

FRANCHISE AGREEMENT
(Natural Gas and Propane Distribution Services)

This Franchise Agreement (the "Agreement") is made and entered into this ___ day of September, 2010 (the "Effective Date"), by and between the Board of County Commissioners of Cecil County, Maryland (the "County") and Chesapeake Utilities Corporation, a Delaware corporation (the "Franchisee").

RECITALS

WHEREAS, the County is a political subdivision of the State of Maryland, and is empowered by Section 3D of Article 25 of the Annotated Code of Maryland to grant franchises; and

WHEREAS, the Franchisee is a corporation duly organized pursuant to the laws of the State of Delaware, is currently registered to do business in this State and is in good standing, and is authorized to enter into this Agreement; and

WHEREAS, the Franchisee has requested the County to grant a franchise to enable Franchisee to install facilities in, through, along or under County rights-of-way and other real property in order to provide natural gas and propane services to residents and business owners throughout the County; and

WHEREAS, the Franchisee and its employees are independent contractors and are not, under this Agreement, employees or agents of the County; and

WHEREAS, the County finds that the grant of such a franchise would be in the public interest by ensuring the availability and delivery of adequate, economical and efficient natural gas and propane distribution services to Cecil County citizens and businesses, and by utilizing efficiently the County's public rights-of-way; and

WHEREAS, subject to the terms and conditions set forth herein, the parties hereto are desirous of entering into a non-exclusive fifty (50) year franchise agreement with renewal provisions, with Franchisee providing natural gas and propane distribution services primarily within the unincorporated areas of the County; and

NOW, THEREFORE, in consideration of the mutual covenants, terms, and conditions set forth herein, the parties agree as follows:

Section 1. DEFINITIONS

For the purposes of this Agreement, the following terms have the meanings set forth herein:

"Board of Commissioners" shall mean the Board of County Commissioners of Cecil County, Maryland.

“County” shall mean Cecil County, Maryland, a political subdivision of the State of Maryland governed by the Board of County Commissioners.

“Customer” shall mean a person or user of the Gas Distribution System who lawfully receives Gas Service within the service area with Franchisee’s permission.

“Franchise” shall mean the authorization, or renewal thereof, by the Board of County Commissioners, whether such authorization is designated as a franchise, permit, license, resolution, contract, certificate or otherwise, authorizing the installation, construction, maintenance or operation of the Gas Distribution System for the purpose of offering Gas Services to Customers.

“Franchisee” shall mean the Chesapeake Utilities Corporation, the person to whom the Franchise is granted by the Board of County Commissioners, and the lawful agent, successor, transferee or assignee of said person, subject to such conditions as may be prescribed by the County.

“Gas Distribution System” shall mean a connected set of distribution pipes and appurtenant equipment designed to deliver and distribute Gas Services to Customers within the unincorporated areas and certain designated incorporated areas of Cecil County, Maryland.

“Gas Service” shall mean the furnishing, distribution and sale of gas whether artificial, natural, propane, mixed, liquefied, or otherwise, for heating, domestic, industrial and other purposes and for transmitting gas into, through and beyond the jurisdictional boundaries of the County to a Customer.

“Person” shall mean any individual, firm, partnership, corporation, organization, association, trust, limited liability company or other legal entity.

“Property of Franchisee” shall mean all property owned, installed or used by Franchisee in the conduct of its Gas Service business in the County under the authority of the Franchise.

“PSC” shall mean the Maryland Public Service Commission.

“Public Way” shall mean the surface of, and space above and below, any public street, highway, freeway, bridge, land path, alley, court, boulevard, sidewalk, parkway, way, lane, drive, circle, or other public rights-of-way, including, but not limited to, public utility easements, dedicated utility strips or rights-of-way dedicated for compatible uses and any temporary or permanent fixtures or improvements located thereon now or hereafter held in fee simple title or any other lesser or conditional estate, grant or leasehold interest by the County in the Service Area which shall entitle the County and the Franchisee to the use thereof for the purpose of installing, operating, repairing, and maintaining the Gas Service. An inventory of County Public Ways is attached hereto as Exhibit A.

“Service Area” shall mean the present jurisdictional boundaries of Cecil County, excluding the incorporated areas, but shall include any additions thereto by intergovernmental agreement or other legal means.

“State” shall mean the State of Maryland.

Section 2. GRANT OF FRANCHISE

2.1 Nonexclusive Franchise. The County hereby grants to the Franchisee, during the term of this Agreement, a non-exclusive Franchise which grants the Franchisee the right and privilege to construct and operate a Gas Distribution System in, along, among, upon, across, above, over, under or in any manner connected with Public Ways within the Service Area, and for that purpose to erect, install, construct, repair, replace, reconstruct, maintain, or retain in, on, over, under, upon, across, or along any Public Way and all extensions thereof and additions thereto, such distribution pipes and regulator stations, wires, cables, conductors, ducts, conduits, vaults, manholes, pedestals, amplifiers, appliances, attachments, power supplies, network reliability units and other related property or equipment as may be necessary or appurtenant to the Gas Distribution System. The Franchise granted herein shall not preclude the County from granting other or further franchises or permits or preclude the County from using any Public Way, or limit the full power of the County to make such changes, as the County shall reasonably deem necessary, including but not limited to the dedication, establishment, maintenance and improvement of all new or currently improved Public Ways.

2.2 Limited Grant. The Franchise herein is only intended to convey a limited right and interest. It is not a warranty of title or interest in the County’s rights-of-way or other public property. None of the rights granted herein shall affect the County’s jurisdiction or authority over its property or Public Ways.

Section 3. TERM

The Franchise granted hereunder shall be for the term of fifty (50) years commencing on the Effective Date of this Agreement as set forth above, unless otherwise lawfully terminated in accordance with the terms of this Agreement. This Franchise shall expire midnight on the fiftieth (50th) anniversary of the Effective Date, unless renewed for a subsequent term. No later than 180 days prior to the expiration of the initial term of this Agreement, the Franchisee shall notify the County in writing of its intention to renew this Agreement. Any renewal of this Agreement is subject to the mutual consent of both the County and the Franchisee.

Section 4. DUTIES AND RESPONSIBILITIES OF THE FRANCHISEE

4.1 Conditions of Occupancy. The Gas Distribution System installed by the Franchisee pursuant to the terms hereof shall be located so as to cause a minimum of interference with the proper use of the Public Ways. Any obstruction in a Public Way that interferes with the proper use of the Public Ways that, after proper notice to Franchisee demanding removal, is not promptly removed by Franchisee may be removed by the County and the costs thereof shall immediately be paid by the Franchisee. All of the Gas Distribution System presently or in the

future located, maintained or installed in the Public Ways within the Service Area shall at all times be maintained in good order and condition, in accordance with standard engineering practices and in compliance with all applicable safety codes and lawful governmental regulations.

4.2 Restoration of Public Ways. If during the course of the Franchisee's construction, operation or maintenance of the Gas Distribution System there occurs a disturbance of any Public Way by the Franchisee or its employees, contractors or agents, the Franchisee shall not necessarily or unreasonably obstruct the use of or damage any Public Way, and shall within a reasonable time as early as practicable replace and restore such Public Way to a condition reasonably comparable to the condition of the Public Way existing immediately prior to such disturbance and in accordance with applicable County standards. Franchisee shall comply with the County Department of Public Works policy entitled "Water Main and Sewer Main Standard Specifications and Details," Section 0100 Approved Plans and Procedures, 10.A Plan Approval Process, as amended, and attached hereto as Exhibit B and incorporated herein.

4.3 Relocation at Request of County. The Franchisee shall, at its sole expense, protect, support, raise, lower, temporarily disconnect, relocate in or remove from the Public Way, as necessary, any of the Property of Franchisee when lawfully requested by the County for a public purpose. The request to relocate by the County shall be preceded by receipt of reasonable advance written notice, not to be less than sixty (60) calendar days, except in an emergency in which case shall be preceded by such notice as practicable. Whenever the County shall pave or repave a Public Way, shall change the grade or line of any Public Way or shall construct or reconstruct any conduit, sewer or water main, sewer or water connection or other public works or utility, it shall be the duty of the Franchisee when requested by the County to change any portion of the Gas Distribution System or other property of the Franchisee at its own expense so as to conform to the established grade or line of the Public Way and so as not to interfere with the conduits, sewer or water main, sewer or water connection or other public works or utility as constructed or reconstructed; however, Franchisee shall not be required to relocate pipes, mains and appurtenances when the Public Way in which they are located is vacated for the convenience of abutting property owners and not as an incident to the public improvement, unless the reasonable cost of such relocation and the loss and expenses resulting therefrom is first paid to the Franchisee. The County shall make a reasonable effort to avoid the need for such moving or changing whenever possible. In the event federal, state or other funds are available in whole or part for utility relocation or alteration purposes, the County may apply for such funds and the Franchisee shall be reimbursed to the extent any such funds are actually expended.

4.4 Permits Required. Franchisee shall secure all necessary permits for any work within the Public Ways located within the Service Area and shall be subject to all applicable ordinances and fees.

4.5 Customer Inquiries. Franchisee shall comply with all applicable rules and regulations of the PSC relating to Customer requests about service options and procedures, fees,

start-up or termination of service, conversion of accounts and billing and payment inquiries in a prompt and reasonable fashion.

4.6 Further Acquisitions. The Franchisee shall be required to obtain, at its expense, any further rights and privileges from any abutting landowners as necessary.

4.7 Miss Utility. The Franchisee shall maintain a membership in the State of Maryland's one number utility locator service and shall comply with all applicable rules and regulations of such service.

4.8 Hot Line. The Franchisee shall provide the County with a telephone number whereby the County on a twenty-four hour basis may obtain status reports from the Franchisee concerning routine or non-emergency interruptions in Gas Service from any portion of the Service Area. Calls in emergency situations shall be handled in accordance with a written emergency response plan prepared by the Franchisee for approval by the County prior to service to any Customers.

Section 5. REGULATION BY THE COUNTY

5.1 Franchise Fee. Pending PSC approval of the exercise of this Franchise, the Franchisee shall pay to the County a franchise fee equal to \$20,000 ("Franchise Fee") upon the Effective Date plus at each 1-year anniversary of the Franchise Agreement a payment of \$2,500 (the "Supplemental Franchise Fee") intended to offset the costs incurred by the County related to the provision of service by the Franchisee in Cecil County. If, at any time, the PSC denies the Franchisee recovery of the Supplemental Franchise Fee, in whole or in part, from the customers of the Franchisee, then the Franchisee shall no longer be obligated to pay to the County the portion of the Supplemental Franchise Fee deemed unrecoverable by the PSC. Such payment(s) shall not be in lieu of any taxes, fees or charges levied by the County related to easements, franchises, rights-of-way, permits, utility lines and equipment installation, maintenance and removal during the term of the Franchisee's franchise with the County, which the County may impose for the rights and privileges herein granted or for the privilege of doing business within the County. Payment of a franchise fee does not exempt the Franchisee from any lawful taxation or fee, including any fee for an excavation permit, street cut permit, or similar requirement imposed by lawful ordinance upon a permittee, or from any other tax or fee not related to the Franchise or the occupation or use of a Public Way.

5.2 Local Regulations. The use of any Public Way or other County real property by the Franchisee shall be subject to such reasonable and proper ordinances, regulations, conditions and standards as the County may from time to time prescribe.

Section 6. COMPLIANCE AND MONITORING

6.1 Inspection of Records. The Franchisee agrees that the County, upon thirty (30) days prior written notice to the Franchisee, may review such of its books and records as is necessary to ensure compliance with the terms of this Agreement. Notwithstanding anything to the contrary set forth herein, the Franchisee shall not be required to disclose information that contains trade secrets or is proprietary or confidential in nature, nor disclose books and records of any affiliate. Upon request by the County, the Franchisee shall furnish the County with a complete set of maps, including any plans, surveys, profiles or schematics of the Gas Distribution System. Within forty-five (45) days of completing any construction, Franchisee shall provide detailed as-built design drawings showing the size, depth and location of all pipes, valves, gauges, and other service appurtenances and facilities within the Service Area.

6.2 State Agency Proceedings Related to Franchise. Pursuant to Section 10.13, the Franchisee shall notify the County in writing within three (3) days of any applications, filings, requests, hearings, certificates, permits, inspections, corrective or disciplinary actions, or any other significant proceeding or administrative action under the review of or to be considered by the PSC pertaining to this Franchise or Franchisee's obligations and ability to perform under this Agreement. The Franchisee at its sole expense shall provide copies of all applications, exhibits and other correspondence filed with or received from the PSC.

6.3 Cost of Review. The Franchisee shall reimburse the County for all demonstrated costs, fees and expenses reasonably incurred by the County in connection with any reviews or approvals relating to this Agreement, any amendment thereto and in accordance with County law. Such expenses or estimates thereof may be reviewed by the Franchisee prior to any commitment and shall not exceed a total amount in any given fiscal year (July 1 – June 30) of \$7,500.00 without the Franchisee's consent.

6.4 Inspection of Facilities. The County shall be provided reasonable access to the Property of the Franchisee to ensure the health, welfare and safety of the public and to coordinate the co-location of public facilities within the Public Ways. Should the federal Office of Pipeline Safety or the PSC substantially diminish their oversight or reduce their staff during the term of this Agreement, then the parties agree to expeditiously negotiate new franchise provisions that will provide the County with increased access to information, and reports such as would be routinely submitted to the federal or state agencies.

6.5 No Duty Imposed on County. Nothing in this Agreement or the Franchise shall be deemed to impose any duty or obligation upon the County to determine the adequacy, safety or sufficiency of the Franchisee's plans, designs, or facilities, or to ascertain whether the Franchisee's proposed or actual construction, testing, maintenance, repairs, replacements or infrastructure installation or removal is adequate, sufficient or otherwise is in conformance with any plans or specifications reviewed or delivered to the County.

Section 7. INSURANCE AND INDEMNIFICATION

7.1 Insurance Requirements. Franchisee agrees to maintain, on a primary basis and at its sole expense, at all times during the life of this Agreement the following insurance coverages, limits, including endorsements described herein. The requirements contained herein, as well as County's review or acceptance of insurance maintained by Franchisee is not intended to and shall not in any manner limit or qualify the liabilities or obligations assumed by Franchisee under this Agreement.

A. Commercial General Liability. Franchisee agrees to maintain Commercial General Liability at a limit of liability not less than \$1,000,000 Each Occurrence and \$2,000,000 aggregate. Franchisee further agrees coverage shall not contain any endorsement(s) excluding or limiting Product/Completed Operations, Contractual Liability or Cross Liability.

B. Commercial Umbrella/Excess Liability. The Franchisee agrees to maintain Commercial Umbrella/Excess Liability with concurrent policy dates to coverage afforded by the underlying Commercial General Liability. The Franchisee agrees to endorse the Board of County Commissioners of Cecil County Maryland as an "Additional Insured" on the Commercial Umbrella/Excess Liability, unless the Commercial Umbrella/Excess Liability provides coverage on a pure/true follow-form basis, or the Board of County Commissioners of Cecil County Maryland is automatically defined as an Additional Protected Person. The Franchisee agrees the Self-Insured-Retention shall not exceed \$25,000.

C. Business Automobile Liability. Franchisee agrees to maintain Business Automobile Liability at a limit of liability not less than \$500,000 Each Occurrence. Franchisee further agrees coverage shall include liability for Owned, Non-Owned & Hired automobiles. In the event Franchisee does not own automobiles, Franchisee agrees to maintain coverage for Hired & Non-Owned Auto Liability, which may be satisfied by way of endorsement to the Commercial General Liability policy or separate Business Auto Liability policy.

D. Worker's Compensation Insurance & Employers Liability. Franchisee agrees to maintain Worker's Compensation Insurance & Employers Liability within statutory limits in the State of Maryland.

E. Additional Insured. Franchisee agrees to endorse the County as an Additional Insured to the Commercial General Liability. The Additional Insured shall read "Board of County Commissioners of Cecil County Maryland."

F. Waiver of Subrogation. Franchisee agrees by entering into this Agreement to a Waiver of Subrogation for each required policy herein. When required by the insurer, or should a policy condition not permit Franchisee to enter into an pre-loss agreement to waive subrogation without an endorsement, then Franchisee agrees to notify the insurer and request the policy be endorsed with a Waiver of Transfer of Rights of Recovery Against Others, or its equivalent. This Waiver of Subrogation requirement shall not apply to any policy, which includes a condition specifically prohibiting such an endorsement, or voids coverage should Franchisee enter into such an agreement on a pre-loss basis.

7.2 Bond Requirements. See Section 4.2.

7.3 Indemnification/Hold Harmless.

A. The Franchisee covenants and agrees to indemnify, defend and hold the County harmless from and against any and all claims, demands, causes of action, suits, losses, liabilities, damages, costs and expenses, including attorney fees, sustained by the County and caused, directly or indirectly, by any act or omission on the part of Franchisee, its agents, employees, assigns or anyone subcontracting with Franchisee in the installation, construction, operation, or maintenance of the Gas Distribution System. The County shall notify, in writing, Franchisee within ten (10) days after presentation of any claim or demand, either by suit or otherwise, made against the County caused by any of the aforesaid acts or omissions on the part of the Franchisee. The Franchisee shall thereupon have the duty to appear and defend and such demand, claim, suit or action on behalf of the County, without cost or expense to the County.

B. The County covenants and agrees to indemnify, defend and hold Franchisee harmless from and against any and all claims, demands, causes of action, suits, losses, liabilities, damages, costs and expenses, including attorney fees, sustained by the Franchisee and caused, directly or indirectly, by any act or omission on the part of the County, its agents, employees, assigns or anyone subcontracting with the County in the installation, construction, operation, or maintenance of the Public Ways. The Franchisee shall notify, in writing, the County within ten (10) days after presentation of any claim or demand, either by suit or otherwise, made against the Franchisee caused by any of the aforesaid acts or omissions on the part of the County. The County shall thereupon have the duty to appear and defend and such demand, claim, suit or action on behalf of the Franchisee, without cost or expense to the Franchisee.

7.4 Longevity. The indemnity, insurance and bond requirements contained herein shall survive the termination of this Agreement and shall continue for as long as the Property of the Franchisee shall remain in the Service Area or until the parties execute a new Franchise Agreement which modifies or terminates these indemnity and insurance requirements.

Section 8. JURISDICTIONAL AREA

In the event the County by agreement or by any other action should acquire regulatory authority and control over the Public Ways or other real property held in fee simple title or any other lesser or conditional estate, grant or leasehold interest by another local government (e.g., an incorporated city or town), the Franchisee shall have the non-exclusive authority and privilege to engage in Gas Services in the acquired territory for the remainder of this Agreement unless stated otherwise in the municipality's local law or an applicable intergovernmental agreement.

Section 9. DEFAULT AND REMEDIES

9.1 Termination for Cause. Either party may terminate this Agreement for cause if the other party fails or defaults on any material duties or responsibilities set forth in this Agreement.

9.2 Corrective Action. If either party finds that the other party has failed to perform or defaulted on any or all of the material duties or responsibilities set forth in this Agreement, the non-defaulting party shall provide the defaulting party a written “Notice of Default” in accordance with Section 10.13 of this Agreement. The Notice of Default shall describe with sufficient detail the defaulting party’s failure to perform and/or default. The defaulting party shall have a period of sixty (60) days from the receipt or delivery of the Notice of Default to correct the failure to perform or default. If the defaulting party fails to correct the failure to perform and/or default within sixty (60) days, the non-defaulting party may terminate this Agreement. If the County decides to terminate this Agreement, the County may revoke the Franchise in accordance with the procedures described in Section 9.4 of this Agreement.

9.3 Enforcement. Subject to applicable federal and State law, in the event either party is in default of any provision of the Franchise, the other party may:

A. Seek specific performance of any provision that reasonably lends itself to such remedy, as an alternative to money damages;

B. Commence an action at law for monetary damages or seek other equitable relief; and/or

C. In the case of a substantial default of a material provision of this Agreement or the Franchise, the County may seek to terminate this Agreement and revoke the Franchise in accordance with Section 9.4 of this Agreement.

9.4 Revocation.

A. Should the County seek to revoke the Franchise after complying with the procedures set forth in Section 9.2 of this Agreement, the County shall give written notice to the Franchisee of its intent to terminate this Agreement and to revoke the Franchise (“Notice of Intent to Revoke”) based on a substantial default of a material provision of this Agreement or the Franchise. The Notice of Intent to Revoke shall contain the following:

- (1) A description of the specific nature of the default(s);
- (2) A statement of intent to revoke the Franchise;
- (3) A statement that a public hearing shall be held to consider the grounds for the termination of this Agreement and the revocation of the Franchise; and
- (4) The date, time and place of the hearing.

B. The public hearing described herein shall be scheduled between ninety (90) days and one hundred twenty (120) days from the date of the Franchisee’s receipt of the

Notice of Intent to Revoke. The Franchisee shall have ninety (90) days of receipt of such notice to object in writing and to state its reasons for such objection.

C. At the designated hearing, the County shall give the Franchisee a full and fair opportunity to state its position on the matter, including without limitation the right to introduce evidence, to require the production of evidence, to question witnesses and to obtain a transcript of the proceeding, after which the County shall determine whether this Agreement shall be terminated and the Franchise revoked. The Franchisee shall have a right to judicial review of the decision to the Circuit Court of Cecil County.

Section 10. MISCELLANEOUS PROVISIONS

10.1. Paragraph Headings. The headings in this Agreement are inserted for convenience and identification only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any of the provisions of the Agreement.

10.2. Provisions Severable. Every provision of this Agreement is intended to be severable. If any term of provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Agreement.

10.3. Rights and Remedies are Cumulative. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude nor waive its rights to use any or all other remedies. Any rights provided to the parties under this Agreement are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

10.4. Successors and Assigns. This Agreement and the terms and provisions hereof shall inure to the benefit of and be binding upon the heirs, personal representatives, successors and assigns of the parties hereto.

10.5. Entire Agreement. This Agreement contains the entire agreement between the parties respecting the matters herein set forth and supersedes all prior agreements between the parties hereto respecting such matters.

10.6. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Maryland.

10.7. Preparation of Agreement. No presumption shall exist in favor of or against any party to this Agreement as a result of the drafting and preparation of this document.

10.8. No Waiver. No waiver of any breach by either party of the terms of this Agreement shall be deemed a waiver of any subsequent breach of the Agreement.

10.9. Counterparts. This Agreement shall be executed simultaneously in one or more counterparts, each of which shall be deemed as original, but all of which together shall constitute one and the same instrument.

10.10. Amendment. No amendment of this Agreement shall be effective unless the amendment is in writing, signed by each of the parties. Neither party may unilaterally alter the material rights nor obligations set forth in this Agreement.

10.11. Savings Clause. If any of the provisions of this Agreement shall be held to be unenforceable or unconstitutional, the remaining provisions shall nevertheless be enforceable.

10.12. Notices. All notices and demands of any kind which either party hereto may be required or desires to serve upon the other party under the terms of this Agreement shall be in writing and shall be served upon such other party by personal service, or by leaving a copy of such notice or demand at the address hereinafter set forth, whereupon service shall be deemed complete, or by mailing a copy thereof by certified or registered mail, postage prepaid, with return receipt request, addressed as follows:

If to County: Board of County Commissioners of Cecil County
200 Chesapeake Boulevard
Elkton, Maryland 21921
Attn: County Administrator

If to Franchisee: Chesapeake Utilities Corporation
350 South Queen Street
Dover, Delaware 19904
Attn: Jeffrey R. Tietbohl, Vice President

In case of service by mail, it shall be deemed complete on the day of actual delivery as shown on the addressee's registry of certification receipt or at the expiration of the third day after the date of mailing, whichever first occurs. The addressee to which notices and demands shall be delivered or sent may be changed from time to time by notice served as hereinabove provided by either party upon the other party.

10.13. Assignment, Receivership and Foreclosure. The parties agree that this Agreement shall not be assigned, in whole or in part, to any other person or entity without the prior written consent of the County, which consent cannot be unreasonably withheld. No such consent shall be required, however, for a transfer in trust, by mortgage, by other hypothecation, or by assignment of any rights, title, or interest of the Franchisee in the Franchise or Gas Distribution System in order to secure indebtedness. The Franchisee shall immediately notify the County if it files a petition in bankruptcy, files an answer admitting jurisdiction of a court filed pursuant to the Bankruptcy Code or is adjudicated bankrupt, makes an assignment for the benefit of creditors, or applies or consents to the appointment of any receiver or trustee of all or part of its property, pipelines or facilities within the Service Area. Upon foreclosure or judicial sale of any portion for the Franchisee's business operations or facilities within the Service Area, the Franchisee shall give the County prompt notice of such fact and the County may revoke the Franchise in accordance with the procedures described in Section 9.4 of this Agreement. In the event the Franchisee intends to sell the Gas Distribution System to a third party purchaser, the Franchisee shall confirm in writing that the purchaser agrees to all of the terms and conditions of

this Agreement, and that the purchaser shall assume all liabilities and obligations of the Franchisee under this Agreement; and, further consents to pay any additional review costs incurred by the County involved in the change in franchisees that exceed the limits stated in Section 6.3.

10.14. Force Majeure. Neither party shall be liable for failure to perform hereunder, in whole or in part, due to contingencies beyond the party's reasonable control, including but not necessarily limited to acts of God, the public enemy, fire, floods, epidemics, earthquakes, quarantine restrictions, and strikes not created by Franchisee, whether now existing or hereafter created.

10.15. Compliance with Laws. Franchisee shall comply with all applicable federal, State and local statutes, laws, rules, regulations and ordinances.

10.16. Publication Costs. Notwithstanding the limits stated in Section 6.3, the Franchisee shall assume all costs of publication required by law for the grant of the Franchise.

10.17. Agreement Not to Compete, Power of Eminent Domain and Other Powers. In consideration of Franchisee's undertaking hereunder, the County agrees not to engage in the business of distributing and selling natural gas and/or propane during the term of this Franchise in competition with Franchisee. Nothing herein contained shall be construed or deemed to prevent the County from exercising at any time any power of eminent domain, any police powers or any other power(s) granted to it under the laws of the State.

10.18. Surrender of Franchise. In the event natural gas at any time shall cease to be available to Franchisee for the distribution and sale hereunder, Franchisee reserves the right to surrender the Franchise. In the event of such surrender, or of the expiration or termination of the Franchise, or in any of such events, Franchisee reserves the right to salvage all of its property and will restore the Public Ways damaged by such salvage operation to substantially the same order and condition, as deemed by the County, as they were before the salvage was made. Should the Franchisee fail to remove its infrastructure from the Public Ways or other property of the County, the County after reasonable notice may remove the pipelines or facilities and restore the premises at the Franchisee's expense. This remedy shall not prevent the County from seeking a court order directing that the infrastructure or facilities be removed by the Franchisee.

10.19. Changes, Alterations and Amendments. In the event of an amendment to the laws, rules or regulations of the State and/or the PSC applicable to this Agreement and the Franchise, the terms of this Agreement and the Franchise and the right and privileges thereby conferred and reserved, may be changed, altered, amended or modified upon mutual agreement between the County and the Franchisee, which agreement shall not be unreasonably withheld.

10.20. Waiver of Trial by Jury. Franchisee and the County each hereby agrees not to elect a trial by jury of any issue triable of right by jury, and waives any right to trial by jury fully to the extent that any such right shall now or hereafter exist with regard to this Franchise or any claim,

counterclaim or other action arising in connection therewith. This waiver of right to trial by jury is given knowingly and voluntarily by Franchisee and the County, and is intended to encompass individually each instance and each issue as to which the right to a trial by jury would otherwise accrue. The County or Franchisee, as applicable, is hereby authorized to file a copy of this section in any proceeding as conclusive evidence of this waiver by Franchisee or the County, as applicable.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Franchise Agreement on the day and year first above written.

BOARD OF COUNTY COMMISSIONERS
OF CECIL COUNTY, MARYLAND

Brian L. Lockhart, President

ATTEST:

Alfred C. Wein, Jr.,
County Administrator

Rebecca J. Demmler, Vice President

James T. Mullin, Commissioner

Wayne L. Tome, Sr., Commissioner

Robert J. Hodge, Commissioner

CHESAPEAKE UTILITIES CORPORATION

ATTEST:

Name: _____

By: _____ (SEAL)

Name: Jeffrey R. Tietbohl

Title: Vice President