as an executive officer of the Company in the capacity of Executive Vice President, Chief Financial Officer & Assistant Secretary, with such authority, duties and responsibilities as are customarily assigned to such position, including such reasonable duties and responsibilities as may be requested of the Executive by the Board of Directors and which are consistent with the By-laws of the Company as in effect from time to time including, but not limited to, responsibility for direction of the Accounting, Finance, Treasury, and Investor Relations functions of the Company.

2. Term.

(a) Term of Agreement. The term of this Agreement ("Term") shall be the Current Term (as defined in Paragraph 2(b)), and, if applicable, the Extended Term (as defined in Paragraph 2(c)).

(b) Current Term. Subject to Paragraph 2(c), the Current Term of this Agreement shall extend to December 31, 2021. If the Current Term of this Agreement expires without there having been a Change in Control (as hereinafter defined), this Agreement may be renewed for successive one (1) year terms, as of the day following such expiration, by the Company through action of the Compensation

Committee of the Board of Directors, unless, during the period beginning ninety (90) days prior and ending thirty (30) days prior to such day, either the Company or Executive shall have given notice to the other that this Agreement will not be renewed. If the Company determines to extend or renew this Agreement as provided under this Paragraph, the new Agreement shall be identical to this Agreement (except insofar as the Company and Executive may otherwise agree in writing) except that the date of the new Agreement shall be as of the day following the expiration of the Current Term of this Agreement or any renewal term.

(c) Extended Term. Upon the occurrence of a Change in Control (as defined in Paragraph 2(d)), the Current Term shall end and the Term of this Agreement shall thereupon automatically be extended, commencing on the date of such Change in Control, for a period of two (2) years (the "Extended Term").

(d) Change In Control. For the purposes of this Agreement, "Change in Control" shall mean a change in the control of the Company during the Term of this Agreement, which shall be deemed to have occurred upon the first of the following events:

(i) any one person, or group of owners of another corporation who acting together through a merger, consolidation, purchase, acquisition of stock or the like (a "Group"), acquires ownership of stock of the Company (or a majority-controlled subsidiary of the Company) that, together with the stock held by such person or Group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company. However, if such person or Group is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the stock of the corporation before this transfer of the Company's stock, the acquisition of additional stock by the same person or Group shall not be considered to cause a Change in Control of the Company; or

(ii) any one person or Group acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company (or a majority-controlled subsidiary of the Company) possessing thirty-five percent (35%) or more of the total voting power of the stock of the Company where such person or Group is not merely acquiring additional control of the Company; or

(iii) a majority of members of the Company's Board (other than the Board of a majority-controlled subsidiary of the Company) is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's Board prior to the date of the appointment or election (the "Incumbent Board"), but excluding, for purposes of determining whether a majority of the Incumbent Board has endorsed any candidate for election to the Board, any individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person or Group other than the Company's Board; or

(iv) any one person or Group acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or Group) assets from the Company (or a majority-controlled subsidiary of the Company) that have a total gross fair market value equal to or more than forty percent (40%) of the total fair market value of all assets of the Company immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the

Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. A transfer of assets by the Company will not result in a Change in Control if the assets are transferred to:

- (A) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock;
- (B) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company immediately after the transfer of assets;
- (C) a person or Group that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the Company; or
- (D) an entity, at least fifty percent (50%) of the total value or voting power of which is owned directly or indirectly, by a person described in subparagraph (d)(i), above.

However, no Change in Control shall be deemed to have occurred with respect to the Executive by reason of (1) any event involving a transaction in which the Executive or a group of persons or entities with which the Executive acts in concert, acquires, directly or indirectly, more than thirty percent (30%) of the Common Stock of the business or assets of the Company; or (2) any event involving or arising out of a proceeding under Title 11 of the United States Code (or the provisions of any future United States bankruptcy law), or an assignment for the benefit of creditors or an insolvency proceeding under state or local law.

3. Time. Executive agrees to devote all reasonable full time and best efforts for the benefit of the Company and any subsidiary of the Company, and not to serve any other business enterprise or organization in any capacity during the Term of this Agreement without the prior written consent of the Company, which consent shall not be unreasonably withheld.

4. Office.

(a) Current Term. During the Current Term, the Executive shall serve in the capacity as defined in Paragraph 1 and the parties agree that the Company shall elect the Executive to these offices, on an annual basis if necessary, during the Current Term of this Agreement.

(b) Extended Term. During the Extended Term of this Agreement the Executive shall hold and perform an office with the responsibility, importance and scope within the Company at least equal to that of the office described and contemplated in Paragraph 1. Further, Executive's office shall be located in Dover, Delaware, and Executive shall not be required, without his written consent, to change his office location or to be absent therefrom on business for more than sixty (60) working days in any year.

5. Compensation and Benefits.

(a) Base Compensation; Current Term. The Company shall compensate Executive for his services hereunder during the Current Term at a rate of \$400,000 per annum, or such amount as the Board may from time to time determine ("Base Compensation"), payable in installments on the Company's regular payroll dates for salaried executives. The Base Compensation rate shall be reviewed annually and may be increased or decreased, from time to time, provided, however, that Base Compensation shall only

be decreased by the Board on a good faith basis and with reasonable justification for the same, and provided further, that in the event of a Change in Control, Base Compensation shall not at any time thereafter be decreased.

(b) Base Compensation; Extended Term. During the Extended Term, the Company shall compensate Executive for his services hereunder at a rate per annum, payable in installments on the Company's regular payroll dates for salaried executives, equal to his Base Compensation at the time the Extended Term commences, increased, but not decreased, by such additional amounts as the Board may determine from time to time based, in part, on an annual review of the Executive's compensation and performance.

(c) Incentive Plans. During the Term of this Agreement, Executive shall be entitled to participate in all bonus, incentive compensation and performance based compensation plans, and other similar policies, practices, programs and arrangements of the Company, now in effect or as hereafter amended or established, on a basis that is commensurate with his position and no less favorable than those generally applicable or made available to other executives of the Company. The Executive's participation shall be in accordance with the terms and provisions of such plans and programs. Participation shall include, but not be limited to:

(i) Chesapeake Utilities Corporation Long-Term 2013 Stock and Incentive Compensation Plan. Executive shall be eligible for a performance incentive compensation award as determined on an annual basis by the Compensation Committee of the Board of Directors in its discretion and in accordance with and subject to the terms of the Company's 2013 Stock and Incentive Compensation Plan (the "Equity Plan") during the Term of this Agreement with a target award based upon one hundred percent (100%) of the Executive's Base Compensation. The Equity Plan's Target Bonus as a percent of base salary shall be reviewed annually and may be increased or decreased, from time to time, provided, however, that Target shall only be decreased by the Board on a good faith basis and with reasonable justification for the same, and provided further, that in the event of a Change in Control, Target shall not at any time thereafter be decreased.

(ii) Chesapeake Utilities Corporation Cash Bonus Incentive Plan. Executive shall be eligible for an annual cash bonus award with a target award amount equal to forty five (45%) of Executive's Base Compensation, as determined on an annual basis by the Compensation Committee of the Board in its discretion and in accordance with and subject to the terms of the Company's Cash Bonus Incentive Plan during the Term of this Agreement.

(d) Recovery of Compensation. The Executive acknowledges and agrees that all or any portion of an incentive award under the above described bonus and incentive compensation plans or any future arrangement established by the Company to provide incentive or bonus compensation, whether payable in cash, Company common stock or other property, ("Award") is subject to an obligation of repayment by the Executive to the Company if the amount of the Award was calculated based upon the achievement of certain financial results (as reflected in the financial statement of the Company or otherwise) or other performance metrics that, in either case, were subsequently found to be materially inaccurate. The amount that shall be repaid by the Executive to the Company shall be based on the excess amount paid or awarded to the Executive under the Award as compared to the amount that would have been paid or awarded had the material inaccuracy not occurred. If the Compensation Committee of the Board of Directors determines that the Executive engaged in misconduct, malfeasance or gross negligence in the performance of his or her duties that either caused or significantly contributed to the material inaccuracy in financial statements or other performance metrics, there shall be no time limit on this right of recovery, which shall

apply to all future Awards as well as to any and all pre-existing Awards that have not yet been determined and paid as of the date of this Agreement. In all other circumstances, this right of recovery shall apply to all future Awards as well as to any and all pre-existing Awards that have not yet been determined and paid as of the date of this agreement for a period not exceeding one year after the date of payment of each such Award. In addition, the Executive hereby agrees that, if he or she does not promptly repay the amount recoverable hereunder within thirty (30) days of a demand therefore, such amount may be withheld from compensation of any type not yet due and payable to the Executive, including, but not limited to, the cancellation of future Awards, as determined by the Compensation Committee in its sole discretion. In addition, the Compensation

Committee is granted the discretionary authority to interpret and enforce this provision as it determines to be in the best interest of the Company and equitable to the parties. Notwithstanding anything herein, this provision shall not be the Company's exclusive remedy with respect to such matters. In addition, the parties agree that the Company may unilaterally amend this provision at any time to comply with applicable law or securities exchange listing rules, as the same may be in effect from time to time, during the Current Term or the Extended Term of this Agreement.

(e) Retirement Plans. During the Term of this Agreement, Executive shall be entitled to participate in all profit-sharing, savings and retirement benefit plans, plans that are supplemental to any tax-qualified savings and retirement plans, and other similar policies, practices, programs and arrangements of the Company, now in effect or as hereafter amended or established, on a basis that is commensurate with his position and no less favorable than those generally applicable or made available to other executives of the Company. The Executive's participation shall be in accordance with the terms and provisions of such plans and programs.

(f) Welfare Benefits. During the Term of this Agreement, Executive, and his family, as applicable, shall be entitled to participate in all insurance, medical, health and welfare, and similar plans and arrangements, as well as all vacation and other employee fringe benefit plans, perquisite plans, and other policies, practices, programs and arrangements of the Company, now in effect or as hereafter amended or established, on a basis that is commensurate with his position and no less favorable than those generally applicable or made available to other executives of the Company. The Executive's participation shall be in accordance with the terms and provisions of such plans.

(g) Other Benefits. During the Term of this Agreement, the Company shall furnish Executive with a suitable office, necessary administrative support and customary furniture and furnishings for such office. The Company further agrees that Executive shall have the use of a Company-owned or Company-leased and Company-maintained automobile, new every three (3) years, of a kind and model appropriate to his position with the Company.

(h) Expenses. During the Term of this Agreement, the Company shall pay all necessary and reasonable business expenses incurred by Executive on behalf of the Company in the course of his employment hereunder, including, without limitation, expenses incurred in the conduct of the Company's business while away from his domicile and properly substantiated expenses for travel, meals, lodging, entertainment and related expenses that are for the benefit of the Company. All expense reimbursements shall comply with applicable rules or guidelines of the Company in effect at the time the expense is incurred.

If any reimbursements under this or any other provision of this Agreement are taxable to the Executive, such reimbursements shall be paid on or before the end of the calendar year following the calendar year in which the reimbursable expense was incurred, and the Company shall not be obligated to pay any such reimbursement amount for which Executive fails to submit an invoice or other documented

reimbursement request at least 10 business days before the end of the calendar year next following the calendar year in which the expense was incurred. Such expenses

shall be reimbursable only to the extent they were incurred during the term of the Agreement. In addition, the amount of such reimbursements that the Company is obligated to pay in any given calendar year shall not affect the amount the Company is obligated to pay in any other calendar year. In addition, Executive may not liquidate or exchange the right to reimbursement of such expenses for any other benefits.

(i) Nothing in this Agreement shall preclude the Company from amending or terminating any employee benefit plan or practice, but, it being the intent of the parties that the Executive shall continue to be entitled during the Extended Term to compensation, benefits, reimbursements and perquisites as set forth in Paragraphs 5(a) through 5(c) and 5(e) through 5(h) at least equal to those attached to his position on the date of this Agreement, and nothing in this Agreement shall operate as, or be construed to authorize, a reduction during the Extended Term without Executive's written consent in the level of such compensation, benefits, reimbursements or perquisites as in effect on the date of a Change in Control. If and to the extent that such compensation, benefits, reimbursements or perquisites are not payable or provided to Executive under any such plan or practice by reason of an amendment thereto or termination thereof during the Extended Term, the Company shall nevertheless pay or provide such compensation, benefits, reimbursements or perquisites to Executive, either directly or through alternative arrangements.

6. Termination.

(a) Payment Upon Termination During Current Term. In the event that the Company terminates this Agreement during the Current Term, or elects not to renew this Agreement at the end of the Current Term, for any reason other than Cause, as defined below, or the Executive's death, the Company shall continue to pay to Executive (or in the event of his death following such termination, his legal representative), as a severance benefit his Base Compensation under Paragraph 5(a), at the rate in effect immediately prior to the date of such termination ("Termination Date"), on the regular payroll dates occurring during the period of one (1) year following the Termination Date. In addition, and notwithstanding the foregoing provisions of this Paragraph 6(a), to the extent required in order to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), Termination Date shall be determined based on the date the Executive has a "separation from service" within the meaning of Code Section 409A and regulations thereunder, using the default rule under such regulations ("Separation from Service"), and cash amounts that would otherwise be payable under this Paragraph 6(a) during the six-month period immediately following the Termination Date shall instead be paid, with interest on any delayed payment at the applicable federal rate under Code Section 7872(f)(2)(A), on the first business day after the date that is six (6) months following the Executive's Separation from Service if necessary to comply with Code Section 409A. Each payment to be made under this Paragraph 6(a) shall be considered a separate payment. Payment of the severance benefit under this Paragraph is subject to the Executive's compliance with the covenants of Paragraph 9 and the execution and delivery (and non- revocation) of a release of claims (the "Release") against the Company and its officers, directors, employees and affiliates, which Release must be delivered to the Company not later than 45 days after the Termination Date. If the Executive fails to comply with any of the covenants of Paragraph 9 or fails to deliver the Release within 45 days after the Termination Date, or if the Executive revokes such Release within 7 days after its delivery to the Company, payment of the severance benefits shall cease and any unpaid amounts shall be forfeited. Payment commencement shall not be delayed, however, pending delivery of the Release.

(b) Termination for Cause. This Agreement and Executive's employment hereunder may be terminated by the Company at any time for Cause. In the event of termination for Cause, the Executive

shall not be entitled to any severance benefits under this Agreement. Termination of the Executive's employment shall be deemed to have been "for Cause" only if it shall have been the result of:

(i) Executive's conviction of a felony under the laws of the United States or a state in which Executive works or resides, or a guilty or no contest plea by the Executive with respect thereto;

(ii) a willful or deliberate act or acts of dishonesty by Executive resulting or intended to result directly or indirectly in material gain to or personal enrichment of Executive at the Company's expense;

(iii) a deliberate and intentional refusal by Executive (except by reason of incapacity due to illness or accident) to comply with the provisions of Paragraph 1, provided that such breach shall have resulted in demonstrably material injury to the Company and the Executive shall have failed to remedy such breach within thirty (30) days after notice from the Secretary of the Company demanding that the Executive remedy such breach; or

(iv) conduct by Executive that is materially injurious to the Company if such conduct was undertaken without good faith and the reasonable belief that such conduct was in the best interest of the Company.

(c) Payment Upon Termination During Extended Term. In the event of a Termination Without Cause, as defined below, during the Extended Term, the Company shall pay to Executive (or, in the event of his death following the termination, his legal representative) in cash, on the first business day that falls on or after the sixtieth (60th) day after the date of such termination (the "Extended Termination Date") the sum of all accrued but unpaid salary, bonus, vacation pay, expense reimbursements and any other amounts due, plus the following:

(i) an amount equal to the product of multiplying the monthly rate of Base Compensation to which Executive was entitled under Paragraph 5(a) on the day immediately prior to the Extended Termination Date by Twenty-four (24) months ("Covered Period");

(ii) an amount equal to the aggregate of the Company's contributions to the Company's savings plan (including, but not limited to, the Chesapeake Utilities Corporation Retirement Savings Plan, and any related excess benefit plans) in respect

of Executive that were not vested on the day immediately prior to the Extended Termination Date but that would have been vested at the end of the Covered Period if Executive had remained employed by the Company for the duration of that period; and

(iii) an amount equal to the product of multiplying the average of the annual aggregate benefits awarded to the Executive under all annual bonus program(s) of the Company in which the Executive was a participant in each of the three (3) calendar years immediately preceding the calendar year in which the Extended Termination Date occurs by two (2) years.

Payment of the severance benefit under this Paragraph is subject to the Executive's compliance with the covenants of Paragraph 9 and the execution and delivery (and non-revocation) of a release of claims (the "Release") against the Company and its officers, directors, employees and affiliates, which Release must be delivered to the Company not later than 45 days after the Termination Date. If the Executive fails to comply with any of the covenants of Paragraph 9 or fails to deliver the Release within 45 days after the

Termination Date, or if the Executive revokes such Release within 7 days after its delivery to the Company, payment of the severance benefits shall cease (if commenced) or shall not be made, and any unpaid amounts shall be forfeited.

In addition, the Company shall continue to provide medical, prescription drug, vision, dental and other Company welfare benefits to the Executive and his eligible dependents during the Covered Period as if the Executive remained an active employee of the Company (but, with respect to any such benefits provided through insurance, only if and to the extent it is permissible to extend such benefits to a former employee of the Company under the terms of the applicable plan and insurance contracts). Executive further acknowledges that the cost of the coverage afforded to Executive and his eligible dependents under self-funded medical expense reimbursement plans of the Company during the Covered Period shall be treated as additional taxable income to the Executive to the extent necessary to avoid a violation of the nondiscrimination provisions of Section 105(h) of the Code. Should the continuation of any medical or similar coverages be through fully insured plans, and should such continuation violate the nondiscrimination requirements for such plans under the Patient Protection and Affordable Care Act of 2010, then the Executive shall receive additional cash severance benefits rather than continued coverage under such plans of the Company in an amount based on the premium cost of such coverage that the Company would otherwise pay under this paragraph. In addition, the applicable period of health benefit continuation under Code Section 4980B shall begin at the end of the Covered Period.

To the extent required in order to comply with Code Section 409A, cash amounts that would otherwise be payable under this Paragraph 6(c) during the six-month period immediately following the Extended Termination Date (and which are not eligible for the exception applicable to payments due to involuntary separation under Treas. Reg. Section 1.409A-1(b)(9)(iii)) shall instead be paid, with interest on any delayed payment at the applicable federal rate under Code Section 7872(f)(2)(A), on the first business day after the date that is six (6) months following the Executive's Separation from Service. Further, any taxable welfare benefits provided to Executive pursuant to this Paragraph 6(c) that are not "disability pay" or "death benefits" within the meaning of Treas.

Reg. Section 1.409A-1(a)(5) (collectively, the "Applicable Benefits") shall be subject to the following requirements in order to comply with Code Section 409A. The amount of any Applicable Benefits provided during one taxable year shall not affect the amount of the Applicable Benefits provided in any other taxable year, except that with respect to any Applicable Benefits that consist of the reimbursement of expenses referred to in Code Section 105(b), a limitation may be imposed on the amount of such reimbursements over some or all of the Covered Period, as described in Treas. Reg. Section 1.409A-3(i)(1)iv(B). To the extent that any Applicable Benefits consist of the reimbursement of eligible expenses, such reimbursement must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred. No Applicable Benefits may be liquidated or exchanged for another benefit. During the period of six (6) months immediately following Executive's Separation from Service, Executive shall be obligated to pay the Company the full cost for any Applicable Benefits that do not constitute health benefits of the type required to be provided under the health continuation coverage requirements of Code Section 4980B, and the Company shall reimburse Executive for any such payments on the first business day that is more than six (6) months after Executive's Separation from Service, together with interest on such amount from the date of Separation from Service through the date of payment at the applicable federal rate under Code Section 7872(f)(2)(A).

(d) Termination Without Cause. For purposes of Paragraph 6(c) above, "Termination Without Cause" shall mean a Separation from Service of the Executive that is either a:

(i) Termination by the Company of Executive's employment without Cause (as "Cause" is defined in Paragraph 6(b) above); or

(ii) Termination by Executive of his employment following the occurrence of any of the following events:

(A) failure to elect or re-elect Executive to, or removal of Executive from, the office or offices set forth in Paragraph 1, or failure to nominate Executive for election to the Board if Executive shall have been a member of the Board immediately prior to a Change in Control of the Company;

(B) a significant change in the nature or scope of his authorities, powers, functions, duties or responsibilities attached to the positions contemplated in Paragraph 1, or a reduction in his compensation or in the benefits available to the Executive and his family, as provided in Paragraph 5, which change or reduction is not remedied within thirty (30) days after notice to the Company by the Executive;

(C) any other breach by the Company of any material provision of this Agreement (including, without limitation, relocation of the Executive in material violation of Paragraph 4(b)), which breach is not remedied within thirty (30) days after notice to the Company by Executive; or

(D) the consolidation or merger of the Company or transfer of all or a significant portion of its assets unless a successor or successors (by merger, consolidation or otherwise) to which all or a significant portion of its assets has been transferred shall have assumed all duties and obligations of the Company under this Agreement.

In order to effect a Termination Without Cause in any event set forth in this Paragraph 6(d)(ii), Executive must elect to terminate his employment under this Agreement upon not less than forty (40) days and not more than ninety (90) days' written notice to the Board, attention of the Chief Executive Officer, given, except in the case of a continuing breach, within three (3) calendar months after: (1) failure to be so elected, reelected, or nominated, or such removal, (2) expiration of the 30-day cure period with respect to such event, or (3) the closing date of such consolidation, merger or transfer of assets.

An election by Executive to terminate his employment under the provisions of this Paragraph shall not be deemed a voluntary termination of employment by Executive for the purpose of this Agreement or any plan or practice of the Company. Further, the death of the Executive during the Extended Term but prior to a Termination Without Cause, as defined, shall not constitute Cause or be deemed to be a Termination Without Cause.

(e) Resignation of All Other Positions. Upon termination of the Executive's employment hereunder for any reason, the Executive shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the Board of Directors of the Company or any affiliates unless otherwise determined by the Board.

7. Maximum Payment Upon Termination.

(a) Determination. Notwithstanding any other provision of this Agreement, if any payment or distribution (a "Payment") by the Company or any other person or entity to or for the benefit of the Executive is determined to be an "excess parachute payment" (within the meaning of Code Section

280G(b)(1) or any successor provision of similar effect), whether paid or payable or distributed or distributable pursuant to Paragraph 6(c) of this Agreement or otherwise, then the Executive's benefits under this Agreement shall be reduced by the amount necessary so that the Executive's total "parachute payment" as defined in Code Section 280G(b)(2)(A) under this and all other agreements will be \$1.00 less than the amount that would be a "parachute payment". The determination concerning the application of the reduction shall be made by a nationally-recognized firm of independent accountants (together with legal counsel of its choosing) selected by the Company after consultation with the Executive (which may be the Company's independent auditors), whose determination shall be conclusive and binding on all parties. Any fees and expenses of such independent accountants and counsel (including counsel for the Executive) shall be borne by the Company.

(b) Notices. If it is determined that the benefits under this Agreement must be reduced under this Paragraph, within 10 days of the date of such determination, the Company will apprise the Executive of the amount of the reduction ("Notice of Reduction"). Within 10 days of receiving that information, the Executive may specify how (and against which benefit or payment source) the reduction is to be applied ("Notice of Application"). The Company will be required to implement these directions within 10 days of receiving the Notice of Application. If the Company has not received a Notice of Application from the Executive within 10 days of the date of the Notice of Reduction, the Company will apply this Paragraph proportionately based on the amounts otherwise payable under Paragraph 6(c). If the Company receives a Notice of Application that does not fully implement the requirements of this Paragraph, the Company will apply this Paragraph proportionately on the basis of the reductions specified in the Notice of Application first, then to any remaining reduction based on the amounts otherwise payable under Paragraph 6(c).

Notwithstanding the foregoing, if the exercise of discretion reserved to the Executive in determining the Notice of Application would violate Code Section 409A, then such discretion shall be eliminated and the amounts payable under Paragraph 6(c) shall be reduced proportionately.

8. Mitigation. Executive shall not be required to mitigate the amount of any payment provided for in this Agreement either by seeking other employment or otherwise. The amount of any payment provided for herein shall not be reduced by any remuneration that Executive may earn from employment with another employer or otherwise following his Termination Date or Extended Termination Date, as applicable.

9. Covenants.

(a) Introduction. The parties acknowledge that the provisions and covenants contained in this Paragraph 9 are ancillary and material to this Agreement and that the limitations contained herein are reasonable in geographic and temporal scope and do not impose a greater restriction or restraint than is necessary to protect the goodwill and other legitimate business interests of the Company. The parties also acknowledge and agree that the provisions of this Paragraph 9 do not adversely affect Executive's ability to earn a living in any capacity that does not violate the covenants contained herein. The parties further acknowledge and agree that the provisions of Paragraph 19 below are accurate and necessary because (i) Delaware is the headquarters state of the Company, which has operations in multiple states and a compelling interest in having its employees treated uniformly, (ii) the use of Delaware law provides certainty to the parties in any covenant litigation in the United States, and (iii) enforcement of the provisions of this Paragraph 9 would not violate any fundamental public policy of Delaware or any other jurisdiction.

(b) Confidential Information. Executive shall hold in a fiduciary capacity for the benefit of the Company, all secret or confidential information, knowledge or data relating to the Company and its

businesses (including, but not limited to, any proprietary and not publicly available information concerning any processes, methods, trade secrets, costs, names of users or purchasers of the Company's products or services, business methods, financial affairs, operating procedures or

programs or methods of promotion and sale) that Executive has obtained or obtains during Executive's employment by the Company and that is not public knowledge (other than as a result of Executive's violation of this Paragraph 9(b)) ("Confidential Information"). For purposes of this Paragraph 9(b), information shall not be deemed to be publicly available merely because it is embraced by general disclosures or because individual features or combinations thereof are publicly available. Executive shall not communicate, divulge or disseminate Confidential Information at any time during or after Executive's employment with the Company except:

- (i) to employees or agents of the Company that need the Confidential Information to perform their duties on behalf of the Company;
- (ii) in the performance of Executive's duties to the Company;
- (iii) as a necessary (and only to the extent necessary) part of any undertaking by Executive to enforce Executive's rights under this Agreement; or
- (iv) as otherwise required by law or legal process.

All confidential records, files, memoranda, reports, customer lists, drawings, plans, documents and the like that Executive uses, prepares or comes into contact with during the course of Executive's employment shall remain the sole property of the Company and shall be turned over to the Company upon termination of Executive's employment.

(c) Non-solicitation of Company Employees. Executive shall not, at any time during the Restricted Period (as defined below), without the prior written consent of the Company, engage in the following conduct (a "Solicitation"):

- (i) directly or indirectly, contact, solicit, recruit or employ (whether as an employee, officer, director, agent, consultant or independent contractor) any person who was or is at any time during the previous six months an employee, representative, officer or director of the Company; or
- (ii) take any action to encourage or induce any employee, representative, officer or director of the Company to cease his or her relationship with the Company for any reason. A "Solicitation" does not include any recruitment of employees for the Company.

The "Restricted Period" means the period including Executive's employment with the Company and one (1) year following the Termination Date or Extended Termination Date, as applicable, and, if the Executive has given a notice pursuant to Paragraph 6(d)(ii), for a period of fifteen (15) months following the giving of such notice.

(d) Non-solicitation of Third Parties. During the Restricted Period, the Executive shall not (either directly or indirectly or as an officer, agent, employee, partner or director of any other company or entity) solicit, service, recruit, induce, influence, or accept on behalf of any competitor of the Company the business of:

- (i) any customer of the Company at the time of Executive's

employment or Termination Date or Extended Termination Date, as applicable; or

(ii) any potential customer of the Company which Executive knew to be an identified, prospective purchaser of services or products of the Company.

(e) Non-competition. During the Restricted Period, Executive shall not, directly or indirectly, accept employment with, act as a consultant to, or otherwise perform services that are substantially the same or similar to those for which Executive was compensated by the Company (such comparison to be based on job-related functions and responsibilities and not job title) for any business that directly competes with any portion of the Company. This restriction applies to any parent, division, affiliate, newly formed or purchased business(es) and/or successor of a business that competes with the Company. Further, during the Restricted Period, Executive shall not assist any individual or entity other than the Company in acquiring any entity with respect to which a proposal to acquire such entity was presented to the Board during the one (1) year period beginning prior to Executive's Termination Date, Extended Termination Date or notice given by Executive pursuant to Paragraph 6(d)(ii), as applicable.

(f) Post-Termination Cooperation. Executive agrees that during and after employment with the Company and without additional compensation (other than reimbursement for reasonable associated expenses) to cooperate with the Company in the following areas:

(i) Cooperation with the Company. Executive agrees to:

(A) be reasonably available to answer questions for the Company's officers regarding any matter, project, initiative or effort for which Executive was responsible while employed by the Company; and

(B) cooperate with the Company during the course of all third-party proceedings arising out of the Company's business about which Executive has knowledge or information.

For purposes of this Agreement, "proceeding" includes internal investigations, administrative investigations or proceedings and lawsuits (including pre-trial discovery and trial testimony) and "cooperation" includes (1) Executive being reasonably available for interviews, meetings, depositions, hearings and/or trials without the need for a subpoena or assurances by the Company, (2) providing any and all documents in Executive's possession that relate to the proceeding, and (3) providing assistance in locating any and all relevant notes and/or documents.

(ii) Cooperation with Third Parties. Unless compelled to do so by lawfully-served subpoena or court order, Executive agrees not to communicate with, or give statements or testimony to, any attorney representing an interest opposed to the Company's interest ("Opposing Attorney"), Opposing Attorney's representative (including a private investigator) or current or former employee relating to any matter (including pending or threatened lawsuits or administrative investigations) about which Executive has knowledge or information as a result of employment with the Company. Executive also agrees to notify the Company immediately after being contacted by a third party or receiving a subpoena or court order to appear and testify with respect to any matter that may include a claim opposed to the Company's interest. However, this Paragraph 9(f)(ii) shall not apply to any effort undertaken by Executive to enforce Executive's rights under this Agreement, but only to the extent necessary for that purpose.

(iii) Cooperation with the Media. Executive agrees not to communicate with, or give statements to, any member of the media (including print, television, electronic or radio media) relating to any matter (including pending or threatened lawsuits or administrative investigations) about which Executive has knowledge or information as a result of employment with the Company. Executive also agrees to notify the Company immediately after being contacted by any member of the media with respect to any matter affected by this Paragraph.

(g) Non-Disparagement. Executive and Company shall at all times refrain from taking actions or making statements, written or verbal, that:

(i) denigrate, disparage or defame the goodwill or reputation of Executive or the Company, as the case may be, or any of its trustees, officers, security holders, partners, agents or former or current employees and directors, or

(ii) are intended to, or may be reasonably expected to, adversely affect the morale of the employees of the Company.

Executive further agrees not to make any negative statements to third parties relating to Executive's employment or any aspect of the business of the Company and not to make any statements to third parties about the circumstances of the termination of Executive's employment, or about the Company or its trustees, directors, officers, security holders, partners, agents or former or current employees and directors, except as may be required by a court or governmental body.

(h) Enforcement. The Executive acknowledges and agrees that: (i) the purpose of the foregoing covenants, including, without limitation, the nonsolicitation and noncompetition covenants of Paragraphs 9(d) and (e), is to protect the goodwill, trade secrets and other Confidential Information of the Company; (ii) because of the nature of the business in which the Company is engaged and because of the nature of the Confidential Information to which the Executive has access, the Company would suffer irreparable harm and it would be impractical and excessively difficult to determine the actual damages of the Company in the event the Executive breached any of the covenants of this Paragraph 9; and (iii) remedies at law (such as monetary damages) for any

breach of the Executive's obligations under this Paragraph 9 would be inadequate. The Executive therefore agrees and consents that if the Executive commits any breach of a covenant under this Paragraph 9, or threatens to commit any such breach, the Company shall have the right (in addition to, and not in lieu of, any other right or remedy that may be available to it, including but not limited to the right to terminate and forfeit as yet unpaid severance benefits under Paragraphs 6(a) and 6(c) of this Agreement) to temporary and permanent injunctive relief from a court of competent jurisdiction, without posting any bond or other security and without the necessity of proof of actual damage, and that the arbitration provisions of Paragraph 14 shall not apply.

(i) Notice of Immunity under the Economic Espionage Act of 1996, as amended by the Defend Trade Secrets Act of 2016 ("DTSA"). Notwithstanding any other provision of this Agreement, the Executive will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that:

(i) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and that is disclosed solely for the purpose of reporting or investigating a suspected violation of law; or

- (ii) is made in a complaint or other document filed under seal in a lawsuit or other proceeding.

If the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the Company's trade secrets to the Executive's attorney and use the trade secret information in the court proceeding if the Executive:

- (i) files any document containing trade secrets under seal; and
- (ii) does not disclose trade secrets, except pursuant to court order.

(j) Security and Access. The Executive agrees and covenants to comply with all Company security policies and procedures as in force from time to time including without limitation those regarding computer equipment, telephone and voicemail systems, facilities access, key cards, access codes, intranet and internet, social media, computer systems and networks, e-mail systems, software, data security, encryption, firewalls, passwords and any and all other Company facilities, IT resources and communication technologies ("Facilities and Information Technology Resources"), and not to access or use any Facilities and Information Technology Resources except as authorized by the Company. The Executive also agrees not to access or use any Facilities and Information Technology Resources in any manner after the termination of the Executive's employment by the Company, whether such termination is voluntary or involuntary, without the Company's consent.

(k) Stock Ownership Requirements. During the Term, the Executive shall be expected to maintain ownership of Company common stock in accordance with guidelines established by the Board as in effect from time to time.

10. Indemnification. The Company shall indemnify Executive to the fullest extent permitted by applicable Delaware law (as may be amended from time to time), including the advance of expenses permitted herein. In the event that the Executive is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (a "Proceeding"), other than any Proceeding initiated by the Executive or the Company related to any contest or dispute between the Executive and the Company or any of its affiliates with respect to this Agreement or the Executive's employment hereunder, by reason of the fact that the Executive is or was a director or officer of the Company, or any affiliate of the Company, or is or was serving at the request of the Company as a director, officer, member, employee, or agent of another corporation or a partnership, joint venture, trust, or other enterprise, the Executive shall be indemnified and held harmless by the Company to the maximum extent permitted under applicable law and the Company's bylaws from and against any liabilities, costs, claims, and expenses, including all costs and expenses incurred in defense of any Proceeding (including attorneys' fees). Costs and expenses incurred by the Executive in defense of such Proceeding (including attorneys' fees) shall be paid by the Company in advance of the final disposition of such litigation upon receipt by the Company of: (i) written request for payment; (ii) appropriate documentation evidencing the incurrence, amount, and nature of the costs and expenses for which payment is being sought; and

(iii) an undertaking adequate under applicable law made by or on behalf of the Executive to repay the amounts so paid if it shall ultimately be determined that the Executive is not entitled to be indemnified by the Company under this Agreement. Notwithstanding the foregoing, nothing in this Paragraph shall impose on the Company any obligation to indemnify the Executive from any tax, excise tax or similar penalty, including but not limited to any excise tax under Code Section 409A or 4999, imposed on the Executive with respect to any compensation, deferred compensation, severance or other benefits provided to Executive by Company under this Agreement or otherwise, without regard to whether the Company bears any culpability with respect to the imposition of such tax or not

11. Performance. The failure of either party to this Agreement to insist upon strict performance of any provision of this Agreement shall not constitute a waiver of its rights subsequently to insist upon strict performance of such provision or any other provision of this Agreement.

12. Non-Assignability. Neither party shall have the right to assign this Agreement or any rights or obligations hereunder without the consent of the other party.

13. Invalidity. If any provisions of this Agreement shall be found to be invalid by any court of competent jurisdiction, such finding shall not affect the remaining provisions of this Agreement, all of which shall remain in full force and effect.

14. Arbitration and Legal Fees. In the event of any dispute regarding a refusal or failure by the Company to make payments or provide benefits hereunder for any reason, Executive shall have the right, in addition to all other rights and remedies provided by law, to arbitration of such dispute under the rules of the American Arbitration Association, which right shall be invoked by serving upon the Company a notice to arbitrate, stating the place of arbitration, within ninety

(90) days of receipt of notice in any form (including, without limitation, failure by the Company to respond to a notice from Executive within thirty (30) days) that the Company is withholding or proposes to withhold any payments or the provision of any benefits the Executive, in good faith, believes are called for hereunder. In the event of any such dispute, whether or not Executive exercises his right to arbitration, if it shall ultimately be determined that the Company's refusal or failure to make payments or provide benefits hereunder was wrongful or otherwise inconsistent with the terms of this Agreement, the Company shall indemnify and hold harmless Executive from and against any and all expenses incurred in connection with such determination, including reasonable legal and other fees and expenses. Accordingly, the Company agrees to pay within 30 days following the Company's receipt of an invoice from the Executive all legal fees and expenses which the Executive may reasonably incur as a result of any contest by either party of the validity or enforceability of, or liability under, any provision of this Agreement, plus, in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f) (2)(A) of the Code, if the Executive prevails on any material claim made by him and disputed by the Company (or its successors and assigns) under the terms of this Agreement. Such payments shall be made in accordance with the provisions of Paragraph 20 in order to comply with Section 409A of the Code.

15. Survival of Certain Provisions. Notwithstanding any other provision of this Agreement, the termination of this Agreement for any reason shall not result in the termination of the rights and obligations of the parties under the provisions of Sections 5(d), 6, 7, 9, 10, 14 and 16 hereof, which shall survive any such termination. The right of recovery provisions of Section 5(d) shall cease to apply during the Extended Term and shall be automatically terminated upon a Change in Control of the Company (as defined in Paragraph 2(d)) except with respect to any right of recovery that has been asserted prior to such Change in Control.

16. Successors. This Agreement shall be binding upon and inure to the benefit of the Executive (and his personal representative), the Company and any successor organization or organizations that shall succeed to substantially all of the business and property of the Company and assume the Company's obligations hereunder, whether by means of merger, consolidation, acquisition of substantially all of the assets of the Company, or operation of law. The Company shall require any successor organization or organizations to agree to assume the obligations of this Agreement.

17. Set-off. The Company shall have no right of set-off or counterclaim in respect of any claim, debt or obligation against any payments or benefits provided for in this Agreement except as

otherwise provided herein.

18. Amendments. No Amendment to this Agreement shall be effective unless in writing and signed by both the Company and Executive. Notwithstanding the foregoing, if any compensation or benefits provided by this Agreement may result in the application of Code Section 409A, the Company shall, in consultation with the Executive, modify the Agreement in the least restrictive manner necessary in order to exclude such compensation from the definition of "deferred compensation" within the meaning of Code Section 409A or in order to comply with the provisions

of Code Section 409A, other applicable provisions of the Code and/or any rules, regulations or other regulatory guidance issued under such statutory provisions, and without any diminution in the value of the payments to the Executive.

19. Governing Law. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Delaware. The parties hereto irrevocably agree to submit to the jurisdiction and venue of the courts of the State of Delaware in any action or proceeding brought with respect to or in connection with this Agreement except for an action described in Paragraph 14.

20. Code Section 409A. Notwithstanding any provision of Paragraph 10 or 14 of this Agreement to the contrary, any legal fees and expenses to be paid by the Company pursuant to Paragraph 10 or 14 shall be subject to the following requirements in order to comply with Code Section 409A. Such legal fees and expenses shall be paid by the Company only to the extent incurred during the Term of the Agreement or for a period of ten (10) years after the Executive's Separation from Service. The Company shall pay such legal fees and expenses no later than the end of the calendar year next following the calendar year in which such fees and expenses were incurred, and the Company shall not be obligated to pay any such fees and expenses for which the Executive fails to submit an invoice at least ten (10) business days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred. The amount of such legal fees and expenses that the Company is obligated to pay in any given calendar year shall not affect the legal fees and expenses that the Company is obligated to pay in any other calendar year, and the Executive's right to have the Company pay such legal fees and expenses may not be liquidated or exchanged for any other benefit.

21. Notices. Unless otherwise stated herein, all notices hereunder shall be in writing and shall be deemed to be given when personally delivered or mailed by United States registered or certified mail, postage prepaid, to, if to the Company, 909 Silver Lake Boulevard, Dover, Delaware 19904, and, if to Executive, the last address therefore shown on the records of the Company. Either the Company or Executive may, by notice to the other, designate an address other than the foregoing for the receipt of subsequent notices.

22. Withholding. The Company may withhold from any amounts payable to Executive hereunder all federal, state, city or other taxes that the Company may reasonably determine are required to be withheld pursuant to any applicable law or regulation.

23. Nature of Payments Upon Termination. All payments to Executive pursuant to Paragraph 6 of this Agreement shall be considered as liquidated damages or, in the case of certain payments pursuant to Paragraph 6(c), as severance payments in consideration of Executive's past services to the Company, and no such payment shall be regarded as a penalty to the Company.

24. Prior Agreement. The Company and the Executive are parties to an Executive Employment Agreement executed on January, 2013 (the "Prior Agreement"). The

parties

acknowledge and agree that the terms of this Agreement constitute the entire agreement of the parties with respect to the subject matter and supersede all prior agreements and amendments with respect thereto, including, without limitation, the Prior Agreement.

25. Acknowledgment. The parties hereto each acknowledge that each has read this Agreement and understands the same and that each enters into this Agreement freely and voluntarily.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CHESAPEAKE UTILITIES CORPORATION

[CORPORATE SEAL] By:

Jeffry M. Householder
Title: **Chief Executive Officer**

ATTEST:

Louis J. Anatrella EXECUTIVE:
Chief Human Resources Officer

Beth W. Cooper

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the "Agreement") dated this 6th day of May, 2020, is hereby made by and between Chesapeake Utilities Corporation, a Delaware corporation (the "Company"), and James F. Moriarty (the "Executive").

Recitals

WHEREAS, the Company is currently obtaining the benefit of Executive's services as a full-time executive employee in the capacity of Executive Vice President, General Counsel, Corporate Secretary and Chief Policy and Risk Officer;

WHEREAS, the parties to this Amendment (the "Parties") entered into an Executive Employment Agreement dated as of June 22, 2016, regarding the Executive's employment relationship with the Company and previously extended the Current Term (as defined in the June 22, 2016 Executive Employment Agreement) through December 31, 2020. The Parties desire to enter into this new Agreement to memorialize a future extension of the Current Term through December 31, 2021.

WHEREAS, the Company's Board of Directors (the "Board") has authorized the Company to provide for the Executive's continued employment pursuant to the terms of this Agreement as the Company's Executive Vice President, General Counsel, Corporate Secretary and Chief Policy and Risk Officer; and

WHEREAS, Executive is willing, in consideration of the covenants and consideration hereinafter provided, to continue to be employed by the Company in the capacity of Executive Vice President, General Counsel, Corporate Secretary and Chief Policy and Risk Officer; and to render services incident to such position during the term of this Agreement.

Agreement

In consideration of the mutual promises and covenants contained herein, the Company and Executive hereby agree as follows:

1. Employment. The Company agrees to employ Executive, and Executive agrees to accept employment, as an executive officer of the Company in the capacity of Executive Vice President, General Counsel, Corporate Secretary and Chief Policy and Risk Officer, with such authority, duties and responsibilities as are customarily assigned to such position, including such reasonable duties and responsibilities as may be requested of the Executive by the Board of Directors and which are consistent with the By-laws of the Company as in effect from time to time including, but not limited to, responsibility for direction of the Legal, Corporate Governance, Regulatory, and Risk functions of the Company.

2. Term.

(a) Term of Agreement. The term of this Agreement ("Term") shall be the Current Term (as defined in Paragraph 2(b)), and, if applicable, the Extended Term (as defined in Paragraph 2(c)).

(b) Current Term. Subject to Paragraph 2(c), the Current Term of this Agreement shall extend to December 31, 2021. If the Current Term of this Agreement expires without there having been a Change in Control (as hereinafter defined), this Agreement may be renewed for successive one (1) year terms, as of the day following such expiration, by the Company through action of the Compensation Committee of the Board of Directors, unless, during the period beginning ninety (90) days prior and ending thirty (30) days prior to such day, either the Company or Executive shall have given notice to the other that this Agreement will not be renewed. If the Company determines to extend or renew this Agreement as provided under this Paragraph, the new Agreement shall be identical to this Agreement (except insofar as the Company and Executive may otherwise agree in writing) except that the date of the new Agreement shall be as of the day following the expiration of the Current Term of this Agreement or any renewal term.

(c) Extended Term. Upon the occurrence of a Change in Control (as defined in Paragraph 2(d)), the Current Term shall end and the Term of this Agreement shall thereupon automatically be extended, commencing on the date of such Change in Control, for a period of two (2) years (the "Extended Term").

(d) Change In Control. For the purposes of this Agreement, "Change in Control" shall mean a change in the control of the Company during the Term of this Agreement, which shall be deemed to have occurred upon the first of the following events:

(i) any one person, or group of owners of another corporation who acting together through a merger, consolidation, purchase, acquisition of stock or the like (a "Group"), acquires ownership of stock of the Company (or a majority-controlled subsidiary of the Company) that, together with the stock held by such person or Group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company. However, if such person or Group is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the stock of the corporation before this transfer of the Company's stock, the

acquisition of additional stock by the same person or Group shall not be considered to cause a Change in Control of the Company; or

(ii) any one person or Group acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company (or a majority-controlled subsidiary of the Company) possessing thirty-five percent (35%) or more of the total voting power of the stock of the Company where such person or Group is not merely acquiring additional control of the Company; or

2

(iii) a majority of members of the Company's Board (other than the Board of a majority-controlled subsidiary of the Company) is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's Board prior to the date of the appointment or election (the "Incumbent Board"), but excluding, for purposes of determining whether a majority of the Incumbent Board has endorsed any candidate for election to the Board, any individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person or Group other than the Company's Board; or

(iv) any one person or Group acquires (or has acquired during the twelve (1) month period ending on the date of the most recent acquisition by such person or Group) assets from the Company (or a majority-controlled subsidiary of the Company) that have a total gross fair market value equal to or more than forty percent (40%) of the total fair market value of all assets of the Company immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. A transfer of assets by the Company will not result in a Change in Control if the assets are transferred to:

(A) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock;

(B) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company immediately after the transfer of assets;

(C) a person or Group that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the Company; or

(D) an entity, at least fifty percent (50%) of the total value or voting power of which is owned directly or indirectly, by a person described in subparagraph (d)(i), above.

However, no Change in Control shall be deemed to have occurred with respect to the Executive by reason of (1) any event involving a transaction in which the Executive or a group of persons or entities with which the Executive acts in concert, acquires, directly or indirectly, more than thirty percent (30%) of the Common Stock of the business or assets of the Company; or (2) any event involving or arising out of a proceeding under Title 11 of the United States Code (or the provisions of any future United States bankruptcy law), or an assignment for the benefit of creditors or an insolvency proceeding under state or local law.

3

3. Time. Executive agrees to devote all reasonable full time and best efforts for the benefit of the Company and any subsidiary of the Company, and not to serve any other business enterprise or organization in any capacity during the Term of this Agreement without the prior written consent of the Company, which consent shall not be unreasonably withheld.

4. Office.

(a) Current Term. During the Current Term, the Executive shall serve in the capacity as defined in Paragraph 1 and the parties agree that the Company shall elect the Executive to these offices, on an annual basis if necessary, during the Current Term of this Agreement.

(b) Extended Term. During the Extended Term of this Agreement the Executive shall hold and perform an office with the responsibility, importance and scope within the Company at least equal to that of the office described and contemplated in Paragraph 1. Further, Executive's office shall be located in Dover, Delaware, and Executive shall not be required, without his written consent, to change his office location or to be absent therefrom on business for more than sixty (60) working days in any year.

5. Compensation and Benefits.

(a) Base Compensation; Current Term. The Company shall compensate Executive for his services hereunder during the Current Term at a rate of \$400,000 per annum, or such amount as the Board may from time to time determine ("Base Compensation"), payable in installments on the Company's regular payroll dates for salaried executives. The Base Compensation rate shall be reviewed annually and may be increased or decreased, from time to time, provided, however, that Base Compensation shall only be decreased by the Board on a good faith basis and with reasonable justification for the same, and provided further, that in the event of a Change in Control, Base Compensation shall not at any time thereafter be decreased.

(b) Base Compensation; Extended Term. During the Extended Term, the Company shall compensate Executive for his services hereunder at a rate per annum, payable in installments on the Company's regular payroll dates for salaried executives, equal to his Base Compensation at the time the Extended Term commences, increased, but not decreased, by such additional amounts as the Board may determine from time to time based, in part, on an annual review of the Executive's compensation and performance.

(c) Incentive Plans. During the Term of this Agreement, Executive shall be entitled to participate in all bonus, incentive compensation and performance based compensation plans, and other similar policies, practices, programs and arrangements of the Company, now in effect or as hereafter amended or established, on a basis that is commensurate with his position and no less favorable than those generally applicable or made available to other executives of the Company. The Executive's participation shall be in accordance with the terms and provisions of such plans and programs. Participation shall include, but not be limited to:

(i) Chesapeake Utilities Corporation Long-Term 2013 Stock and Incentive Compensation Plan. Executive shall be eligible for a performance incentive compensation award as determined on an annual basis by the Compensation Committee of the Board of Directors in its discretion and in accordance with and subject to the terms of the Company's 2013 Stock and Incentive Compensation Plan (the "Equity Plan") during the Term of this Agreement with a target award based upon one hundred percent (100%) of the Executive's Base Compensation. The Equity Plan's Target Bonus as a percent of base salary shall be reviewed annually and may be increased or decreased, from time to time, provided, however, that Target shall only be decreased by the Board on a good faith basis and with reasonable justification for the same, and provided further, that in the event of a Change in Control, Target shall not at any time thereafter be decreased.

(ii) Chesapeake Utilities Corporation Cash Bonus Incentive Plan. Executive shall be eligible for an annual cash bonus award with a target award amount equal to forty five (45%) of Executive's Base Compensation, as determined on an annual basis by the Compensation Committee of the Board in its discretion and in accordance with and subject to the terms of the Company's Cash Bonus Incentive Plan during the Term of this Agreement.

(d) Recovery of Compensation. The Executive acknowledges and agrees that all or any portion of an incentive award under the above described bonus and incentive compensation plans or any future arrangement established by the Company to provide incentive or bonus compensation, whether payable in cash, Company common stock or other property, ("Award") is subject to an obligation of repayment by the Executive to the Company if the amount of the Award was calculated based upon the achievement of certain financial results (as reflected in the financial statement of the Company or otherwise) or other performance metrics that, in either case, were subsequently found to be materially inaccurate. The amount that shall be repaid by the Executive to the Company shall be based on the excess amount paid or awarded to the Executive under the Award as compared to the amount that would have been paid or awarded had the material inaccuracy not occurred. If the Compensation Committee of the Board of Directors determines that the Executive engaged in misconduct, malfeasance or gross negligence in the performance of his or her duties that either caused or significantly contributed to the material inaccuracy in financial statements or other performance metrics, there shall be no time limit on this right of recovery, which shall apply to all future Awards as well as to any and all pre-existing Awards that have not yet been determined and paid as of the date of this Agreement. In all other circumstances, this right of recovery shall apply to all future Awards as well as to any and all pre-existing Awards that have not yet been determined and paid as of the date of this agreement for a period not exceeding one year after the date of payment of each such Award. In addition, the Executive hereby agrees that, if he or she does not promptly repay the amount recoverable hereunder within thirty (30) days of a demand therefore, such amount may be withheld from compensation of any type not yet due and payable to the Executive, including, but not limited to, the cancellation of future Awards, as determined by the Compensation Committee in its sole discretion. In addition, the Compensation Committee is granted the discretionary authority to interpret and enforce this provision as it determines to be in the best interest of the Company and equitable to the parties. Notwithstanding anything herein, this provision shall not be the Company's exclusive remedy with respect to such matters. In addition, the parties agree that the Company may unilaterally amend this provision at any time to comply with applicable law or securities exchange listing rules, as the same may be in effect from time to time, during the Current Term or the Extended Term of this Agreement.

(e) Retirement Plans. During the Term of this Agreement, Executive shall be entitled to participate in all profit-sharing, savings and retirement benefit plans, plans that are supplemental to any tax-qualified savings and retirement plans, and other similar policies, practices, programs and arrangements of the Company, now in effect or as hereafter amended or established, on a basis that is commensurate with his position and no less favorable than those generally applicable or made available to other executives of the Company. The Executive's participation shall be in accordance with the terms and provisions of such plans and programs.

(f) Welfare Benefits. During the Term of this Agreement, Executive, and his family, as applicable, shall be entitled to participate in all insurance, medical, health and welfare, and similar plans and arrangements, as well as all vacation and other employee fringe benefit plans, perquisite plans, and other policies, practices, programs and arrangements of the Company, now in effect or as hereafter amended or established, on a basis that is commensurate with his position and no less favorable than those generally applicable or made available to other executives of the Company. The Executive's participation shall be in accordance with the terms and provisions of such plans.

(g) Other Benefits. During the Term of this Agreement, the Company shall furnish Executive with a suitable office, necessary administrative support and customary furniture and furnishings for such office. The Company further agrees that Executive shall have the use of a Company-owned or Company-leased and Company-maintained automobile, new every three (3) years, of a kind and model appropriate to his position with the Company.

(h) Expenses. During the Term of this Agreement, the Company shall pay all necessary and reasonable business expenses incurred by Executive on behalf of the Company in the course of his employment hereunder, including,

without limitation, expenses incurred in the conduct of the Company's business while away from his domicile and properly substantiated expenses for travel, meals, lodging, entertainment and related expenses that are for the benefit of the Company. All expense reimbursements shall comply with applicable rules or guidelines of the Company in effect at the time the expense is incurred.

If any reimbursements under this or any other provision of this Agreement are taxable to the Executive, such reimbursements shall be paid on or before the end of the calendar year following the calendar year in which the reimbursable expense was incurred, and the Company shall not be obligated to pay any such reimbursement amount for which Executive fails to submit an invoice or other documented reimbursement request at least 10 business days before the end of the calendar year next following the calendar year in which the expense was incurred. Such expenses

shall be reimbursable only to the extent they were incurred during the term of the Agreement. In addition, the amount of such reimbursements that the Company is obligated to pay in any given calendar year shall not affect the amount the Company is obligated to pay in any other calendar year. In addition, Executive may not liquidate or exchange the right to reimbursement of such expenses for any other benefits.

(i) Nothing in this Agreement shall preclude the Company from amending or terminating any employee benefit plan or practice, but, it being the intent of the parties that the Executive shall continue to be entitled during the Extended Term to compensation, benefits, reimbursements and perquisites as set forth in Paragraphs 5(a) through 5(c) and 5(e) through 5(h) at least equal to those attached to his position on the date of this Agreement, and nothing in this Agreement shall operate as, or be construed to authorize, a reduction during the Extended Term without Executive's written consent in the level of such compensation, benefits, reimbursements or perquisites as in effect on the date of a Change in Control. If and to the extent that such compensation, benefits, reimbursements or perquisites are not payable or provided to Executive under any such plan or practice by reason of an amendment thereto or termination thereof during the Extended Term, the Company shall nevertheless pay or provide such compensation, benefits, reimbursements or perquisites to Executive, either directly or through alternative arrangements.

6. Termination.

(a) Payment Upon Termination During Current Term. In the event that the Company terminates this Agreement during the Current Term, or elects not to renew this Agreement at the end of the Current Term, for any reason other than Cause, as defined below, or the Executive's death, the Company shall continue to pay to Executive (or in the event of his death following such termination, his legal representative), as a severance benefit his Base Compensation under Paragraph 5(a), at the rate in effect immediately prior to the date of such termination ("Termination Date"), on the regular payroll dates occurring during the period of one (1) year following the Termination Date. In addition, and notwithstanding the foregoing provisions of this Paragraph 6(a), to the extent required in order to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), Termination Date shall be determined based on the date the Executive has a "separation from service" within the meaning of Code Section 409A and regulations thereunder, using the default rule under such regulations ("Separation from Service"), and cash amounts that would otherwise be payable under this Paragraph 6(a) during the six-month period immediately following the Termination Date shall instead be paid, with interest on any delayed payment at the applicable federal rate under Code Section 7872(f)(2)(A), on the first business day after the date that is six (6) months following the Executive's Separation from Service if necessary to comply with Code Section 409A. Each payment to be made under this Paragraph 6(a) shall be considered a separate payment. Payment of the severance benefit under this Paragraph is subject to the Executive's compliance with the covenants of Paragraph 9 and the execution and delivery (and non- revocation) of a release of claims (the "Release") against the Company and its officers, directors, employees and affiliates, which Release must be delivered to the Company not later than 45 days after the Termination Date. If the Executive fails to comply with any of the covenants of Paragraph 9 or fails to deliver the Release within 45 days after the Termination Date, or if the Executive revokes such Release within 7 days after its delivery to the Company, payment of the severance benefits shall cease and any unpaid amounts shall be forfeited. Payment commencement shall not be delayed, however, pending delivery of the Release.

(b) Termination for Cause. This Agreement and Executive's employment hereunder may be terminated by the Company at any time for Cause. In the event of termination for Cause, the Executive shall not be entitled to any severance benefits under this Agreement. Termination of the Executive's employment shall be deemed to have been "for Cause" only if it shall have been the result of:

(i) Executive's conviction of a felony under the laws of the United States or a state in which Executive works or resides, or a guilty or no contest plea by the Executive with respect thereto;

(ii) a willful or deliberate act or acts of dishonesty by Executive resulting or intended to result directly or indirectly in material gain to or personal enrichment of Executive at the Company's expense;

(iii) a deliberate and intentional refusal by Executive (except by reason of incapacity due to illness or accident) to comply with the provisions of Paragraph 1, provided that such breach shall have resulted in demonstrably material injury to the Company and the Executive shall have failed to remedy such breach within thirty

(30) days after notice from the Secretary of the Company demanding that the Executive remedy such breach; or

(iv) conduct by Executive that is materially injurious to the Company if such conduct was undertaken without good faith and the reasonable belief that such conduct was in the best interest of the Company.

(c) Payment Upon Termination During Extended Term. In the event of a Termination Without Cause, as defined below, during the Extended Term, the Company shall pay to Executive (or, in the event of his death following the termination, his legal representative) in cash, on the first business day that falls on or after the sixtieth (60th) day after the date

of such termination (the "Extended Termination Date") the sum of all accrued but unpaid salary, bonus, vacation pay, expense reimbursements and any other amounts due, plus the following:

(i) an amount equal to the product of multiplying the monthly rate of Base Compensation to which Executive was entitled under Paragraph 5(a) on the day immediately prior to the Extended Termination Date by Twenty-four (24) months ("Covered Period");

(ii) an amount equal to the aggregate of the Company's contributions to the Company's savings plan (including, but not limited to, the Chesapeake Utilities Corporation Retirement Savings Plan, and any related excess benefit plans) in respect

of Executive that were not vested on the day immediately prior to the Extended Termination Date but that would have been vested at the end of the Covered Period if Executive had remained employed by the Company for the duration of that period; and

(iii) an amount equal to the product of multiplying the average of the annual aggregate benefits awarded to the Executive under all annual bonus program(s) of the Company in which the Executive was a participant in each of the three (3) calendar years immediately preceding the calendar year in which the Extended Termination Date occurs by two (2) years.

Payment of the severance benefit under this Paragraph is subject to the Executive's compliance with the covenants of Paragraph 9 and the execution and delivery (and non-revocation) of a release of claims (the "Release") against the Company and its officers, directors, employees and affiliates, which Release must be delivered to the Company not later than 45 days after the Termination Date. If the Executive fails to comply with any of the covenants of Paragraph 9 or fails to deliver the Release within 45 days after the Termination Date, or if the Executive revokes such Release within 7 days after its delivery to the Company, payment of the severance benefits shall cease (if commenced) or shall not be made, and any unpaid amounts shall be forfeited.

In addition, the Company shall continue to provide medical, prescription drug, vision, dental and other Company welfare benefits to the Executive and his eligible dependents during the Covered Period as if the Executive remained an active employee of the Company (but, with respect to any such benefits provided through insurance, only if and to the extent it is permissible to extend such benefits to a former employee of the Company under the terms of the applicable plan and insurance contracts). Executive further acknowledges that the cost of the coverage afforded to Executive and his eligible dependents under self-funded medical expense reimbursement plans of the Company during the Covered Period shall be treated as additional taxable income to the Executive to the extent necessary to avoid a violation of the nondiscrimination provisions of Section 105(h) of the Code. Should the continuation of any medical or similar coverages be through fully insured plans, and should such continuation violate the nondiscrimination requirements for such plans under the Patient Protection and Affordable Care Act of 2010, then the Executive shall receive additional cash severance benefits rather than continued coverage under such plans of the Company in an amount based on the premium cost of such coverage that the Company would otherwise pay under this paragraph. In addition, the applicable period of health benefit continuation under Code Section 4980B shall begin at the end of the Covered Period.

To the extent required in order to comply with Code Section 409A, cash amounts that would otherwise be payable under this Paragraph 6(c) during the six-month period immediately following the Extended Termination Date (and which are not eligible for the exception applicable to payments due to involuntary separation under Treas. Reg. Section 1.409A-1(b)(9)(iii)) shall instead be paid, with interest on any delayed payment at the applicable federal rate under Code Section 7872(f)(2)(A), on the first business day after the date that is six (6) months following the Executive's Separation from Service. Further, any taxable welfare benefits provided to Executive pursuant to this Paragraph 6(c) that are not "disability pay" or "death benefits" within the meaning of Treas.

Reg. Section 1.409A-1(a)(5) (collectively, the "Applicable Benefits") shall be subject to the following requirements in order to comply with Code Section 409A. The amount of any Applicable Benefits provided during one taxable year shall not affect the amount of the Applicable Benefits provided in any other taxable year, except that with respect to any Applicable Benefits that consist of the reimbursement of expenses referred to in Code Section 105(b), a limitation may be imposed on the amount of such reimbursements over some or all of the Covered Period, as described in Treas. Reg. Section 1.409A-3(i)(1)iv(B). To the extent that any Applicable Benefits consist of the reimbursement of eligible expenses, such reimbursement must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred. No Applicable Benefits may be liquidated or exchanged for another benefit. During the period of six (6) months immediately following Executive's Separation from Service, Executive shall be obligated to pay the Company the full cost for any Applicable Benefits that do not constitute health benefits of the type required to be provided under the health continuation coverage requirements of Code Section 4980B, and the Company shall reimburse Executive for any such payments on the first business day that is more than six (6) months after Executive's Separation from Service, together with interest on such amount from the date of Separation from Service through the date of payment at the applicable federal rate under Code Section 7872(f)(2)(A).

(d) Termination Without Cause. For purposes of Paragraph 6(c) above, "Termination Without Cause" shall mean a Separation from Service of the Executive that is either a:

(i) Termination by the Company of Executive's employment without Cause (as "Cause" is defined in Paragraph 6(b) above); or

(ii) Termination by Executive of his employment following the occurrence of any of the following events:

(A) failure to elect or re-elect Executive to, or removal of Executive from, the office or offices set forth in Paragraph 1, or failure to nominate Executive for election to the Board if Executive shall have been a member of the Board immediately prior to a Change in Control of the Company;

(B) a significant change in the nature or scope of his authorities, powers, functions, duties or responsibilities attached to the positions contemplated in Paragraph 1, or a reduction in his compensation or in the benefits available to the Executive and his family, as provided in Paragraph 5, which change or reduction is not remedied within thirty (30) days after notice to the Company by the Executive;

(C) any other breach by the Company of any material provision of this Agreement (including, without limitation, relocation of the Executive in material violation of Paragraph 4(b)), which breach is not remedied within thirty (30) days after notice to the Company by Executive; or

(D) the consolidation or merger of the Company or transfer of all or a significant portion of its assets unless a successor or successors (by merger, consolidation or otherwise) to which all or a significant portion of its assets has been transferred shall have assumed all duties and obligations of the Company under this Agreement.

In order to effect a Termination Without Cause in any event set forth in this Paragraph 6(d)(ii), Executive must elect to terminate his employment under this Agreement upon not less than forty (40) days and not more than ninety (90) days' written notice to the Board, attention of the Chief Executive Officer, given, except in the case of a continuing breach, within three (3) calendar months after: (1) failure to be so elected, reelected, or nominated, or such removal, (2) expiration of the 30-day cure period with respect to such event, or (3) the closing date of such consolidation, merger or transfer of assets.

An election by Executive to terminate his employment under the provisions of this Paragraph shall not be deemed a voluntary termination of employment by Executive for the purpose of this Agreement or any plan or practice of the Company. Further, the death of the Executive during the Extended Term but prior to a Termination Without Cause, as defined, shall not constitute Cause or be deemed to be a Termination Without Cause.

(e) Resignation of All Other Positions. Upon termination of the Executive's employment hereunder for any reason, the Executive shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the Board of Directors of the Company or any affiliates unless otherwise determined by the Board.

7. Maximum Payment Upon Termination.

(a) Determination. Notwithstanding any other provision of this Agreement, if any payment or distribution (a "Payment") by the Company or any other person or entity to or for the benefit of the Executive is determined to be an "excess parachute payment" (within the meaning of Code Section 280G(b)(1) or any successor provision of similar effect), whether paid or payable or distributed or distributable pursuant to Paragraph 6(c) of this Agreement or otherwise, then the Executive's benefits under this Agreement shall be reduced by the amount necessary so that the Executive's total "parachute payment" as defined in Code Section 280G(b)(2)(A) under this and all other agreements will be \$1.00 less than the amount that would be a "parachute payment". The determination concerning the application of the reduction shall be made by a nationally-recognized firm of independent accountants (together with legal counsel of its choosing) selected by the Company after consultation with the Executive (which may be the Company's independent auditors), whose determination shall be conclusive and binding on all parties. Any fees and expenses of such independent accountants and counsel (including counsel for the Executive) shall be borne by the Company.

(b) Notices. If it is determined that the benefits under this Agreement must be reduced under this Paragraph, within 10 days of the date of such determination, the Company will apprise the Executive of the amount of the reduction ("Notice of Reduction"). Within 10 days of receiving that information, the Executive may specify how (and against which benefit or payment source) the reduction is to be applied ("Notice of Application"). The Company will be required to implement these directions within 10 days of receiving the Notice of Application. If the Company has not received a Notice of Application from the Executive within 10 days of the date of the Notice of Reduction, the Company will apply this Paragraph proportionately based on the amounts otherwise payable under Paragraph 6(c). If the Company receives a Notice of Application that does not fully implement the requirements of this Paragraph, the Company will apply this Paragraph proportionately on the basis of the reductions specified in the Notice of Application first, then to any remaining reduction based on the amounts otherwise payable under Paragraph 6(c).

Notwithstanding the foregoing, if the exercise of discretion reserved to the Executive in determining the Notice of Application would violate Code Section 409A, then such discretion shall be eliminated and the amounts payable under Paragraph 6(c) shall be reduced proportionately.

8. Mitigation. Executive shall not be required to mitigate the amount of any payment provided for in this Agreement either by seeking other employment or otherwise. The amount of any payment provided for herein shall not be reduced by any remuneration that Executive may earn from employment with another employer or otherwise following his Termination Date or Extended Termination Date, as applicable.

9. Covenants.

(a) Introduction. The parties acknowledge that the provisions and covenants contained in this Paragraph 9 are ancillary and material to this Agreement and that the limitations contained herein are reasonable in geographic and temporal scope and do not impose a greater restriction or restraint than is necessary to protect the goodwill and other legitimate business interests of the Company. The parties also acknowledge and agree that the provisions of this Paragraph 9 do not adversely affect Executive's ability to earn a living in any capacity that does not violate the covenants contained herein. The parties further acknowledge and agree that the provisions of Paragraph 19 below are accurate and necessary because (i) Delaware is the headquarters state of the Company, which has operations in multiple states and a compelling interest in having its employees treated uniformly, (ii) the use of Delaware law provides certainty to the parties in any covenant litigation in the United States, and (iii) enforcement of the provisions of this Paragraph 9 would not violate any fundamental public policy of Delaware or any other jurisdiction.

(b) Confidential Information. Executive shall hold in a fiduciary capacity for the benefit of the Company, all secret or confidential information, knowledge or data relating to the Company and its businesses (including, but not limited to, any proprietary and not publicly available information concerning any processes, methods, trade secrets, costs, names of users or purchasers

of the Company's products or services, business methods, financial affairs, operating procedures or programs or methods of promotion and sale) that Executive has obtained or obtains during Executive's employment by the Company and that is not public knowledge (other than as a result of Executive's violation of this Paragraph 9(b)) ("Confidential Information"). For purposes of this Paragraph 9(b), information shall not be deemed to be publicly available merely because it is embraced by general disclosures or because individual features or combinations thereof are publicly available. Executive shall not communicate, divulge or disseminate Confidential Information at any time during or after Executive's employment with the Company except:

- (i) to employees or agents of the Company that need the Confidential Information to perform their duties on behalf of the Company;
- (ii) in the performance of Executive's duties to the Company;
- (iii) as a necessary (and only to the extent necessary) part of any undertaking by Executive to enforce Executive's rights under this Agreement; or
- (iv) as otherwise required by law or legal process.

All confidential records, files, memoranda, reports, customer lists, drawings, plans, documents and the like that Executive uses, prepares or comes into contact with during the course of Executive's employment shall remain the sole property of the Company and shall be turned over to the Company upon termination of Executive's employment.

(c) Non-solicitation of Company Employees. Executive shall not, at any time during the Restricted Period (as defined below), without the prior written consent of the Company, engage in the following conduct (a "Solicitation"):

- (i) directly or indirectly, contact, solicit, recruit or employ (whether as an employee, officer, director, agent, consultant or independent contractor) any person who was or is at any time during the previous six months an employee, representative, officer or director of the Company; or
- (ii) take any action to encourage or induce any employee, representative, officer or director of the Company to cease his or her relationship with the Company for any reason. A "Solicitation" does not include any recruitment of employees for the Company.

The "Restricted Period" means the period including Executive's employment with the Company and one (1) year following the Termination Date or Extended Termination Date, as applicable, and, if the Executive has given a notice pursuant to Paragraph 6(d)(ii), for a period of fifteen (15) months following the giving of such notice.

(d) Non-solicitation of Third Parties. During the Restricted Period, the Executive shall not (either directly or indirectly or as an officer, agent, employee, partner or director of any other company or entity) solicit, service, recruit, induce, influence, or accept on behalf of any competitor of the Company the business of:

- (i) any customer of the Company at the time of Executive's employment or Termination Date or Extended Termination Date, as applicable; or
- (ii) any potential customer of the Company which Executive knew to be an identified, prospective purchaser of services or products of the Company.

(e) Non-competition. During the Restricted Period, Executive shall not, directly or indirectly, accept employment with, act as a consultant to, or otherwise perform services that are substantially the same or similar to those for which Executive was compensated by the Company (such comparison to be based on job-related functions and responsibilities and not job title) for any business that directly competes with any portion of the Company. This restriction applies to any parent, division, affiliate, newly formed or purchased business(es) and/or successor of a business that competes with the Company. Further, during the Restricted Period, Executive shall not assist any individual or entity other than the Company in acquiring any

entity with respect to which a proposal to acquire such entity was presented to the Board during the one (1) year period beginning prior to Executive's Termination Date, Extended Termination Date or notice given by Executive pursuant to Paragraph 6(d)(ii), as applicable.

(f) Post-Termination Cooperation. Executive agrees that during and after employment with the Company and without additional compensation (other than reimbursement for reasonable associated expenses) to cooperate with the Company in the following areas:

(i) Cooperation with the Company. Executive agrees to:

(A) be reasonably available to answer questions for the Company's officers regarding any matter, project, initiative or effort for which Executive was responsible while employed by the Company; and

(B) cooperate with the Company during the course of all third-party proceedings arising out of the Company's business about which Executive has knowledge or information.

For purposes of this Agreement, "proceeding" includes internal investigations, administrative investigations or proceedings and lawsuits (including pre-trial discovery and trial testimony) and "cooperation" includes (1) Executive being reasonably available for interviews, meetings, depositions, hearings and/or trials without the need for a subpoena or assurances by the Company, (2) providing any and all documents in Executive's possession that relate to the proceeding, and (3) providing assistance in locating any and all relevant notes and/or documents.

Cooperation with Third Parties. Unless compelled to do so by lawfully-served subpoena or court order, Executive agrees not to communicate with, or give statements or testimony to, any attorney representing an interest opposed to the Company's interest ("Opposing Attorney"), Opposing Attorney's representative (including a private investigator) or current or former employee relating to any matter (including pending or threatened lawsuits or administrative investigations) about which Executive has knowledge or information as a result of employment with the Company. Executive also agrees to notify the Company immediately after being contacted by a third party or receiving a subpoena or court order to appear and testify with respect to any matter that may include a claim opposed to the Company's interest. However, this Paragraph 9(f)(ii) shall not apply to any effort undertaken by Executive to enforce Executive's rights under this Agreement, but only to the extent necessary for that purpose.

(ii) Cooperation with the Media. Executive agrees not to communicate with, or give statements to, any member of the media (including print, television, electronic or radio media) relating to any matter (including pending or threatened lawsuits or administrative investigations) about which Executive has knowledge or information as a result of employment with the Company. Executive also agrees to notify the Company immediately after being contacted by any member of the media with respect to any matter affected by this Paragraph.

(g) Non-Disparagement. Executive and Company shall at all times refrain from taking actions or making statements, written or verbal, that:

(i) denigrate, disparage or defame the goodwill or reputation of Executive or the Company, as the case may be, or any of its trustees, officers, security holders, partners, agents or former or current employees and directors, or

(ii) are intended to, or may be reasonably expected to, adversely affect the morale of the employees of the Company.

Executive further agrees not to make any negative statements to third parties relating to Executive's employment or any aspect of the business of the Company and not to make any statements to third parties about the circumstances of the termination of Executive's employment, or about the Company or its trustees, directors, officers, security holders, partners, agents or former or current employees and directors, except as may be required by a court or governmental body.

(h) Enforcement. The Executive acknowledges and agrees that: (i) the purpose of the foregoing covenants, including, without limitation, the nonsolicitation and noncompetition covenants of Paragraphs 9(d) and (e), is to protect the goodwill, trade secrets and other Confidential Information of the Company; (ii) because of the nature of the business in which the Company is engaged and because of the nature of the Confidential Information to which the Executive has access, the Company would suffer irreparable harm and it would be impractical and excessively difficult to determine the actual damages of the Company in the event the Executive breached any

of the covenants of this Paragraph 9; and (iii) remedies at law (such as monetary damages) for any breach of the Executive's obligations under this Paragraph 9 would be inadequate. The Executive therefore agrees and consents that if the Executive commits any breach of a covenant under this Paragraph 9, or threatens to commit any such breach, the Company shall have the right (in addition to, and not in lieu of, any other right or remedy that may be available to it, including but not limited to the right to terminate and forfeit as yet unpaid severance benefits under Paragraphs 6(a) and 6(c) of this Agreement) to temporary and permanent injunctive relief from a court of competent jurisdiction, without posting any bond or other security and without the necessity of proof of actual damage, and that the arbitration provisions of Paragraph 14 shall not apply.

(i) Notice of Immunity under the Economic Espionage Act of 1996, as amended by the Defend Trade Secrets Act of 2016 ("DTSA"). Notwithstanding any other provision of this Agreement, the Executive will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that:

(i) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and that is disclosed solely for the purpose of reporting or investigating a suspected violation of law; or

(ii) is made in a complaint or other document filed under seal in a lawsuit or other proceeding.

If the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the Company's trade secrets to the Executive's attorney and use the trade secret information in the court proceeding if the Executive:

(i) files any document containing trade secrets under seal; and

(ii) does not disclose trade secrets, except pursuant to court order.

(j) Security and Access. The Executive agrees and covenants to comply with all Company security policies and procedures as in force from time to time including without limitation those regarding computer equipment, telephone and voicemail systems, facilities access, key cards, access codes, intranet and internet, social media, computer systems and networks, e-mail systems, software, data security, encryption, firewalls, passwords and any and all other Company facilities, IT resources and communication technologies ("Facilities and Information Technology Resources"), and not to access or use any Facilities and Information Technology Resources except as authorized by the Company. The Executive also agrees not to access or use any Facilities and Information Technology Resources in any manner after the termination of the Executive's employment by the Company, whether such termination is voluntary or involuntary, without the Company's consent.

(k) Stock Ownership Requirements. During the Term, the Executive shall be expected to maintain ownership of Company common stock in accordance with guidelines established by the Board as in effect from time to time.

10. Indemnification. The Company shall indemnify Executive to the fullest extent permitted by applicable Delaware law (as may be amended from time to time), including the advance of expenses permitted herein. In the event that the Executive is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (a "Proceeding"), other than any Proceeding initiated by the Executive or the Company related to any contest or dispute between the Executive and the Company or any of its affiliates with respect to this Agreement or the Executive's employment hereunder, by reason of the fact that the Executive is or was a director or officer of the Company, or any affiliate of the Company, or is or was serving at the request of the Company as a director, officer, member, employee, or agent of another corporation or a partnership, joint venture, trust, or other enterprise, the Executive shall be indemnified and held harmless by the Company to the maximum extent permitted under applicable law and the Company's bylaws from and against any liabilities, costs, claims, and expenses, including all costs and expenses incurred in defense of any Proceeding (including attorneys' fees). Costs and expenses incurred by the Executive in defense of such Proceeding (including attorneys' fees) shall be paid by the Company in advance of the final disposition of such litigation upon receipt by the Company of: (i) written request for payment; (ii) appropriate documentation evidencing the incurrence, amount, and nature of the costs and expenses for which payment is being sought; and (iii) an undertaking adequate under applicable law made by or on behalf of the Executive to repay the amounts so paid if it shall ultimately be determined that the Executive is not entitled to be indemnified by the Company under this Agreement. Notwithstanding the foregoing, nothing in this Paragraph shall impose on the Company any obligation to indemnify the Executive from any tax, excise tax or similar penalty, including but not limited to any excise tax under Code Section 409A or 4999, imposed on the Executive with respect to any compensation, deferred compensation, severance or other benefits provided to Executive by Company under this Agreement or otherwise, without regard to whether the Company bears any culpability with respect to the imposition of such tax or not

11. Performance. The failure of either party to this Agreement to insist upon strict performance of any provision of this Agreement shall not constitute a waiver of its rights subsequently to insist upon strict performance of such provision or any other provision of this Agreement.

12. Non-Assignability. Neither party shall have the right to assign this Agreement or any rights or obligations hereunder without the consent of the other party.

13. Invalidity. If any provisions of this Agreement shall be found to be invalid by any court of competent jurisdiction, such finding shall not affect the remaining provisions of this Agreement, all of which shall remain in full force and effect.

14. Arbitration and Legal Fees. In the event of any dispute regarding a refusal or failure by the Company to make payments or provide benefits hereunder for any reason, Executive shall have the right, in addition to all other rights and remedies provided by law, to arbitration of such dispute under the rules of the American Arbitration Association, which right shall be invoked

by serving upon the Company a notice to arbitrate, stating the place of arbitration, within ninety (90) days of receipt of notice in any form (including, without limitation, failure by the Company to respond to a notice from Executive within thirty (30) days) that the Company is withholding or proposes to withhold any payments or the provision of any benefits the Executive, in good faith, believes are called for hereunder. In the event of any such dispute, whether or not Executive exercises his right to arbitration, if it shall ultimately be determined that the Company's refusal or failure to make payments or provide benefits hereunder was wrongful or otherwise inconsistent with the terms of this Agreement, the Company

shall indemnify and hold harmless Executive from and against any and all expenses incurred in connection with such determination, including reasonable legal and other fees and expenses. Accordingly, the Company agrees to pay within 30 days following the Company's receipt of an invoice from the Executive all legal fees and expenses which the Executive may reasonably incur as a result of any contest by either party of the validity or enforceability of, or liability under, any provision of this Agreement, plus, in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f) (2)(A) of the Code, if the Executive prevails on any material claim made by him and disputed by the Company (or its successors and assigns) under the terms of this Agreement. Such payments shall be made in accordance with the provisions of Paragraph 20 in order to comply with Section 409A of the Code.

15. Survival of Certain Provisions. Notwithstanding any other provision of this Agreement, the termination of this Agreement for any reason shall not result in the termination of the rights and obligations of the parties under the provisions of Sections 5(d), 6, 7, 9, 10, 14 and 16 hereof, which shall survive any such termination. The right of recovery provisions of Section 5(d) shall cease to apply during the Extended Term and shall be automatically terminated upon a Change in Control of the Company (as defined in Paragraph 2(d)) except with respect to any right of recovery that has been asserted prior to such Change in Control.

16. Successors. This Agreement shall be binding upon and inure to the benefit of the Executive (and his personal representative), the Company and any successor organization or organizations that shall succeed to substantially all of the business and property of the Company and assume the Company's obligations hereunder, whether by means of merger, consolidation, acquisition of substantially all of the assets of the Company, or operation of law. The Company shall require any successor organization or organizations to agree to assume the obligations of this Agreement.

17. Set-off. The Company shall have no right of set-off or counterclaim in respect of any claim, debt or obligation against any payments or benefits provided for in this Agreement except as otherwise provided herein.

18. Amendments. No Amendment to this Agreement shall be effective unless in writing and signed by both the Company and Executive. Notwithstanding the foregoing, if any compensation or benefits provided by this Agreement may result in the application of Code Section 409A, the Company shall, in consultation with the Executive, modify the Agreement in the least restrictive manner necessary in order to exclude such compensation from the definition of "deferred compensation" within the meaning of Code Section 409A or in order to comply with the provisions of Code Section 409A, other applicable provisions of the Code and/or any rules, regulations or other regulatory guidance issued under such statutory provisions, and without any diminution in the value of the payments to the Executive.

19. Governing Law. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Delaware. The parties hereto irrevocably agree to submit to the jurisdiction and venue of the courts of the State of Delaware in any action or proceeding brought with respect to or in connection with this Agreement except for an action described in Paragraph 14.

20. Code Section 409A. Notwithstanding any provision of Paragraph 10 or 14 of this Agreement to the contrary, any legal fees and expenses to be paid by the Company pursuant to Paragraph 10 or 14 shall be subject to the following requirements in order to comply with Code Section 409A. Such legal fees and expenses shall be paid by the Company only to the extent incurred during the Term of the Agreement or for a period of ten (10) years after the Executive's Separation from Service. The Company shall pay such legal fees and expenses no later than the end of the calendar year next following the calendar year in which such fees and expenses were incurred, and the Company shall not be obligated to pay any such fees and expenses for which the Executive fails to submit an invoice at least ten (10) business days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred. The amount of such legal fees and expenses that the Company is obligated to pay in any given calendar year shall not affect the legal fees and expenses that the Company is obligated to pay in any other calendar year, and the Executive's right to have the Company pay such legal fees and expenses may not be liquidated or exchanged for any other benefit.

21. Notices. Unless otherwise stated herein, all notices hereunder shall be in writing and shall be deemed to be given when personally delivered or mailed by United States registered or certified mail, postage prepaid, to, if to the Company, 909 Silver Lake Boulevard, Dover, Delaware 19904, and, if to Executive, the last address therefore shown on the records of the Company. Either the Company or Executive may, by notice to the other, designate an address other than the foregoing for the receipt of subsequent notices.

22. Withholding. The Company may withhold from any amounts payable to Executive hereunder all federal, state, city or other taxes that the Company may reasonably determine are required to be withheld pursuant to any applicable law or regulation.

23. Nature of Payments Upon Termination. All payments to Executive pursuant to Paragraph 6 of this Agreement shall be considered as liquidated damages or, in the case of certain payments pursuant to Paragraph 6(c), as severance payments in consideration of Executive's past services to the Company, and no such payment shall be regarded as a penalty to the Company.

24. Prior Agreement. The Company and the Executive are parties to an Executive Employment Agreement executed on June, 2016 (the "Prior Agreement"). The parties

acknowledge and agree that the terms of this Agreement constitute the entire agreement of the parties with respect to the subject matter and supersede all prior agreements and amendments with respect thereto, including, without limitation, the Prior

Agreement.

25. Acknowledgment. The parties hereto each acknowledge that each has read this Agreement and understands the same and that each enters into this Agreement freely and voluntarily.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CHESAPEAKE UTILITIES CORPORATION

[CORPORATE SEAL] By:

Jeffry M. Householder
Title: **Chief Executive Officer**

ATTEST:

Louis J. Anatrella EXECUTIVE:
Chief Human Resources Officer

James F. Moriarty

Loan Agreement

THIS LOAN AGREEMENT (the “**Agreement**”), is entered into as of April 24, 2020, between **CHESAPEAKE UTILITIES CORPORATION**, a Delaware corporation (the “**Borrower**”), with an address at 909 Silver Lake Boulevard, Dover, Delaware 19904-2472, and **PNC BANK, NATIONAL ASSOCIATION** (the “**Bank**”), with an address at The Tower at PNC Plaza, 300 Fifth Avenue, Pittsburgh, Pennsylvania 15222.

The Borrower and the Bank, with the intent to be legally bound, agree as follows:

1. **Loan.** The Bank has made or may make one or more loans (“**Loan**”) to the Borrower subject to the terms and conditions and in reliance upon the representations and warranties of the Borrower set forth in this Agreement. Each Loan shall be used for business purposes (and not for personal, family or household use) and is or will be evidenced by a promissory note or notes of the Borrower and all renewals, extensions, amendments and restatements thereof (whether one or more, collectively, the “**Note**”) acceptable to the Bank, which shall set forth the interest rate, repayment and other provisions of the respective Loan, the terms of which are incorporated into this Agreement by reference.

The Loans governed by this Agreement shall include the Loans specifically described below, if any, and any additional lines of credit or term loans that the Bank has made or may, in its sole discretion, make to the Borrower in the future unless expressly subject to a separate agreement.

1.1. **Line of Credit.** One of the Loans governed by this Agreement is a committed revolving line of credit under which the Borrower may request and the Bank, subject to the terms and conditions of this Agreement, will make advances to the Borrower from time to time until the Expiration Date, in an aggregate amount outstanding at any time not to exceed \$15,000,000.00 (the “**Line of Credit**”). The “**Expiration Date**” shall have the meaning set forth in the note evidencing the Line of Credit. The Borrower acknowledges and agrees that in no event will the Bank be under any obligation to extend or renew the Line of Credit beyond the Expiration Date. In no event shall the aggregate unpaid principal amount of advances under the Line of Credit exceed the face amount of the Line of Credit. Advances under the Line of Credit will be used for working capital or other general business purposes of the Borrower.

2. **Loan Documents.** This Agreement, the Note and all other agreements and documents executed and/or delivered pursuant or subject hereto, as each may be amended, modified, extended or renewed from time to time, are collectively referred to as the “**Loan Documents**”. Capitalized terms not defined herein shall have the meanings ascribed to them in the Loan Documents. All loans, advances, debts, liabilities, obligations, covenants and duties owing by the Borrower to the Bank described herein or in the other Loan Documents are referred to collectively as the “**Obligations**”.

3. **Representations and Warranties.** The Borrower hereby makes the following representations and warranties, which shall be continuing in nature and remain in full force and effect until the Obligations are paid in full, and which shall be true and correct except as otherwise set forth on the Addendum attached hereto and incorporated herein by reference (the “**Addendum**”):

3.1. **Existence, Power and Authority.** The Borrower is duly organized, validly existing and in good standing under the laws of the State of its incorporation or organization and has the power and authority to own and operate its assets and to conduct its business as now or proposed to be carried on, and is duly qualified, licensed and in good standing to do business in all jurisdictions where its ownership of property or the nature of its business requires such qualification or licensing, except whether the failure to be so qualified or license would not reasonably be expected to result in a material adverse effect on the Borrower. The Borrower is duly authorized to execute and deliver the Loan Documents, all necessary action to authorize the execution and delivery of the Loan Documents has been properly taken, and the Borrower is and will continue to be duly authorized to borrow under this Agreement and to perform all of the other terms and provisions of the Loan Documents.

3.2. Financial Statements. The Borrower has delivered or caused to be delivered to the Bank its most recent Financial Statements (as defined herein). The Financial Statements 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 generally accepted accounting principles in effect from time to time (“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. As used herein, “**Financial Statements**” shall mean the consolidated balance sheets statements of income and cash flows for the fiscal year or quarter together with comparative figures for the corresponding periods of the prior fiscal year.

3.3. No Material Adverse Change. Since the date of the most recent Financial Statements, the Borrower has not suffered any damage, destruction or loss, and no event or condition has occurred or exists, which has resulted or could result in a material adverse change in its business, assets, operations, condition (financial or otherwise) or results of operation.

3.4. Binding Obligations. The Borrower has full power and authority to enter into the transactions provided for in this Agreement and has been duly authorized to do so by appropriate action of its Board of Directors if the Borrower is a corporation, its members and/or managers, as applicable, if the Borrower is a limited liability company, all its general partners if the Borrower is a partnership or otherwise as may be required by law, charter, other organizational documents or agreements; and the Loan Documents, when executed and delivered by the Borrower, will constitute the legal, valid and binding obligations of the Borrower enforceable in accordance with their terms.

3.5. No Defaults or Violations. There does not exist any Default or Event of Default, as hereinafter defined, under this Agreement, or any material default or violation by the Borrower of or under any of the terms, conditions or obligations of: (i) its partnership agreement if the Borrower is a partnership, its articles or certificate of incorporation, regulations and bylaws if the Borrower is a corporation, its articles or certificate of organization and operating agreement if the Borrower is a limited liability company, or its other organizational documents as applicable; (ii) any indenture, mortgage, deed of trust, franchise, permit, contract, agreement, or other instrument to which it is a party or by which it is bound; or (iii) any law, ordinance, regulation, ruling, order, injunction, decree, condition or other requirement applicable to or imposed upon it by any law, the action of any court or any governmental authority or agency; and the consummation of this Agreement and the transactions set forth herein will not result in any such Default, Event of Default or violation.

3.6. Title to Assets. The Borrower has good and marketable title to the assets reflected on the most recent Financial Statements, free and clear of all liens and encumbrances, except for (i) liens in favor of the Bank; (ii) current taxes and assessments not yet due and payable; (iii) assets disposed of by the Borrower in the ordinary course of business since the date of the most recent Financial Statements; (iv) those liens or encumbrances, if any, specified on the Addendum; (v) those liens and encumbrances permitted by the Other Loan Document; and (iv) those dispositions, investments, loans liquidation, mergers, consolidations or acquisitions permitted by the Other Loan Document.

3.7. Litigation. There are no actions, suits, proceedings or governmental investigations pending or, to the knowledge of the Borrower, threatened against the Borrower, which could result in a material adverse change in its business, assets, operations, condition (financial or otherwise) or results of operations and there is no basis known to the Borrower for any action, suit, proceeding or investigation which could result in such a material adverse change. All pending and threatened material litigation against the Borrower is listed on the Addendum attached hereto.

3.8. Tax Returns. All federal, state, local and other tax returns required to have been filed with respect to 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.

3.9. Employee Benefit Plans. Each employee benefit plan as to which the Borrower may have any liability complies in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974 (as amended from time to time, “ERISA”), including minimum funding requirements, and (i) no non-exempt Prohibited Transaction (as defined under ERISA) has occurred with respect to any such plan; (ii) no Reportable Event (as defined under Section 4043 of ERISA) has occurred with respect to any such plan which would cause the Pension Benefit Guaranty Corporation to institute proceedings under Section 4042 of ERISA; (iii) the Borrower has not withdrawn from any such plan or initiated steps to do so; and (iv) no steps have been taken to terminate any such plan that is subject to the minimum funding rules of ERISA.

3.10. Environmental Matters. The Borrower is in compliance, in all material respects, with all Environmental Laws (as hereinafter defined), including, without limitation, all Environmental Laws in jurisdictions in which the Borrower owns or operates, or has owned or operated, a facility or site, stores collateral, arranges or has arranged for disposal or treatment of hazardous substances, solid waste or other waste, accepts or has accepted for transport any hazardous substances, solid waste or other wastes or holds or has held any interest in real property or otherwise. Except as otherwise disclosed on the Addendum or as would not, individually or in the aggregate, reasonably be expected to result in a material adverse effect on the Borrower, no litigation or proceeding arising under, relating to or in connection with any Environmental Law is pending or, to the best of the Borrower’s knowledge, threatened against the Borrower, any real property in which the Borrower holds or has held an interest or any past or present operation of the Borrower. Except as would not, individually or in the aggregate, reasonably be expected to result in a material adverse effect on the Borrower, no release, threatened release or disposal of hazardous waste, solid waste or other wastes is occurring, or to the best of the Borrower’s knowledge has occurred, on, under or to any real property in which the Borrower holds or has held any interest or performs or has performed any of its operations, in violation of any Environmental Law. As used in this Section, “**litigation or proceeding**” means any demand, claim notice, suit, suit in equity, action, administrative action, investigation or inquiry whether brought by a governmental authority or other person, and “**Environmental Laws**” means all provisions of laws, statutes, ordinances, rules, regulations, permits, licenses, judgments, writs, injunctions, decrees, orders, awards and standards promulgated by any governmental authority concerning health, safety and protection of, or regulation of the discharge of substances into, the environment.

3.11. Intellectual Property. The Borrower owns or is licensed to use all patents, patent rights, trademarks, trade names, service marks, copyrights, intellectual property, technology, know-how and processes necessary for the conduct of its business as currently conducted that are material to the condition (financial or otherwise), business or operations of the Borrower, except where the failure to do so, either individually or in the aggregate, would not reasonably be expected to constitute a material adverse effect on the Borrower.

3.12. Regulatory Matters. No part of the proceeds of any Loan will be used for “purchasing” or “carrying” any “margin stock” within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time in effect or for any purpose which violates the provisions of the Regulations of such Board of Governors.

3.13. Solvency. As of the date hereof and after giving effect to the transactions contemplated by the Loan Documents, (i) the aggregate value of the Borrower’s assets will exceed its liabilities (including contingent, subordinated, unmatured and unliquidated liabilities); (ii) the Borrower will have sufficient cash flow to enable it to pay its debts as they become due; and (iii) the Borrower will not have unreasonably small capital for the business in which it is engaged.

3.14. Disclosure. None of the Loan Documents contains or will contain any untrue statement of material fact or omits or will omit to state a material fact necessary in order to make the statements contained in this Agreement or the Loan Documents not misleading. There is no fact known to the Borrower which materially adversely affects or, so far as the Borrower can now foresee, might materially adversely affect the business, assets, operations, condition (financial or otherwise) or results of operation of the Borrower and which has not otherwise been fully set forth in this Agreement or in the Loan Documents.

3.15. Beneficial Owners. If the Borrower is or was required to execute and deliver to the Bank a Certification of Beneficial Owner(s) (individually and collectively, as updated from time to time, the “**Certification of Beneficial Owners**”), the information in the Certification of Beneficial Owners, as updated from time to time in accordance with this Agreement, is true, complete and correct as of the date thereof, as of the date hereof and as of the date any such update is delivered to the Bank. The Borrower acknowledges and agrees that the Certification of Beneficial Owners is a Loan Document.

4. Affirmative Covenants. The Borrower agrees that from the date of execution of this Agreement until all Obligations have been paid in full and any commitments of the Bank to the Borrower have been terminated, the Borrower will:

4.1. {RESERVED}

4.2. {RESERVED}

4.3. {RESERVED}

4.4. {RESERVED}

4.5. {RESERVED}

4.6. {RESERVED}

4.7. Bank Accounts. Establish and maintain at the Bank the Borrower’s primary depository accounts.

4.8. {RESERVED}

4.9. Additional Reports. Provide prompt written notice to the Bank after any officer of the Borrower has learned of the occurrence of any of the following (together with a description of the action which the Borrower proposes to take with respect thereto): (i) any Event of Default or any event, act or condition which, with the passage of time or the giving of notice, or both, would constitute an Event of Default (a “**Default**”); (ii) any litigation filed by or against the Borrower which would reasonably be expected to result in a material adverse change in its business, assets, operations, condition (financial or otherwise) or results of operations of the Borrower; (iii) any Reportable Event or Prohibited Transaction with respect to any Employee Benefit Plan(s) (as defined in ERISA) or (iv) any event which would reasonably be expected to result in a material adverse change in the business, assets, operations, condition (financial or otherwise) or results of operation of the Borrower.

4.10. Certification of Beneficial Owners and Other Additional Information. Provide: (i) such information and documentation as may reasonably be requested by the Bank from time to time for purposes of compliance by the Bank with applicable laws (including without limitation the USA PATRIOT Act and other “know your customer” and anti-money laundering rules and regulations), and any policy or procedure implemented by the Bank to comply therewith; and (ii) if the Borrower is or was required to deliver a Certification of Beneficial Owners to the Bank, (a) confirmation of the accuracy of the information set forth in the most recent Certification of Beneficial Owners provided to the Bank, as and when reasonably requested by the Bank; and (b) a new Certification of Beneficial Owners in form and substance acceptable to the Bank when the individual(s) identified as a controlling party and/or a direct or indirect individual owner on the most recent Certification of Beneficial Owners provided to the Bank have changed.

4.11. Incorporation of Covenants by Reference; Most Favored Lender.

(a) The Bank and the Borrower agree that any and all affirmative, negative, financial reporting and financial covenants which may be set forth in any credit agreement, loan agreement, promissory note, guaranty or other agreement, instrument or document entered into between the Borrower (or any of its affiliates) and the Bank (or

any of its affiliates), as lender, including without limitation that certain Credit Agreement dated October 8, 2015, as amended, and that certain Amended and Restated Loan Agreement dated as of October 31, 2019, as amended (the “**2019 Loan Agreement**”) (individually and collectively, the “**Other Loan Document**”) excluding Section 9.9 or any similar negative pledge or limitation of the Credit Agreement dated October 8, 2015 or any Other Loan Document, are hereby incorporated herein by this reference as if set forth herein at length, as any of the foregoing may be amended or supplemented from time to time (the “**Incorporated Provisions**”). Any amendments, modifications, waivers or other changes in the terms of any of the Incorporated Provisions shall automatically constitute an amendment to this Agreement without any need for further action or documentation. Notwithstanding the foregoing, any amendments, modifications, waivers or other such changes to any Incorporated Provision which operate to waive a default or “Event of Default” under the related Other Loan Document shall not be effective unless consented to in writing by the Bank in its sole discretion. Promptly upon the occurrence of any amendment, modification, waiver or other change described in the preceding sentence, the Borrower shall provide written notice to the Bank thereof and a request for consent thereto, such notice to specifically describe such change and the reasons therefor and include a true and complete copy of any and all documents and agreements executed to evidence such change. No action, inaction or delay by the Bank (either before or after the Bank receives a notice described in the preceding sentence) shall constitute a waiver of any of the Bank’s rights under this paragraph. If any Other Loan Document terminates or otherwise ceases to be in full force and effect at any time and for any reason, whether by voluntary termination, upon default, acceleration, at maturity or otherwise (a “**Termination**”), all of the Incorporated Provisions of such Other Loan Document shall survive the Termination and shall continue in full force and effect as a part of this Agreement. At any time after a Termination, the Borrower shall promptly upon the Bank’s request execute and deliver to the Bank a supplement to this Agreement, which supplement will expressly incorporate into this Agreement all or any number of the Incorporated Provisions of the terminated Other Loan Document as the Bank in its sole discretion shall select, as such Incorporated Provisions are in effect immediately prior to the date of Termination.

(b) In the event that the Borrower enters into any new bank credit facility (an “**Additional Credit Facility**”) with (or modifies, amends or refinances any bank credit facility existing as of the date hereof (an “**Amended Credit Facility**” that results in) an Alternative Pricing Component for such Additional Credit Facility or Amended Credit Facility, as applicable, greater than the applicable PNC Pricing Component otherwise in effect under the Note, the applicable PNC Pricing Component shall be increased to be the same as the Alternative Pricing Component, effective automatically as of the effective date of such Additional Credit Facility or Amended Credit Facility, as applicable, without any further action by Borrower or the Bank. For the purposes hereof: (i) “**Alternative Pricing Component**” means the interest rate margin above LIBOR and/or the Base Rate, any unused line or commitment fees or any LIBOR and/or Base Rate floors (or the applicable relevant definitions thereof as used in the documentation evidencing such Additional Credit Facility or Amended Credit Facility, as applicable) for such Additional Credit Facility or Amended Credit Facility, as applicable and (ii) “**PNC Pricing Component**” means interest rate margin for the Daily LIBOR Rate or the Alternate Rate, the Unused Fee or any Daily LIBOR Rate or Base Rate floors, in each case, under the Note.

5. {RESERVED}

6. **Events of Default.** The occurrence of any of the following will be deemed to be an “**Event of Default**”:

6.1. **Covenant Default.** The Borrower shall default in the performance of any of the covenants or agreements contained in this Agreement.

6.2. **Breach of Warranty.** Any Financial Statement, representation, warranty or certificate made or furnished by the Borrower to the Bank in connection with this Agreement shall be false, incorrect or incomplete when made.

6.3. **Other Default.** The occurrence of (i) an Event of Default as defined in the Note or any of the Loan Documents and (ii) a default or event of default under or as defined in any other agreement, instrument or document between the Borrower and PNC Bank, National Association or any of its subsidiaries or affiliates.

Upon the occurrence of an Event of Default, the Bank will have all rights and remedies specified in the Note and the Loan Documents and all rights and remedies (which are cumulative and not exclusive) available under applicable law or in equity.

7. **Conditions.** The Bank's obligation to make any advance under any Loan, or to issue any letter of credit, is subject to the conditions that as of the date of the advance:

7.1. **No Event of Default.** No Event of Default or Default shall have occurred and be continuing.

7.2. **Authorization Documents.** The Bank shall have received certified copies of resolutions of the board of directors, the general partners or the members or managers of any partnership, corporation or limited liability company that executes this Agreement, the Note or any of the other Loan Documents; or other proof of authorization satisfactory to the Bank.

7.3. **Receipt of Loan Documents.** The Bank shall have received the Loan Documents and such other instruments and documents which the Bank may reasonably request in connection with the transactions provided for in this Agreement, which may include an opinion of counsel in form and substance satisfactory to the Bank for any party executing any of the Loan Documents.

7.4. **Fees.** The Bank shall have received an upfront fee in an amount equal to \$22,500 in respect of the Loan.

8. **Fees; Expenses.** The Borrower agrees to reimburse the Bank, upon the execution of this Agreement, and otherwise on demand, all fees due and payable to the Bank hereunder and under the other Loan Documents and all costs and expenses incurred by the Bank in connection with the preparation, negotiation and delivery of this Agreement and the other Loan Documents, and any modifications or amendments thereto or renewals thereof, and the collection of all of the Obligations, including but not limited to enforcement actions, relating to the Loan, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions or proceedings arising out of or relating to this Agreement, including (i) reasonable fees and expenses of counsel (which may include costs of in-house counsel); (ii) all costs related to conducting UCC, title and other public record searches; (iii) fees for filing and recording documents in the public records to perfect the Bank's liens and security interests; (iv) expenses for auditors, appraisers and environmental consultants; and (v) taxes. The Borrower hereby authorizes and directs the Bank to charge Borrower's deposit account(s) with the Bank for any and all of the foregoing fees, costs and expenses.

9. **Increased Costs.** On written demand, together with written evidence of the justification therefor, the Borrower agrees to pay the Bank all direct costs incurred, any losses suffered or payments made by the Bank as a result of any Change in Law (hereinafter defined), imposing any reserve, deposit, allocation of capital or similar requirement (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) on the Bank, its holding company or any of their respective assets relative to the Loan. "**Change in Law**" means the occurrence, after the date hereof, of any of the following: (i) the adoption or taking effect of any law, rule, regulation or treaty; (ii) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any governmental authority or (iii) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any governmental authority; provided that notwithstanding anything herein to the contrary, (a) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (b) all requests, rules, guidelines or 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.

10. **Miscellaneous.**

10.1. **Notices.** All notices, demands, requests, consents, approvals and other communications required or permitted hereunder ("**Notices**") must be in writing (except as may be agreed otherwise above with respect to borrowing requests or as otherwise provided in this Agreement) and will be effective upon receipt. Notices may be

given in any manner to which the parties may agree. Without limiting the foregoing, first-class mail, postage prepaid, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. In addition, the parties agree that Notices may be sent electronically to any electronic address provided by a party from time to time. Notices may be sent to a party's address as set forth above or to such other address as any party may give to the other for such purpose in accordance with this section.

10.2. Preservation of Rights. No delay or omission on the Bank's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. The Bank's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity.

10.3. Illegality. If any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, it shall not affect or impair the validity, legality and enforceability of the remaining provisions of this Agreement.

10.4. Changes in Writing. No modification, amendment or waiver of, or consent to any departure by the Borrower from, any provision of this Agreement will be effective unless made in a writing signed by the party to be charged, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Notwithstanding the foregoing, the Bank may modify this Agreement or any of the other Loan Documents for the purposes of completing missing content or correcting erroneous content, without the need for a written amendment, provided that the Bank shall send a copy of any such modification to the Borrower (which notice may be given by electronic mail). No notice to or demand on the Borrower will entitle the Borrower to any other or further notice or demand in the same, similar or other circumstance.

10.5. Entire Agreement. This Agreement (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

10.6. Counterparts. This Agreement and any other Loan Document may be signed in any number of counterpart copies and by the parties hereto on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement or any other Loan Document by facsimile transmission shall be effective as delivery of a manually executed counterpart. Any party so executing this Agreement or any other Loan Document by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

10.7. Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the Borrower and the Bank and their respective heirs, executors, administrators, successors and assigns; provided, however, that the Borrower may not assign this Agreement in whole or in part without the Bank's prior written consent and the Bank at any time may assign this Agreement in whole or in part.

10.8. Interpretation. In this Agreement, unless the Bank and the Borrower otherwise agree in writing, the singular includes the plural and the plural the singular; words importing any gender include the other genders; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to articles, sections (or subdivisions of sections) or exhibits are to those of this Agreement; and references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent such amendments and other modifications are not prohibited by the terms of this Agreement. Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. Unless otherwise specified in this Agreement, all accounting terms shall be interpreted and all accounting determinations shall be made in accordance with GAAP. If this Agreement is executed by more than one party as Borrower, the obligations of such persons or entities will be joint and several.

10.9. No Consequential Damages, Etc. The Bank will not be responsible for any damages, consequential, incidental, special, punitive or otherwise, that may be incurred or alleged by any person or entity, including the Borrower, as a result of this Agreement, the other Loan Documents, the transactions contemplated hereby or thereby, or the use of the proceeds of the Loan.

10.10. Assignments and Participations. At any time, without any notice to the Borrower, the Bank may sell, assign, transfer, negotiate, grant participations in, or otherwise dispose of all or any part of the Bank's interest in the Loan. The Borrower hereby authorizes the Bank to provide, without any notice to the Borrower, any information concerning the Borrower, including information pertaining to the Borrower's financial condition, business operations or general creditworthiness, to any assignee of or participant in or any prospective assignee of or participant in all or any part of the Bank's interest in the Loan.

10.11. USA PATRIOT Act Notice. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each Borrower that opens an account. What this means: when the Borrower opens an account, the Bank will ask for the business name, business address, taxpayer identifying number and other information or documentation that will allow the Bank to identify the Borrower, such as organizational documents. For some businesses and organizations, the Bank may also need to ask for identifying information and documentation relating to certain individuals associated with the business or organization.

10.12. Important Information about Phone Calls. By providing telephone number(s) to the Bank, now or at any later time, the Borrower hereby authorizes the Bank and its affiliates and designees to contact the Borrower regarding the Borrower's account(s) with the Bank or its affiliates, whether such accounts are Borrower's individual accounts or business accounts for which Borrower is a contact, at such numbers using any means, including but not limited to placing calls using an automated dialing system to cell, VoIP or other wireless phone number, or by leaving prerecorded messages or sending text messages, even if charges may be incurred for the calls or text messages. Borrower hereby consents that any phone call with the Bank may be monitored or recorded by the Bank.

10.13. Confidentiality. In connection with the Obligations, this Agreement and the other Loan Documents, the Bank and the Borrower will be providing to each other, whether orally, in writing or in electronic format, nonpublic, confidential or proprietary information (collectively, "**Confidential Information**"). Each of the Borrower and the Bank agrees (i) to hold the Confidential Information of the other in confidence; and (ii) not to disclose or permit any other person or entity access to the Confidential Information of the other party, except for disclosure or access (a) to a party's affiliates and its or their employees, officers, directors, agents, representatives, (b) to other third parties that provide or may provide ancillary support relating to the Obligations, this Agreement and/or the other Loan Documents, (c) in connection with the exercise of any remedies or enforcement of rights under this Agreement or any action or proceeding relating to the Obligations, this Agreement and/or the other Loan Documents, (d) to its external or internal auditors or regulatory authorities, or (e) upon the order of a court or other governmental agency having jurisdiction over a party. It is understood and agreed that the obligation to protect such Confidential Information shall be satisfied if the party receiving such Confidential Information utilizes the same control (but no less than reasonable) as it does to avoid disclosure of its own confidential and valuable information. It is also understood and agreed that no information shall be within the protection of this Agreement where such information: (w) is or becomes publicly available through no fault of the party to whom such Confidential Information has been disclosed, (x) is released by the originating party to anyone without restriction, (y) is rightly obtained from third parties who are not, to such receiving party's knowledge, under an obligation of confidentiality, or (z) is required to be disclosed by subpoena or similar process of applicable law or regulations.

For the purposes of this Agreement, Confidential Information of a party shall include, without limitation, any financial information, scientific or technical information, design, process, procedure or improvement and all concepts, documentation, reports, data, data formats, specifications, computer software, source code, object code, user manuals, financial models, screen displays and formats, software, databases, inventions, knowhow, showhow and trade secrets, whether or not patentable or copyrightable, whether owned by a party or any third party, together with all memoranda,

analyses, compilations, studies, notes, records, drawings, manuals or other documents or materials which contain or otherwise reflect any of the foregoing information.

Each of the Borrower and the Bank agrees to return to the other or destroy all Confidential Information of the other upon the termination of this Agreement; provided, however, each party may retain such limited information for customary archival and audit purposes only for reference with respect to prior dealings between the parties subject at all times to the continuing terms of this **Section 10.13**.

Each of the Borrower and the Bank agrees not to use the other's name or logo in any marketing, advertising or related materials, without the prior written consent of the other party.

10.14. Sharing Information with Affiliates of the Bank. The Borrower acknowledges that from time to time other financial and banking services may be offered or provided to the Borrower or one or more of its subsidiaries and/or affiliates (in connection with this Agreement or otherwise) by the Bank or by one or more subsidiaries or affiliates of the Bank or of The PNC Financial Services Group, Inc., and the Borrower hereby authorizes the Bank to share any information delivered to the Bank by the Borrower and/or its subsidiaries and/or affiliates pursuant to this Agreement or any of the Loan Documents to any subsidiary or affiliate of the Bank and/or The PNC Financial Services Group, Inc., subject to any provisions of confidentiality in this Agreement or any other Loan Documents.

10.15. Electronic Signatures and Records. Notwithstanding any other provision herein, the Borrower agrees that this Agreement, the Loan Documents, any amendments thereto, and any other information, notice, signature card, agreement or authorization related thereto (each, a "**Communication**") may, at the Bank's option, be in the form of an electronic record. Any Communication may, at the Bank's option, be signed or executed using electronic signatures. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Bank of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format) for transmission, delivery and/or retention.

10.16. Governing Law and Jurisdiction. This Agreement has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated above is located. **This Agreement will be interpreted and the rights and liabilities of the Bank and the Borrower determined in accordance with the laws of the state where the Bank's office indicated above is located, excluding its conflict of laws rules, including without limitation the Electronic Transactions Act (or equivalent) in effect in the state where the Bank's office indicated above is located (or, to the extent controlling, the laws of the United States Of America, including without limitation the Electronic Signatures in Global and National Commerce Act).** The Borrower hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Bank's office indicated above is located; provided that nothing contained in this Agreement will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Borrower individually, against any security or against any property of the Borrower within any other county, state or other foreign or domestic jurisdiction. The Bank and the Borrower agree that the venue provided above is the most convenient forum for both the Bank and the Borrower. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Agreement.

{REMAINDER OF PAGE INTENTIONALLY LEFT BLANK -
SIGNATURES APPEAR ON THE FOLLOWING PAGE}

Chesapeake Utilities Corporation
Loan Agreement
Signature Page

10.17. WAIVER OF JURY TRIAL. EACH OF THE BORROWER AND THE BANK IRREVOCABLY WAIVES ANY AND ALL RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS AGREEMENT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED

IN ANY OF SUCH DOCUMENTS. THE BORROWER AND THE BANK ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

The Borrower acknowledges that it has read and understands all the provisions of this Agreement, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above.

CHESAPEAKE UTILITIES CORPORATION

By: _____ (SEAL)
Beth W. Cooper
Executive Vice President
and Chief Financial Officer

PNC BANK, NATIONAL ASSOCIATION

By: _____ (SEAL)
Alex Rolfe
Vice President

ADDENDUM

ADDENDUM to that certain Loan Agreement dated April 24, 2020 between Chesapeake Utilities Corporation as the Borrower and PNC Bank, National Association, as the Bank. Capitalized terms used in this Addendum and not otherwise defined shall have the meanings given them in the Agreement. Section numbers below refer to the sections of the Agreement.

3.6 Title to Assets. Describe additional liens and encumbrances below:

The liens relating to the FPU Indebtedness (as defined in the Other Loan Document (i.e., Credit Agreement dated October 8, 2015).

3.7 Litigation. Describe pending and threatened material litigation, investigations, proceedings, etc. below:

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. Any additional payments required under arbitration would be applied to the capital investment of ESNG’s 2017 Expansion Project.

3.10 Environmental Matters. Describe pending or threatened material litigation or proceeding arising under, relating to or in connection with any Environmental Law below:

None.

LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement") is dated as of April 27, 2020, by and between CHESAPEAKE UTILITIES CORPORATION, a corporation organized under the laws of the State of Delaware (the "Borrower"), and BANK OF AMERICA, N.A., a national banking association (the "Lender").

RECITALS

- A. The Borrower has applied to the Lender for a revolving line of credit facility in the maximum principal amount of Thirty-Five Million Dollars (\$35,000,000), 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:

"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.

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in Dover, Delaware.

"Cash Flow" means, with respect to any Person, for any period of determination an amount equal to net income, plus depreciation, amortization, taxes, interest expense, and rental and lease expenses.

"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.

"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) Revolving Credit Loans (as such term is defined in the Syndicated Credit Agreement) and Guaranties of Revolving Credit Loans.

"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).

“Event of Default” has the meaning described in ARTICLE VI (Events of Default).

“Financial Statements” means the financial statements referred to in Section 3.6.

“Financing Documents” means this Agreement, any and all promissory notes 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) 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.

“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.

“Laws” means the collective reference to each and all laws, ordinances, statutes, rules, regulations, orders, injunctions, rule of common law, judicial interpretation, writs, or decrees of 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.

“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.

“Material Adverse Effect” means a material adverse effect on (i) business, properties, 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 and the other Financing Documents as such payment or performance becomes due in accordance with the terms thereof; or (iii) the rights, powers and remedies of the Lender under this Agreement and the other Financing Documents.

“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.

“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.

“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).

“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 or amended and restated from time to time.

“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.

“Total 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 (without duplication) Current Indebtedness of the Borrower and its Subsidiaries plus Consolidated Net Worth.

“Total Indebtedness to Total Capitalization Ratio” means, as of any date of determination, the ratio of (a) Funded Indebtedness of the Borrower and its Subsidiaries, plus (without duplication) Current Indebtedness of the Borrower and its Subsidiaries on such date to (b) Total Capitalization on such date.

“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. 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, and 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. As used herein, 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. Reference to any one or more of the Financing Documents shall mean the same as the foregoing may from time to time be amended, restated, substituted, extended, renewed, supplemented or otherwise modified.

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, 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 Thirty-Five Million Dollars (\$35,000,000). 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 Thirty-Five Million Dollars (\$35,000,000) and having a maturity date, repayment terms and interest rate as set forth in the Revolving Credit Note. 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. The Lender will quote to the Borrower on a daily basis the currently available rates of interest for various maturities. If the Borrower wishes to borrow under the Revolving Loan, the Borrower shall by telephone advise the Lender the amount of the requested sum and shall execute and deliver a Revolving Loan Confirmation evidencing the borrowing, a copy of which shall be sent by facsimile transmission to the Lender at the address set forth herein no later than 2:00 p.m. (Eastern Standard Time) on the date of the borrowing. Following oral acceptance, advances under Revolving Loan shall be deposited to the Borrower’s demand deposit account with the Lender or shall be otherwise applied as directed by the Borrower,

which direction the Lender may require to be in writing. If requested by the Lender, the Borrower shall state in the Revolving Loan Confirmation the purpose of the requested borrowing.

2.1.4 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.

Section 2.2 Reserved.

Section 2.3 General Provisions.

2.3.1 Use of Loan Proceeds.

The Borrower shall use the proceeds of the Loan solely for the purposes expressly permitted by this Agreement. Without implying any limitation on the foregoing, the Borrower will not, directly or indirectly, use any part of such proceeds for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or to extend credit to any Person for the purpose of purchasing or carrying any such margin stock.

2.3.2 Calculation of Interest.

All interest shall be calculated as specified in the Note. Any change in the interest rate on the Revolving Loan, as provided for in the Note, resulting from a change in the applicable rate index shall become effective as of the opening of business on the day on which such change in the applicable rate index is announced by the Lender.

2.3.3 Payment 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 the Note.

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 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 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. To the best of the Borrower's knowledge, all factual information 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 any material fact necessary to make such information not misleading. All factual information to be furnished by the Borrower to the Lender in connection with this Agreement and the other Financing Documents in the future will, to the knowledge of the Borrower, 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.

Section 3.7 Information.

The information contained in Exhibit B, which is attached to and a part of this Agreement, is correct.

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.

Section 3.9 Taxes and Other Obligations.

All taxes and assessments due and payable by the Borrower have been paid or are being contested in good faith by appropriate proceedings, and the Borrower has filed all material tax returns that it is required to file.

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 represents that no obligor under the Financing Documents, nor any affiliated entities of any obligor under the Financing Documents, including in the case of any obligor that is not a natural person, subsidiaries nor, to the knowledge of the Borrower, director, officer, employee, agent, affiliate or representative of the Borrower or any other obligor under the Financing Documents is an individual or entity ("Person") currently the subject of any sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of Treasury's Office of Foreign Assets Control, the United Nations Security Council, the European Union, Her Majesty's Treasury, or other relevant sanctions authority (collectively, "Sanctions"), nor is the Borrower or any obligor under the Financing Documents located, organized or resident in a country or territory that is the subject of Sanctions.

The Borrower represents and covenants that it will not, directly or indirectly, use the proceeds of the credit provided under this Agreement, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint

venture partner or other Person, to fund 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 in any other manner 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.

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.

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 as of such date.

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 (i) has paid 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 \$52,500 (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) shall pay all 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 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.

Each request for an advance shall be deemed a representation by Borrower that the conditions of this Article have been met.

Section 4.8 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.

ARTICLE V

COVENANTS

Until full payment and performance of all Obligations, the Borrower covenants and agrees that (without limiting any requirement of any other Financing Document):

Section 5.1 Affirmative 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, commencing with the Borrower’s fiscal year ending on December 31, 2020.

(b) Within forty-five (45) days after the close of each of the Borrower’s fiscal quarters, a copy of the Borrower’s Form 10-Q filed with the Securities and Exchange Commission, commencing with the Borrower’s fiscal quarter ending on June 30, 2020.

(c) Within ninety (90) days after the end of each fiscal year, a copy of the Borrower’s Form 10-K filed with the Securities and Exchange Commission for the prior fiscal year, commencing with the Borrower’s fiscal year ending on December 31, 2020.

(d) 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, commencing with the Borrower’s fiscal year ending on December 31, 2020.

(e) 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 noncompliance would not have a Material Adverse Effect.

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 will maintain insurance with responsible insurance companies as is customary for similarly situated businesses.

5.1.6 Taxes and Other Obligations.

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.

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.

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 and the Beneficial Ownership Regulation.

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) the Borrower is in default in the payment of principal or interest on any indebtedness for borrowed money (other than the Loan) in excess of One Million Dollars (\$1,000,000);
- (f) the Borrower 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;
- (g) the Borrower is the subject of federal or state bankruptcy, insolvency, receivership or trustee proceedings; or
- (h) an Event of Default (as defined therein) occurs under that certain First Amended and Restated Loan Agreement dated as of October 31, 2017, by and between the Borrower and the Lender (as may be amended, restated, modified, substituted, extended, and renewed from time to time).

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 specified in Article VI, clause (f) or clause (g), 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 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 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.

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, addressed to the Borrower at the mailing 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: Bank of America, N.A.
4242 Six Forks Rd., Suite 1720
Raleigh, NC 27609
Attn: Keith T. Erasmus,
Senior Vice President

with a copy to: Miles & Stockbridge P.C.
100 Light Street
Baltimore, MD 21202
Attn: Jeffrey W. Peyton, Esq.

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; or
- (c) If sent by mail, upon the date of receipt.

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 collection 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.

Section 7.4 Applicable Law.

This Agreement and the rights and obligations of the parties hereunder shall be governed by and interpreted in accordance with the Laws of the State of Delaware, excluding the choice of laws principles thereof.

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 WAIVER OF TRIAL BY JURY.

THE BORROWER AND THE LENDER EACH HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THE BORROWER AND THE LENDER MAY BE PARTIES, ARISING OUT OF OR IN ANY WAY PERTAINING TO (A) THIS AGREEMENT, AND (B) ANY OF THE OTHER FINANCING DOCUMENTS. IT IS AGREED AND UNDERSTOOD THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS AGREEMENT. THIS WAIVER IS KNOWINGLY, WILLINGLY, AND VOLUNTARILY MADE BY THE BORROWER AND THE LENDER, AND EACH HEREBY REPRESENTS TO THE OTHER THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. EACH OF THE BORROWER AND THE LENDER HEREBY FURTHER REPRESENT TO THE OTHER THAT IT HAS HAD THE OPPORTUNITY TO BE REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY LEGAL COUNSEL, SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

Section 7.14 Indemnification Generally.

The Borrower agrees to indemnify and hold harmless, the Lender, the Lender's parent and Affiliates and the Lender's parent's and Affiliates' officers, directors, shareholders, employees and agents (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, reasonable 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) the use by the Borrower of any proceeds advanced hereunder; (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. 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.

Section 7.15 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 7.15, 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. 12 U.S.C. 5390(c)(8)(D).

[Signatures Begin on the Following Page]

BORROWER’S 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

By: _____ (SEAL)
Name: Beth Cooper
Title: Executive Vice President and Chief Financial Officer

USA Patriot Act Notice.

Federal law requires Bank of America, N.A. (the "Bank") to provide the following notice. The notice is not part of the foregoing agreement or instrument and may not be altered. Please read the notice carefully.

USA PATRIOT ACT NOTICE

Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. The Bank will ask for the Borrower's legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Borrower, guarantors or other related persons.

LENDER'S 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.

BANK OF AMERICA, N.A.

By: _____ (SEAL)

Name: Keith T. Erazmus

Title: Senior Vice President

EXHIBIT A LOAN AGREEMENT

(Form of Revolving Credit Note)

[Attached]

EXHIBIT B TO LOAN AGREEMENT

The Borrower further represents and warrants to the Lender as follows:

- (a) The exact legal name of Borrower is as stated in the initial paragraph to this Agreement.
- (b) The Borrower's Federal Tax Identification Number is: 51-0064146.
- (c) The chief executive office of the Borrower is:
 - Street Address: 909 Silver Lake Blvd.
 - 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:
 - P.O. Box 615, 909
 - Silver Lake Blvd.
 - Dover, DE 19904
- (f) In the twelve years preceding the date hereof, the Borrower has not changed its name.

Revolving Line of Credit Note

(Daily LIBOR)

\$15,000,000.00

April 24, 2020

FOR VALUE RECEIVED, CHESAPEAKE UTILITIES CORPORATION, a Delaware corporation (the “**Borrower**”), with an address at 909 Silver Lake Boulevard, Dover, Delaware 19904-2472, promises to pay to the order of PNC BANK, NATIONAL ASSOCIATION (the “**Bank**”), in lawful money of the United States of America in immediately available funds at its offices located at The Tower at PNC Plaza, 300 Fifth Avenue, Pittsburgh, Pennsylvania 15222, or at such other location as the Bank may designate from time to time, the principal sum of FIFTEEN MILLION DOLLARS (\$15,000,000.00) (the “**Facility**”) or such lesser amount as may be advanced to or for the benefit of the Borrower hereunder, together with interest accruing on the outstanding principal balance from the date hereof, all as provided below.

1. **Revolving Line of Credit Advances.** This Note evidences a revolving line of credit. The Borrower may borrow, repay and reborrow hereunder and the Bank may advance and readvance under this Note from time to time (each an “advance” and together the “advances”) until the Expiration Date, subject to the terms and conditions of this Note and the Loan Documents (as defined below). The “**Expiration Date**” shall mean October 31, 2020, or such later date as may be designated by the Bank by written notice from the Bank to the Borrower. The Borrower acknowledges and agrees that in no event will the Bank be under any obligation to extend or renew the Facility or this Note beyond the Expiration Date. In no event shall the aggregate unpaid principal amount of advances under this Note exceed the face amount of this Note.

2. **Interest Rate and Payments.** Amounts outstanding under this Note will bear interest at a rate per annum which is at all times equal to (A) the Daily LIBOR Rate (as defined below) plus (B) one hundred seventy-five (175) basis points (1.75%). Accrued interest will be due and payable on the first (1st) day of each month, beginning with the payment due on June 1, 2020. The outstanding principal balance and any accrued but unpaid interest shall be due and payable on the Expiration Date.

3. **Certain Definitions.** If the following terms are used in this Note, such terms shall have the meanings set forth below:

“**Alternate Rate**” shall mean the sum of (A) the Base Rate plus (B) seventy-five (75) basis points (0.75%).

“**Base Rate**” shall mean the higher of (A) the Prime Rate, and (B) the sum of the Overnight Bank Funding Rate plus 50 basis points (0.50%). If and when the Base Rate (or any component thereof) changes, the rate of interest with respect to any amounts hereunder to which the Base Rate applies will change automatically without notice to the Borrower, effective on the date of any such change.

“**Business Day**” shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required by law to be closed for business in Pittsburgh Pennsylvania.

“**Daily LIBOR Rate**” shall mean, for any day, the rate per annum determined by the Bank by dividing (A) the Published Rate by (B) a number equal to 1.00 minus the percentage prescribed by the Federal Reserve for determining the maximum reserve requirements with respect to any eurocurrency fundings by banks on such day; provided, however, if the Daily LIBOR Rate determined as provided above would be less than 1.00%,

then such rate shall be deemed to be 1.00%. The rate of interest will be adjusted automatically as of each Business Day based on changes in the Daily LIBOR Rate without notice to the Borrower.

“**Default Rate**” shall mean the rate per annum (based on the actual number of days that principal is outstanding over a year of 360 days) equal to the lesser of (A) the sum of 3% plus the interest rate in effect from time to time under this Note and (B) the Maximum Rate.

“**Maximum Rate**” shall mean the maximum rate of interest allowed by applicable law.

“**Overnight Bank Funding Rate**” shall mean, for any day, the rate comprised of both overnight federal funds and overnight Eurocurrency borrowings by U.S.-managed banking offices of depository institutions, as such composite rate shall be determined by the Federal Reserve Bank of New York (“**NYFRB**”), as set forth on its public website from time to time, and as published on the next succeeding Business Day as the overnight bank funding rate by the NYFRB (or by such other recognized electronic source (such as Bloomberg) selected by the Bank for the purpose of displaying such rate); provided, that if such day is not a Business Day, the Overnight Bank Funding Rate for such day shall be such rate on the immediately preceding Business Day; provided, further, that if such rate shall at any time, for any reason, no longer exist, a comparable replacement rate determined by the Bank at such time (which determination shall be conclusive absent manifest error). If the Overnight Bank Funding Rate determined as above would be less than zero, then such rate shall be deemed to be zero. The rate of interest charged shall be adjusted as of each Business Day based on changes in the Overnight Bank Funding Rate without notice to the Borrower.

“**Prime Rate**” shall mean the rate publicly announced by the Bank from time to time as its prime rate. The Prime Rate is determined from time to time by the Bank 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 Bank to any particular class or category of customers.

“**Published Rate**” shall mean the rate of interest published each Business Day in the Wall Street Journal “Money Rates” listing under the caption “London Interbank Offered Rates” for a one month period (or, if no such rate is published therein for any reason, then the Published Rate shall be the eurodollar rate for a one month period as published in another publication selected by the Bank).

4. **Advance Procedures.** If permitted by the Bank, a request for advance may be made by telephone or electronic mail, with such confirmation or verification (if any) as the Bank may require in its discretion from time to time. A request for advance by any Borrower shall be binding upon Borrower. The Borrower authorizes the Bank to accept telephonic and electronic requests for advances, and the Bank shall be entitled to rely upon the authority of any person providing such instructions. The Borrower hereby indemnifies and holds the Bank harmless from and against any and all damages, losses, liabilities, costs and expenses (including reasonable attorneys’ fees and expenses) which may arise or be created by the acceptance of such telephonic and electronic requests or by the making of such advances. The Bank will enter on its books and records, which entry when made will be presumed correct, the date and amount of each advance, as well as the date and amount of each payment made by the Borrower.

5. **Interest Calculation; Maximum Rate.** Interest will be calculated based on the actual number of days that principal is outstanding over a year of 360 days. In no event will the rate of interest hereunder exceed the Maximum Rate. Regardless of any other provision of this Note or the other Loan Documents, if for any reason the effective interest rate should exceed the Maximum Rate, the effective interest rate shall be deemed reduced to, and shall be, the Maximum Rate, and (i) the amount which would be excessive interest shall be deemed applied to the reduction of the principal balance of this Note and not to the payment of interest, and (ii) if the loan evidenced by this Note has been or is thereby paid in full, the excess shall be returned to the party paying same, such application to the principal balance of this Note or the refunding of such excess to be a complete settlement and acquittance thereof.

6. **Alternate LIBOR Rate Provisions.** If the Bank determines (which determination shall be final and conclusive) that, by reason of circumstances affecting the eurodollar market generally, deposits in dollars (in the applicable amounts) are not being offered to banks in the eurodollar market for the selected term, or adequate means do not exist for

ascertaining the Daily LIBOR Rate, then the Bank shall give notice thereof to the Borrower. Thereafter, until the Bank notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the interest rate for all amounts outstanding under this Note shall be equal to the Alternate Rate.

In addition, if, after the date of this Note, the Bank shall determine (which determination shall be final and conclusive) that any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any guideline, request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for the Bank to make or maintain or fund loans based on the Daily LIBOR Rate, the Bank shall notify the Borrower. Upon receipt of such notice, until the Bank notifies the Borrower that the circumstances giving rise to such determination no longer apply, the interest rate on all amounts outstanding under this Note shall be the Alternate Rate.

The LIBOR Replacement Rider attached to this Note and incorporated herein by this reference provides a mechanism for determining an alternative rate of interest in the event that the London interbank offered rate is no longer available or in certain other circumstances. The Bank does not warrant or accept any responsibility for and shall not have any liability with respect to, the administration, submission or any other matter related to the London interbank offered rate or other rates in the definition of "LIBOR" or with respect to any alternative or successor rate thereto, or replacement rate therefor. To the extent that any term or provision of the LIBOR Replacement Rider is or may be inconsistent with any term or provision in the remainder of this Note or any other Loan Document, the terms and provisions of the LIBOR Replacement Rider shall control.

7. Other Payment Terms. If any payment under this Note shall become due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest in connection with such payment. The Borrower hereby authorizes the Bank to charge the Borrower's deposit account at the Bank for any payment when due under this Note or any other Loan Document. Payments received will be applied to charges, fees and expenses (including attorneys' fees), accrued interest and principal in any order the Bank may choose, in its sole discretion.

8. Late Payments; Default Rate. If the Borrower fails to make any payment of principal, interest or other amount coming due pursuant to the provisions of this Note within 15 calendar days of the date due and payable, the Borrower also shall pay to the Bank a late charge equal to the lesser of 5% of the amount of such payment or \$100.00 (the "**Late Charge**"). Such 15-day period shall not be construed in any way to extend the due date of any such payment. Upon maturity, whether by acceleration, demand or otherwise, and at the Bank's option upon the occurrence of any Event of Default (as hereinafter defined) and during the continuance thereof, amounts outstanding under this Note shall bear interest at the Default Rate. The Default Rate shall continue to apply whether or not judgment shall be entered on this Note. Both the Late Charge and the Default Rate are imposed as liquidated damages for the purpose of defraying the Bank's expenses incident to the handling of delinquent payments, but are in addition to, and not in lieu of, the Bank's exercise of any rights and remedies hereunder, under the other Loan Documents or under applicable law, and any fees and expenses of any agents or attorneys which the Bank may employ. In addition, the Default Rate reflects the increased credit risk to the Bank of carrying a loan that is in default. The Borrower agrees that the Late Charge and Default Rate are reasonable forecasts of just compensation for anticipated and actual harm incurred by the Bank, and that the actual harm incurred by the Bank cannot be estimated with certainty and without difficulty.

9. Prepayment. The indebtedness evidenced by this Note may be prepaid in whole or in part at any time without penalty.

10. Increased Costs; Yield Protection. On written demand, together with written evidence of the justification therefor, the Borrower agrees to pay the Bank all direct costs incurred, any losses suffered or payments made by the Bank as a result of any Change in Law (hereinafter defined), imposing any reserve, deposit, allocation of capital or similar requirement (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) on the Bank, its holding company or any of their respective assets relative to the Facility. "**Change in Law**" means the occurrence, after the date of this Note, 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; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or 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.

11. Other Loan Documents. This Note is issued in connection with that certain Loan Agreement between the Borrower and the Bank, dated on or about the date hereof, and the other agreements and documents executed and/or delivered in connection therewith or referred to therein, the terms of which are incorporated herein by reference (as amended, modified or renewed from time to time, collectively the “**Loan Documents**”). Such documents may be executed contemporaneously with the execution of this Note, or they may be executed and delivered at another time. .

12. Events of Default. The occurrence of any of the following events will be deemed to be an “**Event of Default**” under this Note: (i) the nonpayment of any principal, interest or other indebtedness under this Note when due; (ii) the occurrence of any event of default or any default and the lapse of any notice or cure period, or any Obligor’s failure to observe or perform any material covenant or other agreement, under or contained in any Loan Document or any other document now or in the future evidencing or securing any debt of any Obligor to the Bank; (iii) the filing by or against any Obligor of any proceeding in bankruptcy, receivership, insolvency, reorganization, liquidation, conservatorship or similar proceeding (and, in the case of any such proceeding instituted against any Obligor, such proceeding is not dismissed or stayed within 60 days of the commencement thereof, provided that the Bank shall not be obligated to advance additional funds hereunder during such period); (iv) any assignment by any Obligor for the benefit of creditors, or any levy, garnishment, attachment or similar proceeding is instituted against any property of any Obligor held by or deposited with the Bank in respect of a claim against the Obligor in excess of \$5,000,000; (v) a default with respect to any other indebtedness of any Obligor for borrowed money in excess of \$5,000,000.00, individually or in the aggregate, if the effect of such default is to cause or permit the acceleration of such debt; (vi) the commencement of any foreclosure or forfeiture proceeding, execution or attachment against any collateral securing the obligations of any Obligor to the Bank; (vii) the entry of one or more final non-appealable judgment(s) against any Obligor in excess of \$5,000,000.00, individually or in the aggregate, that is not covered by one or more insurance policies of an Obligor and the failure of such Obligor to discharge the judgment within 45 days of the entry thereof; (viii) any change in any Obligor’s business, assets, operations, financial condition or results of operations that has or could reasonably be expected to have any material adverse effect on any Obligor; (ix) any Obligor ceases doing business as a going concern; (x) any representation or warranty made by any Obligor to the Bank in any Loan Document or any other documents now or in the future evidencing or securing the obligations of any Obligor to the Bank, is false, erroneous or misleading in any material respect; (xi) if this Note or any guarantee executed by any Obligor is secured, the failure of any Obligor to provide the Bank with additional collateral if in the Bank’s opinion at any time or times, the market value of any of the collateral securing this Note or any guarantee has depreciated below that required pursuant to the Loan Documents or, if no specific value is so required, then in an amount deemed material by the Bank; (xii) the revocation or attempted revocation, in whole or in part, of any guarantee by any Obligor; or (xiii) the death, incarceration, indictment or legal incompetency of any individual Obligor or, if any Obligor is a partnership or limited liability company, the death, incarceration, indictment or legal incompetency of any individual general partner or member. As used herein, the term “**Obligor**” means any Borrower and any guarantor of, or any pledgor, mortgagor or other person or entity providing collateral support for, the Borrower’s obligations to the Bank existing on the date of this Note or arising in the future.

Upon the occurrence of an Event of Default: (a) the Bank shall be under no further obligation to make advances hereunder; (b) if an Event of Default specified in clause (iii) or (iv) above shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder shall be immediately due and payable without demand or notice of any kind; (c) if any other Event of Default shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder, at the Bank’s option and without demand or notice of any kind, may be accelerated and become immediately due and payable; (d) at the

Bank's option, this Note will bear interest at the Default Rate from the date of the occurrence of the Event of Default; and (e) the Bank may exercise from time to time any of the rights and remedies available under the Loan Documents or under applicable law.

13. Right of Setoff. The Borrower acknowledges that the Bank shall have, with respect to the Borrower's obligations to the Bank under this Note, to the extent arising by law, a possessory security interest in, and a right of setoff against, all of the Borrower's right, title and interest in and to, all of the Borrower's deposits, moneys, securities and other property now or hereafter in the possession of or on deposit with, or in transit to, the Bank or any other direct or indirect subsidiary of The PNC Financial Services Group, Inc., whether held in a general or special account or deposit, whether held jointly with someone else, or whether held for safekeeping or otherwise, excluding, however, all IRA, Keogh, and trust accounts. Every such security interest and right of setoff may be exercised without demand upon or notice to the Borrower. Every such right of setoff shall be deemed to have been exercised immediately upon the occurrence of an Event of Default hereunder without any action of the Bank, although the Bank may enter such setoff on its books and records at a later time.

14. Anti-Money Laundering/International Trade Law Compliance. The Borrower represents and warrants to the Bank, as of the date of this Note, the date of each advance of proceeds under the Facility, the date of any renewal, extension or modification of the Facility, and at all times until the Facility has been terminated and all amounts thereunder have been indefeasibly paid in full, that: (a) no Covered Entity (i) is a Sanctioned Person; (ii) has any of its assets in a Sanctioned Country or in the possession, custody or control of a Sanctioned Person; or (iii) does business in or with, or derives any of its operating income from investments in or transactions with, any Sanctioned Country or Sanctioned Person in violation of any law, regulation, order or directive enforced by any Compliance Authority; (b) the proceeds of the Facility will not be used to fund any operations in, finance any investments or activities in, or, make any payments to, a Sanctioned Country or Sanctioned Person in violation of any law, regulation, order or directive enforced by any Compliance Authority; (c) the funds used to repay the Facility are not derived from any unlawful activity; and (d) each Covered Entity is in compliance with, and no Covered Entity engages in any dealings or transactions prohibited by, any laws of the United States, including but not limited to any Anti-Terrorism Laws. Borrower covenants and agrees that it shall immediately notify the Bank in writing upon the occurrence of a Reportable Compliance Event.

As used herein: "**Anti-Terrorism Laws**" means any laws relating to terrorism, trade sanctions programs and embargoes, import/export licensing, money laundering, or bribery, all as amended, supplemented or replaced from time to time; "**Compliance Authority**" means each and all of the (a) U.S. Treasury Department/Office of Foreign Assets Control, (b) U.S. Treasury Department/Financial Crimes Enforcement Network, (c) U.S. State Department/Directorate of Defense Trade Controls, (d) U.S. Commerce Department/Bureau of Industry and Security, (e) U.S. Internal Revenue Service, (f) U.S. Justice Department, and (g) U.S. Securities and Exchange Commission; "**Covered Entity**" means the Borrower, its affiliates and subsidiaries, all guarantors, pledgors of collateral, all owners of the foregoing, and all brokers or other agents of the Borrower acting in any capacity in connection with the Facility; "**Reportable Compliance Event**" means that any Covered Entity becomes a Sanctioned Person, or is indicted, arraigned, investigated or custodially detained, or receives an inquiry from regulatory or law enforcement officials, in connection with any Anti-Terrorism Law or any predicate crime to any Anti-Terrorism Law, or self-discovers facts or circumstances implicating any aspect of its operations with the actual or possible violation of any Anti-Terrorism Law; "**Sanctioned Country**" means a country subject to a sanctions program maintained by any Compliance Authority; and "**Sanctioned Person**" means any individual person, group, regime, entity or thing listed or otherwise recognized as a specially designated, prohibited, sanctioned or debarred person or entity, or subject to any limitations or prohibitions (including but not limited to the blocking of property or rejection of transactions), under any order or directive of any Compliance Authority or otherwise subject to, or specially designated under, any sanctions program maintained by any Compliance Authority.

15. Indemnity. The Borrower agrees to indemnify each of the Bank, each legal entity, if any, who controls, is controlled by or is under common control with the Bank, and each of their respective directors, officers and employees (the "**Indemnified Parties**"), and to defend and hold each Indemnified Party harmless from and against any and all claims, damages, losses, liabilities and expenses (including all fees and charges of internal or external counsel with whom any Indemnified Party may consult and all expenses of litigation and preparation therefor) (each, a "**Claim**") which any Indemnified Party may incur or which may be asserted against any Indemnified Party by any person, entity

or governmental authority (including any person or entity claiming derivatively on behalf of the Borrower), in connection with or arising out of or relating to the matters referred to in this Note or in the other Loan Documents or the use of any advance hereunder, whether (a) arising from or incurred in connection with any breach of a representation, warranty or covenant by the Borrower, or (b) arising out of or resulting from any suit, action, claim, proceeding or governmental investigation, pending or threatened, whether based on statute, regulation or order, or tort, or contract or otherwise, before any court or governmental authority; provided, however, that the foregoing indemnity agreement shall not apply to any Claim that is determined by a court of competent jurisdiction in a final, non-appealable judgment to have been solely attributable to an Indemnified Party's gross negligence or willful misconduct. The indemnity agreement contained in this paragraph shall survive the termination of this Note, payment of any advance hereunder and the assignment of any rights hereunder. The Borrower may participate at its expense in the defense of any such action or claim.

16. Miscellaneous. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder (“**Notices**”) must be in writing (except as may be agreed otherwise above with respect to borrowing requests or as otherwise provided in this Note) and will be effective upon receipt. Notices may be given in any manner to which the parties may agree. Without limiting the foregoing, first-class mail, postage prepaid, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. In addition, the parties agree that Notices may be sent electronically to any electronic address provided by a party from time to time. Notices may be sent to a party’s address as set forth above or to such other address as any party may give to the other for such purpose in accordance with this paragraph. No delay or omission on the Bank’s part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank’s action or inaction impair any such right or power. The Bank’s rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity. No modification, amendment or waiver of, or consent to any departure by the Borrower from, any provision of this Note will be effective unless made in a writing signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Notwithstanding the foregoing, the Bank may modify this Note for the purposes of completing missing content or correcting erroneous content, without the need for a written amendment, provided that the Bank shall send a copy of any such modification to the Borrower (which notice may be given by electronic mail). The Borrower agrees to pay on demand, to the extent permitted by law, all costs and expenses incurred by the Bank in the enforcement of its rights in this Note and in any security therefor, including without limitation reasonable fees and expenses of the Bank’s counsel. If any provision of this Note is found to be invalid, illegal or unenforceable in any respect by a court, all the other provisions of this Note will remain in full force and effect. The Borrower and all other makers and indorsers of this Note hereby forever waive presentment, protest, notice of dishonor, notice of non-payment, notice of intent to accelerate and notice of acceleration, and any other notice of any kind. The Borrower also waives all defenses based on suretyship or impairment of collateral. If this Note is executed by more than one Borrower, the obligations of such persons or entities hereunder will be joint and several. This Note shall bind the Borrower and its heirs, executors, administrators, successors and assigns, and the benefits hereof shall inure to the benefit of the Bank and its successors and assigns; provided, however, that the Borrower may not assign this Note in whole or in part without the Bank’s written consent and the Bank at any time may assign this Note in whole or in part.

17. Governing Law and Venue. This Note has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank’s office indicated above is located (the “**State**”). **This Note will be interpreted and the rights and liabilities of the Bank and the Borrower determined in accordance with the laws of the state, excluding its conflict of laws rules, including without limitation the Electronic Transactions Act (or equivalent) in effect in the state (or, to the extent controlling, the laws of the United States Of America, including without limitation the Electronic Signatures in Global and National Commerce Act).** The Borrower hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Bank’s office indicated above is located; provided that nothing contained in this Note will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Borrower individually, against any security or against any property of the Borrower within any other county, state or other foreign or domestic jurisdiction. The Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both the Bank

and the Borrower. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Note.

18. Commercial Purpose. The Borrower represents that the indebtedness evidenced by this Note is being incurred by the Borrower solely for the purpose of acquiring or carrying on a business, professional or commercial activity, and not for personal, family or household purposes.

19. USA PATRIOT Act Notice. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each Borrower that opens an account. What this means: when the Borrower opens an account, the Bank will ask for the business name, business address, taxpayer identifying number and other information that will allow the Bank to identify the Borrower, such as organizational documents. For some businesses and organizations, the Bank may also need to ask for identifying information and documentation relating to certain individuals associated with the business or organization.

20. Representation by Counsel. The Borrower hereby represents that it has been represented by competent counsel of its choice, or has knowingly waived its right to use and retain counsel, in the negotiation and execution of this Note and the other Loan Documents; that it has read and fully understood the terms hereof; that the Borrower and any retained counsel have been afforded an opportunity to review, negotiate and modify the terms of this Note and the other Loan Documents; and that it intends to be bound hereby. In accordance with the foregoing, the general rule of construction to the effect that any ambiguities in a contract are to be resolved against the party drafting the contract shall not be employed in the construction and interpretation of this Note or any other Loan Document.

21. Counterparts; Electronic Signatures and Records. This Note and any other Loan Document may be signed in any number of counterpart copies and by the parties hereto on separate counterparts, but all such copies shall constitute one and the same instrument. Notwithstanding any other provision herein, the Borrower agrees that this Note, the Loan Documents, any amendments thereto, and any other information, notice, signature card, agreement or authorization related thereto (each, a “**Communication**”) may, at the Bank’s option, be in the form of an electronic record. Any Communication may, at the Bank’s option, be signed or executed using electronic signatures. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Bank of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format) for transmission, delivery and/or retention.

22. Unused Commitment Fee. Beginning on the first day of the quarter after the date of this Note and continuing on the first day of each quarter thereafter until the Expiration Date, the Borrower shall pay an unused commitment fee (the “**Unused Fee**”) to the Bank, in arrears, at the rate of thirty-five (35) basis points (0.35%) per annum on the average daily balance under this Note which is undisbursed and uncanceled during the preceding quarter. The Unused Fee shall be computed on the basis of a year of 360 days and paid on the actual number of days elapsed. Borrower hereby authorizes and directs the Bank to charge the Borrower’s deposit account with the Bank for each Unused Fee on or after the date it is due.

23. Power to Confess Judgment. The Borrower hereby empowers any attorney of any court of record, after the occurrence of any Event of Default hereunder, to appear for the Borrower and, with or without complaint filed, confess judgment, or a series of judgments, against the Borrower in favor of the Bank or any holder hereof for the entire principal balance of this Note, all accrued interest and all other amounts due hereunder, together with costs of suit and an attorney’s commission of the greater of 10% of such principal and interest or \$1,000 added as a reasonable attorney’s fee, and for doing so, this Note or a copy verified by affidavit shall be a sufficient warrant. The Borrower hereby forever waives and releases all errors in said proceedings and all rights of appeal and all relief from any and all appraisal, stay or exemption laws of any state now in force or hereafter enacted. The Borrower acknowledges and agrees that, pursuant to the foregoing power to confess judgment granted to the Bank, the Borrower is voluntarily and knowingly waiving its right to notice and a hearing prior to the entry of a judgment by the Bank against the Borrower. Interest on any such judgment shall accrue at the Default Rate.

No single exercise of the foregoing power to confess judgment, or a series of judgments, shall be deemed to exhaust the power, whether or not any such exercise shall be held by any court to be invalid, voidable, or void, but the power shall continue undiminished and it may be exercised from time to time as often as the Bank shall elect until such time as the Bank shall have received payment in full of the debt, interest and costs. Notwithstanding the attorney's commission provided for in the preceding paragraph (which is included in the warrant for purposes of establishing a sum certain), the amount of attorneys' fees that the Bank may recover from the Borrower shall not exceed the actual attorneys' fees incurred by the Bank.

24. **WAIVER OF JURY TRIAL.** The Borrower irrevocably waives any and all rights the Borrower may have to a trial by jury in any action, proceeding or claim of any nature relating to this Note, any documents executed in connection with this Note or any transaction contemplated in any of such documents. The Borrower acknowledges that the foregoing waiver is knowing and voluntary.

The Borrower acknowledges that it has read and understands all the provisions of this Note, including the confession of judgment and waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above, with the intent to be legally bound hereby.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

Chesapeake Utilities Corporation
Revolving Line of Credit Note
Signature Page

CHESAPEAKE UTILITIES CORPORATION

By: _____ (SEAL)

Beth W. Cooper
Executive Vice president
and Chief Financial Officer

(a) **Benchmark Replacement.** Notwithstanding anything to the contrary in the Note or in any other Loan Document, if the Bank determines that a Benchmark Transition Event or an Early Opt-in Event has occurred, the Bank may amend the Note to replace LIBOR with a Benchmark Replacement in accordance with the provisions of this Rider; and any such amendment shall be in writing, shall specify the date that the Benchmark Replacement is effective and will not require any further action or consent of the Borrower. Until the Benchmark Replacement is effective, amounts bearing interest with reference to LIBOR will continue to bear interest with reference to LIBOR; provided however, during a Benchmark Unavailability Period such amounts automatically will bear interest at the rate and on the terms that would have been applicable under the Note if the Bank had given notice that LIBOR had become unavailable.

(b) **Benchmark Replacement Conforming Changes.** In connection with the implementation of a Benchmark Replacement, the Bank will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of the Borrower.

(c) **Notices; Standards for Decisions and Determinations.** The Bank will promptly notify the Borrower of (i) the effectiveness of any Benchmark Replacement Conforming Changes and (ii) the commencement of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Bank pursuant to this Rider, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in its sole discretion and without consent from the Borrower, except, in each case, as expressly required pursuant to this Rider. In addition to any delivery method permitted pursuant to the terms of the Loan Documents, the Bank may provide any amendment, notice or other communication to the Borrower hereunder electronically (including to any electronic address that the Borrower provides to the Bank) or through an automated platform that the Bank provides to the Borrower.

(d) **Certain Defined Terms.** As used in this Rider:

“**Benchmark Replacement**” means the sum of: (a) the Benchmark Replacement Index and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than 1.00%, the Benchmark Replacement will be deemed to be 1.00% for the purposes of the Note.

“**Benchmark Replacement Adjustment**” means, for each applicable LIBOR-based rate and tenor, the spread adjustment to the Benchmark Replacement Index, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero) that has been selected by the Bank (a) giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of LIBOR with the applicable Benchmark Replacement Index by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for such replacement of LIBOR for U.S. dollar-denominated credit facilities at such time and (b) which also may reflect adjustments to account for (i) the effects of the transition from LIBOR to the Benchmark Replacement and (ii) yield- or risk-based differences between LIBOR and the Benchmark Replacement.

“**Benchmark Replacement Commencement Date**” means the date a Benchmark Replacement has replaced LIBOR for all purposes under the Note in accordance with this Rider.

“**Benchmark Replacement Conforming Changes**” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including, for example, changes to the definition of “Base Rate,” the definition of “LIBOR Interest Period,” timing and frequency of determining rates and making payments of interest and other administrative matters) that the Bank decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Bank in a manner substantially consistent with market practice (or, if the Bank decides that adoption of any portion of such market practice is not administratively feasible or if the Bank determines that no market

practice for the administration of the Benchmark Replacement exists, in such other manner of administration as the Bank decides is reasonably necessary in connection with the administration of the Note).

“Benchmark Replacement Index” means the alternate benchmark rate that has been selected by the Bank to replace LIBOR giving due consideration to (a) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body or (b) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to LIBOR for U.S. dollar-denominated credit facilities.

“Benchmark Replacement Transition Date” means the earlier to occur of the following events with respect to LIBOR:

- (1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of LIBOR permanently or indefinitely ceases to provide LIBOR; or
- (2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein.

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to LIBOR:

- (1) a public statement or publication of information by or on behalf of the administrator of LIBOR announcing that such administrator has ceased or will cease to provide LIBOR, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide LIBOR;
- (2) a public statement or publication of information by a Governmental Authority having jurisdiction over the Bank, the regulatory supervisor for the administrator of LIBOR, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for LIBOR, a resolution authority with jurisdiction over the administrator for LIBOR or a court or an entity with similar insolvency or resolution authority over the administrator for LIBOR, which states that the administrator of LIBOR has ceased or will cease to provide LIBOR permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide LIBOR; or
- (3) a public statement or publication of information by the regulatory supervisor for the administrator of LIBOR or a Governmental Authority having jurisdiction over the Bank announcing that LIBOR is no longer representative.

“Benchmark Unavailability Period” means the period, if any, beginning on the Benchmark Replacement Transition Date and ending on the Benchmark Replacement Commencement Date, it being understood that if the Benchmark Replacement Commencement Date occurs on or before the Benchmark Replacement Transition Date a Benchmark Unavailability Period will not occur.

“Early Opt-in Event” means a determination by the Bank that U.S. dollar-denominated credit facilities being executed at such time, or that include language similar to that contained in this Rider, are being executed or amended, as applicable, to incorporate or adopt a new benchmark interest rate to replace LIBOR.

“Governmental Authority” means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any 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).

“LIBOR” means, for purposes of this Rider only, any interest rate that is based on the London interbank offered rate, including the Daily LIBOR Rate.

Date: April 24, 2020

CHESAPEAKE UTILITIES CORPORATION

By: _____(SEAL)

Beth W. Cooper
Chief Financial Officer

LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement") is dated as of April 27, 2020, by and between CHESAPEAKE UTILITIES CORPORATION, a corporation organized under the laws of the State of Delaware (the "Borrower"), and BANK OF AMERICA, N.A., a national banking association (the "Lender").

RECITALS

- A. The Borrower has applied to the Lender for a revolving line of credit facility in the maximum principal amount of Thirty-Five Million Dollars (\$35,000,000), 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:

"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.

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in Dover, Delaware.

"Cash Flow" means, with respect to any Person, for any period of determination an amount equal to net income, plus depreciation, amortization, taxes, interest expense, and rental and lease expenses.

"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.

"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) Revolving Credit Loans (as such term is defined in the Syndicated Credit Agreement) and Guaranties of Revolving Credit Loans.

"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).

“Event of Default” has the meaning described in ARTICLE VI (Events of Default).

“Financial Statements” means the financial statements referred to in Section 3.6.

“Financing Documents” means this Agreement, any and all promissory notes 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) 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.

“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.

“Laws” means the collective reference to each and all laws, ordinances, statutes, rules, regulations, orders, injunctions, rule of common law, judicial interpretation, writs, or decrees of 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.

“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.

“Material Adverse Effect” means a material adverse effect on (i) business, properties, 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 and the other Financing Documents as such payment or performance becomes due in accordance with the terms thereof; or (iii) the rights, powers and remedies of the Lender under this Agreement and the other Financing Documents.

“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.

“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.

“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).

“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 or amended and restated from time to time.

“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.

“Total 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 (without duplication) Current Indebtedness of the Borrower and its Subsidiaries plus Consolidated Net Worth.

“Total Indebtedness to Total Capitalization Ratio” means, as of any date of determination, the ratio of (a) Funded Indebtedness of the Borrower and its Subsidiaries, plus (without duplication) Current Indebtedness of the Borrower and its Subsidiaries on such date to (b) Total Capitalization on such date.

“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. 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, and 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. As used herein, 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. Reference to any one or more of the Financing Documents shall mean the same as the foregoing may from time to time be amended, restated, substituted, extended, renewed, supplemented or otherwise modified.

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, 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 Thirty-Five Million Dollars (\$35,000,000). 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 Thirty-Five Million Dollars (\$35,000,000) and having a maturity date, repayment terms and interest rate as set forth in the Revolving Credit Note. 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. The Lender will quote to the Borrower on a daily basis the currently available rates of interest for various maturities. If the Borrower wishes to borrow under the Revolving Loan, the Borrower shall by telephone advise the Lender the amount of the requested sum and shall execute and deliver a Revolving Loan Confirmation evidencing the borrowing, a copy of which shall be sent by facsimile transmission to the Lender at the address set forth herein no later than 2:00 p.m. (Eastern Standard Time) on the date of the borrowing. Following oral acceptance, advances under Revolving Loan shall be deposited to the Borrower’s demand deposit account with the Lender or shall be otherwise applied as directed by the Borrower, which direction the Lender may require to be in writing. If requested by the Lender, the Borrower shall state in the Revolving Loan Confirmation the purpose of the requested borrowing.

2.1.4 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.

Section 2.2 Reserved.

Section 2.3 General Provisions.

2.3.1 Use of Loan Proceeds.

The Borrower shall use the proceeds of the Loan solely for the purposes expressly permitted by this Agreement. Without implying any limitation on the foregoing, the Borrower will not, directly or indirectly, use any part of such proceeds for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or to extend credit to any Person for the purpose of purchasing or carrying any such margin stock.

2.3.2 Calculation of Interest.

All interest shall be calculated as specified in the Note. Any change in the interest rate on the Revolving Loan, as provided for in the Note, resulting from a change in the applicable rate index shall become effective as of the opening of business on the day on which such change in the applicable rate index is announced by the Lender.

2.3.3 Payment 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 the Note.

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 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 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. To the best of the Borrower's knowledge, all factual information 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 any material fact necessary to make such information not misleading. All factual information to be furnished by the Borrower to the Lender in connection with this Agreement and the other Financing Documents in the future will, to the knowledge of the Borrower, 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.

Section 3.7 Information.

The information contained in Exhibit B, which is attached to and a part of this Agreement, is correct.

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.

Section 3.9 Taxes and Other Obligations.

All taxes and assessments due and payable by the Borrower have been paid or are being contested in good faith by appropriate proceedings, and the Borrower has filed all material tax returns that it is required to file.

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 represents that no obligor under the Financing Documents, nor any affiliated entities of any obligor under the Financing Documents, including in the case of any obligor that is not a natural person, subsidiaries nor, to the knowledge of the Borrower, director, officer, employee, agent, affiliate or representative of the Borrower or any other obligor under the Financing Documents is an individual or entity ("Person") currently the subject of any sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of Treasury's Office of Foreign Assets Control, the United Nations Security Council, the European Union, Her Majesty's Treasury, or other relevant sanctions authority (collectively, "Sanctions"), nor is the Borrower or any obligor under the Financing Documents located, organized or resident in a country or territory that is the subject of Sanctions.

The Borrower represents and covenants that it will not, directly or indirectly, use the proceeds of the credit provided under this Agreement, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, to fund 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 in any other manner 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.

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.

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 as of such date.

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 (i) has paid 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 \$52,500 (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) shall pay all 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 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.

Each request for an advance shall be deemed a representation by Borrower that the conditions of this Article have been met.

Section 4.8 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.

ARTICLE V

COVENANTS

Until full payment and performance of all Obligations, the Borrower covenants and agrees that (without limiting any requirement of any other Financing Document):

Section 5.1 Affirmative 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, commencing with the Borrower's fiscal year ending on December 31, 2020.

(b) Within forty-five (45) days after the close of each of the Borrower's fiscal quarters, a copy of the Borrower's Form 10-Q filed with the Securities and Exchange Commission, commencing with the Borrower's fiscal quarter ending on June 30, 2020.

(c) Within ninety (90) days after the end of each fiscal year, a copy of the Borrower's Form 10-K filed with the Securities and Exchange Commission for the prior fiscal year, commencing with the Borrower's fiscal year ending on December 31, 2020.

(d) 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, commencing with the Borrower's fiscal year ending on December 31, 2020.

(e) 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 noncompliance would not have a Material Adverse Effect.

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 will maintain insurance with responsible insurance companies as is customary for similarly situated businesses.

5.1.6 Taxes and Other Obligations.

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.

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.

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 and the Beneficial Ownership Regulation.

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) the Borrower is in default in the payment of principal or interest on any indebtedness for borrowed money (other than the Loan) in excess of One Million Dollars (\$1,000,000);

- (f) the Borrower 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;
- (g) the Borrower is the subject of federal or state bankruptcy, insolvency, receivership or trustee proceedings; or
- (h) an Event of Default (as defined therein) occurs under that certain First Amended and Restated Loan Agreement dated as of October 31, 2017, by and between the Borrower and the Lender (as may be amended, restated, modified, substituted, extended, and renewed from time to time).

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 specified in Article VI, clause (f) or clause (g), 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 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 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.

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, addressed to the Borrower at the mailing 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: Bank of America, N.A.
4242 Six Forks Rd., Suite 1720
Raleigh, NC 27609
Attn: Keith T. Erazmus,
Senior Vice President

with a copy to: Miles & Stockbridge P.C.
100 Light Street
Baltimore, MD 21202
Attn: Jeffrey W. Peyton, Esq.

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; or
- (c) If sent by mail, upon the date of receipt.

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 collection 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.

Section 7.4 Applicable Law.

This Agreement and the rights and obligations of the parties hereunder shall be governed by and interpreted in accordance with the Laws of the State of Delaware, excluding the choice of laws principles thereof.

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 WAIVER OF TRIAL BY JURY.

THE BORROWER AND THE LENDER EACH HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THE BORROWER AND THE LENDER MAY BE PARTIES, ARISING OUT OF OR IN ANY WAY PERTAINING TO (A) THIS AGREEMENT, AND (B) ANY OF THE OTHER FINANCING DOCUMENTS. IT IS AGREED AND UNDERSTOOD THAT THIS WAIVER CONSTITUTES A WAIVER OF

TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS AGREEMENT. THIS WAIVER IS KNOWINGLY, WILLINGLY, AND VOLUNTARILY MADE BY THE BORROWER AND THE LENDER, AND EACH HEREBY REPRESENTS TO THE OTHER THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. EACH OF THE BORROWER AND THE LENDER HEREBY FURTHER REPRESENT TO THE OTHER THAT IT HAS HAD THE OPPORTUNITY TO BE REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY LEGAL COUNSEL, SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

Section 7.14 Indemnification Generally.

The Borrower agrees to indemnify and hold harmless, the Lender, the Lender's parent and Affiliates and the Lender's parent's and Affiliates' officers, directors, shareholders, employees and agents (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, reasonable 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) the use by the Borrower of any proceeds advanced hereunder; (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. 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.

Section 7.15 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 7.15, 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. 12 U.S.C. 5390(c)(8)(D).

[Signatures Begin on the Following Page]

BORROWER’S 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

By: _____ (SEAL)
Name: Beth Cooper
Title: Executive Vice President and Chief Financial Officer

USA Patriot Act Notice.

Federal law requires Bank of America, N.A. (the “Bank”) to provide the following notice. The notice is not part of the foregoing agreement or instrument and may not be altered. Please read the notice carefully.

USA PATRIOT ACT NOTICE

Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. The Bank will ask for the Borrower’s legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Borrower, guarantors or other related persons.

LENDER’S 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.

BANK OF AMERICA, N.A.

By: _____ (SEAL)
Name: Keith T. Erazmus
Title: Senior Vice President

EXHIBIT A LOAN AGREEMENT

(Form of Revolving Credit Note)

[Attached]

EXHIBIT B TO LOAN AGREEMENT

The Borrower further represents and warrants to the Lender as follows:

- (a) The exact legal name of Borrower is as stated in the initial paragraph to this Agreement.
- (b) The Borrower's Federal Tax Identification Number is: 51-0064146.
- (c) The chief executive office of the Borrower is:
 - Street Address: 909 Silver Lake Blvd.
 - 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:
 - P.O. Box 615, 909
 - Silver Lake Blvd.
 - Dover, DE 19904
- (f) In the twelve years preceding the date hereof, the Borrower has not changed its name.

**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 March 31, 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: May 6, 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 March 31, 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: May 6, 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 March 31, 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

May 6, 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 March 31, 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

May 6, 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.