

# Section 1: 10-Q (MDU RESOURCES FORM 10-Q 06-30-2018)

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

## FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 2018

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 1-03480

### MDU RESOURCES GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

41-0423660

(I.R.S. Employer Identification No.)

1200 West Century Avenue  
P.O. Box 5650  
Bismarck, North Dakota 58506-5650  
(Address of principal executive offices)  
(Zip Code)

(701) 530-1000  
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No .

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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 .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of July 27, 2018: 196,018,324 shares.

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## **Definitions**

The following abbreviations and acronyms used in this Form 10-Q are defined below:

### **Abbreviation or Acronym**

2017 Annual Report	Company's Annual Report on Form 10-K for the year ended December 31, 2017
AFUDC	Allowance for funds used during construction
ASC	FASB Accounting Standards Codification
ASU	FASB Accounting Standards Update
Brazilian Transmission Lines	Company's former investment in companies owning three electric transmission lines in Brazil
Calumet	Calumet Specialty Products Partners, L.P.
Cascade	Cascade Natural Gas Corporation, an indirect wholly owned subsidiary of MDU Energy Capital
Centennial	Centennial Energy Holdings, Inc., a direct wholly owned subsidiary of the Company
Centennial Capital	Centennial Holdings Capital LLC, a direct wholly owned subsidiary of Centennial
Centennial Resources Company	Centennial Energy Resources LLC, a direct wholly owned subsidiary of Centennial MDU Resources Group, Inc.
Coyote Creek	Coyote Creek Mining Company, LLC, a subsidiary of The North American Coal Corporation
Coyote Station	427-MW coal-fired electric generating facility near Beulah, North Dakota (25 percent ownership)
Dakota Prairie Refinery	20,000-barrel-per-day diesel topping plant built by Dakota Prairie Refining in southwestern North Dakota
Dakota Prairie Refining	Dakota Prairie Refining, LLC, a limited liability company previously owned by WBI Energy and Calumet (previously included in the Company's refining segment)
dk	Decatherm
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EPA	United States Environmental Protection Agency
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fidelity	Fidelity Exploration & Production Company, a direct wholly owned subsidiary of WBI Holdings (previously referred to as the Company's exploration and production segment)
GAAP	Accounting principles generally accepted in the United States of America
GHG	Greenhouse gas
Great Plains	Great Plains Natural Gas Co., a public utility division of the Company
IBEW	International Brotherhood of Electrical Workers
ICWU	International Chemical Workers Union
Intermountain	Intermountain Gas Company, an indirect wholly owned subsidiary of MDU Energy Capital
IPUC	Idaho Public Utilities Commission
Knife River	Knife River Corporation, a direct wholly owned subsidiary of Centennial
Knife River - Northwest	Knife River Corporation - Northwest, an indirect wholly owned subsidiary of Knife River
kWh	Kilowatt-hour
LWG	Lower Willamette Group
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MDU Construction Services	MDU Construction Services Group, Inc., a direct wholly owned subsidiary of Centennial
MDU Energy Capital	MDU Energy Capital, LLC, a direct wholly owned subsidiary of the Company
MISO	Midcontinent Independent System Operator, Inc.
MMcf	Million cubic feet
MMdk	Million dk
MNPUC	Minnesota Public Utilities Commission
Montana-Dakota	Montana-Dakota Utilities Co., a public utility division of the Company
MTPSC	Montana Public Service Commission
MW	Megawatt



NDPSC	North Dakota Public Service Commission
OPUC	Oregon Public Utility Commission
Oregon DEQ	Oregon State Department of Environmental Quality
Pronghorn	Natural gas processing plant located near Belfield, North Dakota (WBI Energy Midstream's 50 percent ownership interests were sold effective January 1, 2017)
PRP	Potentially Responsible Party
ROD	Record of Decision
SDPUC	South Dakota Public Utilities Commission
SEC	United States Securities and Exchange Commission
SSIP	System Safety and Integrity Program
TCJA	Tax Cuts and Jobs Act
Tesoro	Tesoro Refining & Marketing Company LLC
VIE	Variable interest entity
Washington DOE	Washington State Department of Ecology
WBI Energy	WBI Energy, Inc., a direct wholly owned subsidiary of WBI Holdings
WBI Energy Midstream	WBI Energy Midstream, LLC, an indirect wholly owned subsidiary of WBI Holdings
WBI Energy Transmission	WBI Energy Transmission, Inc., an indirect wholly owned subsidiary of WBI Holdings
WBI Holdings	WBI Holdings, Inc., a direct wholly owned subsidiary of Centennial
WUTC	Washington Utilities and Transportation Commission
WYPSC	Wyoming Public Service Commission

## **Forward-Looking Statements**

This Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Exchange Act. Forward-looking statements are all statements other than statements of historical fact, including without limitation those statements that are identified by the words "anticipates," "estimates," "expects," "intends," "plans," "predicts" and similar expressions, and include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions (many of which are based, in turn, upon further assumptions) and other statements that are not statements of historical facts. From time to time, the Company may publish or otherwise make available forward-looking statements of this nature, including statements contained within Part I, Item 2 - MD&A - Business Segment Financial and Operating Data.

Forward-looking statements involve risks and uncertainties, which could cause actual results or outcomes to differ materially from those expressed. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties. Nonetheless, the Company's expectations, beliefs or projections may not be achieved or accomplished.

Any forward-looking statement contained in this document speaks only as of the date on which the statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of the factors, nor can it assess the effect of each factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. All forward-looking statements, whether written or oral and whether made by or on behalf of the Company, are expressly qualified by the risk factors and cautionary statements reported in Part II, Item 1A - Risk Factors in this Form 10-Q, Part I, Item 1A - Risk Factors in the 2017 Annual Report and subsequent filings with the SEC.

## **Introduction**

The Company is a regulated energy delivery and construction materials and services business, which was incorporated under the laws of the state of Delaware in 1924. Its principal executive offices are at 1200 West Century Avenue, P.O. Box 5650, Bismarck, North Dakota 58506-5650, telephone (701) 530-1000.

Montana-Dakota, Great Plains, Cascade and Intermountain comprise the natural gas distribution segment. Montana-Dakota also comprises the electric segment.

The Company, through its wholly owned subsidiary, Centennial, owns WBI Holdings, Knife River, MDU Construction Services, Centennial Resources and Centennial Capital. WBI Holdings is the pipeline and midstream segment, Knife River is the construction materials and contracting segment, MDU Construction Services is the construction services segment, and Centennial Resources and Centennial Capital are both reflected in the Other category.

For more information on the Company's business segments, see Note 14.

## Part I -- Financial Information

### Item 1. Financial Statements

#### MDU Resources Group, Inc. Consolidated Statements of Income (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
(In thousands, except per share amounts)				
<b>Operating revenues:</b>				
Electric, natural gas distribution and regulated pipeline and midstream	\$ 226,684	\$ 225,485	\$ 651,143	\$ 659,100
Nonregulated pipeline and midstream, construction materials and contracting, construction services and other	837,913	842,154	1,389,747	1,346,465
<b>Total operating revenues</b>	<b>1,064,597</b>	<b>1,067,639</b>	<b>2,040,890</b>	<b>2,005,565</b>
<b>Operating expenses:</b>				
Operation and maintenance:				
Electric, natural gas distribution and regulated pipeline and midstream	83,928	78,125	170,042	157,677
Nonregulated pipeline and midstream, construction materials and contracting, construction services and other	738,156	743,823	1,252,898	1,222,814
Total operation and maintenance	822,084	821,948	1,422,940	1,380,491
Purchased natural gas sold	56,228	57,668	238,196	250,617
Depreciation, depletion and amortization	53,553	51,658	106,282	102,983
Taxes, other than income	40,757	40,953	89,610	88,391
Electric fuel and purchased power	17,983	16,752	40,494	38,638
<b>Total operating expenses</b>	<b>990,605</b>	<b>988,979</b>	<b>1,897,522</b>	<b>1,861,120</b>
<b>Operating income</b>	<b>73,992</b>	<b>78,660</b>	<b>143,368</b>	<b>144,445</b>
<b>Other income</b>	<b>1,599</b>	<b>1,801</b>	<b>2,181</b>	<b>4,144</b>
<b>Interest expense</b>	<b>20,800</b>	<b>20,766</b>	<b>41,246</b>	<b>41,068</b>
<b>Income before income taxes</b>	<b>54,791</b>	<b>59,695</b>	<b>104,303</b>	<b>107,521</b>
<b>Income taxes</b>	<b>10,716</b>	<b>15,290</b>	<b>18,267</b>	<b>27,478</b>
<b>Income from continuing operations</b>	<b>44,075</b>	<b>44,405</b>	<b>86,036</b>	<b>80,043</b>
<b>Income (loss) from discontinued operations, net of tax (Note 10)</b>	<b>(273)</b>	<b>(3,190)</b>	<b>203</b>	<b>(1,504)</b>
<b>Net income</b>	<b>43,802</b>	<b>41,215</b>	<b>86,239</b>	<b>78,539</b>
<b>Loss on redemption of preferred stocks</b>	<b>—</b>	<b>600</b>	<b>—</b>	<b>600</b>
<b>Dividends declared on preferred stocks</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>171</b>
<b>Earnings on common stock</b>	<b>\$ 43,802</b>	<b>\$ 40,615</b>	<b>\$ 86,239</b>	<b>\$ 77,768</b>
<b>Earnings per common share - basic:</b>				
Earnings before discontinued operations	\$ .22	\$ .22	\$ .44	\$ .41
Discontinued operations, net of tax	—	(.01)	—	(.01)
<b>Earnings per common share - basic</b>	<b>\$ .22</b>	<b>\$ .21</b>	<b>\$ .44</b>	<b>\$ .40</b>
<b>Earnings per common share - diluted:</b>				
Earnings before discontinued operations	\$ .22	\$ .22	\$ .44	\$ .40
Discontinued operations, net of tax	—	(.01)	—	—
<b>Earnings per common share - diluted</b>	<b>\$ .22</b>	<b>\$ .21</b>	<b>\$ .44</b>	<b>\$ .40</b>
<b>Dividends declared per common share</b>	<b>\$ .1975</b>	<b>\$ .1925</b>	<b>\$ .3950</b>	<b>\$ .3850</b>
<b>Weighted average common shares outstanding - basic</b>	<b>195,524</b>	<b>195,304</b>	<b>195,415</b>	<b>195,304</b>
<b>Weighted average common shares outstanding - diluted</b>	<b>196,169</b>	<b>195,973</b>	<b>196,077</b>	<b>195,993</b>

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



**MDU Resources Group, Inc.**  
**Consolidated Statements of Comprehensive Income**  
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	(In thousands)			
<b>Net income</b>	\$ 43,802	\$ 41,215	\$ 86,239	\$ 78,539
<b>Other comprehensive income (loss):</b>				
Reclassification adjustment for loss on derivative instruments included in net income, net of tax of \$53 and \$56 for the three months ended and \$109 and \$112 for the six months ended in 2018 and 2017, respectively	95	92	187	183
<b>Postretirement liability adjustment:</b>				
Amortization of postretirement liability losses included in net periodic benefit cost (credit), net of tax of \$145 and \$190 for the three months ended and \$300 and \$406 for the six months ended in 2018 and 2017, respectively	449	312	867	669
Reclassification of postretirement liability adjustment from regulatory asset, net of tax of \$0 and \$0 for the three months ended and \$0 and \$(725) for the six months ended in 2018 and 2017, respectively	—	—	—	(917)
Postretirement liability adjustment	449	312	867	(248)
<b>Foreign currency translation adjustment:</b>				
Foreign currency translation adjustment recognized during the period, net of tax of \$(13) and \$(9) for the three months ended and \$(14) and \$(3) for the six months ended in 2018 and 2017, respectively	(59)	(15)	(61)	(6)
Reclassification adjustment for foreign currency translation adjustment included in net income, net of tax of \$75 and \$0 for the three months ended and \$75 and \$0 for the six months ended in 2018 and 2017, respectively	249	—	249	—
Foreign currency translation adjustment	190	(15)	188	(6)
<b>Net unrealized gain (loss) on available-for-sale investments:</b>				
Net unrealized loss on available-for-sale investments arising during the period, net of tax of \$(12) and \$(13) for the three months ended and \$(39) and \$(28) for the six months ended in 2018 and 2017, respectively	(43)	(24)	(148)	(51)
Reclassification adjustment for loss on available-for-sale investments included in net income, net of tax of \$10 and \$17 for the three months ended and \$17 and \$36 for the six months ended in 2018 and 2017, respectively	34	31	64	66
Net unrealized gain (loss) on available-for-sale investments	(9)	7	(84)	15
<b>Other comprehensive income (loss)</b>	<b>725</b>	<b>396</b>	<b>1,158</b>	<b>(56)</b>
<b>Comprehensive income attributable to common stockholders</b>	<b>\$ 44,527</b>	<b>\$ 41,611</b>	<b>\$ 87,397</b>	<b>\$ 78,483</b>

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

**MDU Resources Group, Inc.**  
**Consolidated Balance Sheets**  
(Unaudited)

December 31,  
June 30, 2018    June 30, 2017    2017

(In thousands, except shares and per share amounts)

<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$	41,659	\$	40,048
Receivables, net		743,687		661,771
Inventories		278,239		249,870
Prepayments and other current assets		52,035		63,953
Current assets held for sale		572		328
<b>Total current assets</b>		<b>1,116,192</b>		<b>1,015,970</b>
<b>Investments</b>		<b>140,053</b>		<b>131,726</b>
<b>Property, plant and equipment</b>		<b>6,975,919</b>		<b>6,591,382</b>
Less accumulated depreciation, depletion and amortization		2,758,163		2,638,098
<b>Net property, plant and equipment</b>		<b>4,217,756</b>		<b>3,953,284</b>
<b>Deferred charges and other assets:</b>				
Goodwill		642,374		631,791
Other intangible assets, net		4,190		4,785
Other		409,407		416,759
Noncurrent assets held for sale		3,998		76,183
<b>Total deferred charges and other assets</b>		<b>1,059,969</b>		<b>1,129,518</b>
<b>Total assets</b>	\$	<b>6,533,970</b>	\$	<b>6,230,498</b>
<b>Liabilities and Stockholders' Equity</b>				
<b>Current liabilities:</b>				
Long-term debt due within one year	\$	109,199	\$	83,499
Accounts payable		330,926		279,211
Taxes payable		47,803		55,037
Dividends payable		38,714		37,596
Accrued compensation		53,933		52,951
Other accrued liabilities		208,696		181,030
Current liabilities held for sale		11,713		4,481
<b>Total current liabilities</b>		<b>800,984</b>		<b>693,805</b>
<b>Long-term debt</b>		<b>1,743,711</b>		<b>1,677,977</b>
<b>Deferred credits and other liabilities:</b>				
Deferred income taxes		362,896		668,239
Other		1,175,301		887,525
<b>Total deferred credits and other liabilities</b>		<b>1,538,197</b>		<b>1,555,764</b>
<b>Commitments and contingencies</b>				
<b>Stockholders' equity:</b>				
Common stock				
Authorized - 500,000,000 shares, \$1.00 par value				
Shares issued - 196,557,245 at June 30, 2018 and 195,843,297 at June 30, 2017 and December 31, 2017				
		196,557		195,843
Other paid-in capital		1,245,858		1,231,892
Retained earnings		1,056,424		914,632
Accumulated other comprehensive loss		(44,135)		(35,789)
Treasury stock at cost - 538,921 shares		(3,626)		(3,626)
<b>Total stockholders' equity</b>		<b>2,451,078</b>		<b>2,302,952</b>
<b>Total liabilities and stockholders' equity</b>	\$	<b>6,533,970</b>	\$	<b>6,230,498</b>

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



withholdings	—	—	—	—	(2,441)	—	—	64,384	1,684	(757)
Redemption of preferred stock	(150,000)	(15,000)	—	—	—	(600)	—	—	—	(15,600)
<b>Balance at June 30, 2017</b>	<b>— \$</b>	<b>—</b>	<b>195,843,297</b>	<b>\$ 195,843</b>	<b>\$1,231,892</b>	<b>\$914,632</b>	<b>\$(35,789)</b>	<b>(538,921)</b>	<b>\$ (3,626)</b>	<b>\$ 2,302,952</b>

**MDU Resources Group, Inc.**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

	Six Months Ended	
	June 30,	
	2018	2017
	(In thousands)	
<b>Operating activities:</b>		
Net income	\$ 86,239	\$ 78,539
Income (loss) from discontinued operations, net of tax	203	(1,504)
Income from continuing operations	86,036	80,043
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	106,282	102,983
Deferred income taxes	4,186	(5,293)
Changes in current assets and liabilities, net of acquisitions:		
Receivables	(13,853)	(43,478)
Inventories	(47,396)	(13,573)
Other current assets	29,072	(15,799)
Accounts payable	15,748	11,611
Other current liabilities	7,849	(6,387)
Other noncurrent changes	(11,566)	(4,460)
Net cash provided by continuing operations	176,358	105,647
Net cash provided by discontinued operations	224	33,846
<b>Net cash provided by operating activities</b>	<b>176,582</b>	<b>139,493</b>
<b>Investing activities:</b>		
Capital expenditures	(210,612)	(143,764)
Acquisitions, net of cash acquired	(20,009)	—
Net proceeds from sale or disposition of property and other	9,286	119,361
Investments	(916)	(358)
Net cash used in continuing operations	(222,251)	(24,761)
Net cash provided by discontinued operations	—	2,234
<b>Net cash used in investing activities</b>	<b>(222,251)</b>	<b>(22,527)</b>
<b>Financing activities:</b>		
Issuance of long-term debt	240,746	63,827
Repayment of long-term debt	(103,521)	(93,275)
Dividends paid	(77,145)	(75,535)
Redemption of preferred stock	—	(15,600)
Repurchase of common stock	(5,020)	(1,684)
Tax withholding on stock-based compensation	(2,330)	(757)
Net cash provided by (used in) continuing operations	52,730	(123,024)
Net cash provided by discontinued operations	—	—
<b>Net cash provided by (used in) financing activities</b>	<b>52,730</b>	<b>(123,024)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1)</b>	<b>(1)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>7,060</b>	<b>(6,059)</b>
Cash and cash equivalents -- beginning of year	34,599	46,107
Cash and cash equivalents -- end of period	\$ 41,659	\$ 40,048

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

**MDU Resources Group, Inc.**  
**Notes to Consolidated**  
**Financial Statements**

**June 30, 2018 and 2017**  
**(Unaudited)**

**Note 1 - Basis of presentation**

The accompanying consolidated interim financial statements were prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Interim financial statements do not include all disclosures provided in annual financial statements and, accordingly, these financial statements should be read in conjunction with those appearing in the 2017 Annual Report. The information is unaudited but includes all adjustments that are, in the opinion of management, necessary for a fair presentation of the accompanying consolidated interim financial statements and are of a normal recurring nature. Depreciation, depletion and amortization expense is reported separately on the Consolidated Statements of Income and therefore is excluded from the other line items within operating expenses. Management has also evaluated the impact of events occurring after June 30, 2018, up to the date of issuance of these consolidated interim financial statements.

On December 22, 2017, President Trump signed into law the TCJA which includes lower corporate tax rates, repealing the domestic production deduction, disallowance of immediate expensing for regulated utility property and modifying or repealing many other business deductions and credits. The reduction in the corporate tax rate was effective on January 1, 2018, which resulted in lower income tax expense for the three and six months ended June 30, 2018. The Company continues to review the components of the TCJA and the impact on the Company's consolidated financial statements and related disclosures for 2018 and thereafter.

While the Company was able to make reasonable estimates of the impact of the reduction in corporate tax rate on the Company's net deferred tax liabilities during the fourth quarter of 2017, such estimates may be affected by other analyses related to the TCJA, including, but not limited to, the state tax effect of adjustments to federal temporary differences and the calculation of deemed repatriation of deferred foreign income. The final transition impacts of the TCJA may differ from amounts disclosed, possibly materially, due to, among other things, interpretations, legislative action to address questions, changes in accounting standards for income taxes or related interpretations, or updates or changes to estimates the Company has utilized to calculate the transition impacts. The SEC has issued rules that would allow for a measurement period of up to one year after the enactment date of the TCJA to finalize the recording of the related tax impacts, of which there were no such adjustments during the six months ended June 30, 2018. The Company currently anticipates finalizing and recording any resulting adjustments by December 31, 2018, which will be included in income from continuing operations.

Due to the enactment of the TCJA, the regulated jurisdictions in which the Company's regulated businesses provide service have requested the Company furnish plans for the effect of the reduced corporate tax rate, which may impact the Company's rates. Therefore, the Company has reserved for such impacts as an offset to revenue in certain jurisdictions. The Company will continue to make changes to reserve balances as new information becomes available. For more information on the details and statuses of each jurisdiction's request, see Note 16.

Effective January 1, 2018, the Company adopted the requirements of the revenue from contracts with customers guidance following the modified retrospective method, as discussed in Notes 6 and 8. As such, results for reporting periods beginning January 1, 2018, are presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting for revenue recognition. Based on the Company's analysis, the Company did not identify a significant change in the timing of revenue recognition under the new guidance as compared to the historic accounting for revenue recognition.

Certain prior year amounts have been reclassified to conform to the current year presentation in the consolidated financial statements related to the retrospective adoption of the FASB guidance to improve the presentation of net periodic pension and net periodic postretirement benefit costs, which was effective on January 1, 2018. The components of net periodic pension and postretirement costs, other than service costs, were reclassified from operating expenses to other income on the Consolidated Statements of Income, as discussed in Note 6.

The assets and liabilities for the Company's discontinued operations have been classified as held for sale and the results of operations are shown in income (loss) from discontinued operations, other than certain general and administrative costs and interest expense which do not meet the criteria for income (loss) from discontinued operations. At the time the assets were classified as held for sale, depreciation, depletion and amortization expense was no longer recorded. Unless otherwise indicated, the amounts presented in the accompanying notes to the consolidated financial statements relate to the Company's continuing operations. For more information on the Company's discontinued operations, see Note 10.

## Note 2 - Seasonality of operations

Some of the Company's operations are highly seasonal and revenues from, and certain expenses for, such operations may fluctuate significantly among quarterly periods. Accordingly, the interim results for particular businesses, and for the Company as a whole, may not be indicative of results for the full fiscal year.

## Note 3 - Accounts receivable and allowance for doubtful accounts

Accounts receivable consist primarily of trade receivables from the sale of goods and services which are recorded at the invoiced amount net of allowance for doubtful accounts, and costs and estimated earnings in excess of billings on uncompleted contracts. The total balance of receivables past due 90 days or more was \$36.6 million, \$32.7 million and \$34.7 million at June 30, 2018 and 2017, and December 31, 2017, respectively.

The allowance for doubtful accounts is determined through a review of past due balances and other specific account data. Account balances are written off when management determines the amounts to be uncollectible. The Company's allowance for doubtful accounts at June 30, 2018 and 2017, and December 31, 2017, was \$7.8 million, \$9.2 million and \$8.1 million, respectively.

## Note 4 - Inventories and natural gas in storage

Natural gas in storage for the Company's regulated operations is generally carried at lower of cost or net realizable value, or cost using the last-in, first-out method. All other inventories are stated at the lower of cost or net realizable value. The portion of the cost of natural gas in storage expected to be used within one year was included in inventories. Inventories on the Consolidated Balance Sheets were as follows:

	June 30, 2018	June 30, 2017	December 31, 2017
	(In thousands)		
Aggregates held for resale	\$ 131,784	\$ 123,316	\$ 115,268
Asphalt oil	64,560	46,852	30,360
Materials and supplies	24,688	22,657	18,650
Merchandise for resale	17,502	16,164	14,905
Natural gas in storage (current)	13,774	14,126	20,950
Other	25,931	26,755	26,450
Total	\$ 278,239	\$ 249,870	\$ 226,583

The remainder of natural gas in storage, which largely represents the cost of gas required to maintain pressure levels for normal operating purposes, was included in deferred charges and other assets - other and was \$47.8 million, \$49.5 million and \$49.3 million at June 30, 2018 and 2017, and December 31, 2017, respectively.

## Note 5 - Earnings per common share

Basic earnings per common share were computed by dividing earnings on common stock by the weighted average number of shares of common stock outstanding during the applicable period. Diluted earnings per common share were computed by dividing earnings on common stock by the total of the weighted average number of shares of common stock outstanding during the applicable period, plus the effect of nonvested performance share awards and restricted stock units. Common stock outstanding includes issued shares less shares held in treasury. Earnings on common stock was the same for both the basic and diluted earnings per share calculations. A reconciliation of the weighted average common shares outstanding used in the basic and diluted earnings per share calculations was as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	(In thousands)			
Weighted average common shares outstanding - basic	195,524	195,304	195,415	195,304
Effect of dilutive performance share awards and restricted stock units	645	669	662	689
Weighted average common shares outstanding - diluted	196,169	195,973	196,077	195,993
Shares excluded from the calculation of diluted earnings per share	—	—	—	—

## Note 6 - New accounting standards

### Recently adopted accounting standards

**ASU 2014-09 - Revenue from Contracts with Customers** In May 2014, the FASB issued guidance on accounting for revenue from contracts with customers. The guidance provides for a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. In August 2015, the FASB issued guidance deferring the effective date of the revenue guidance and allowing entities to

early adopt. With this decision, the guidance was effective for the Company on January 1, 2018. Entities had the option of using either a full retrospective or modified retrospective approach to adopting the guidance. Under the modified retrospective approach, an entity recognizes the cumulative effect of initially applying the guidance with an adjustment to the opening balance of retained earnings in the period of adoption.

The Company adopted the guidance on January 1, 2018, using the modified retrospective approach. The Company elected the practical expedient to not disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period, along with an explanation of when such revenue would be expected to be recognized. This practical expedient was used since the performance obligations are part of contracts with an original duration of one year or less. The Company also elected the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less. Upon completion of the Company's evaluation of contracts and methods of revenue recognition under the previous accounting guidance, the Company did not identify any material cumulative effect adjustments to be made to retained earnings. In addition, the Company has expanded revenue disclosures, both quantitatively and qualitatively, related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, as discussed in Note 8. The Company reviewed its revenue streams to evaluate the impact of this guidance and did not identify a significant change in the timing of revenue recognition, results of operations, financial position or cash flows. The Company reviewed its internal controls related to revenue recognition and disclosures and concluded that the guidance impacted certain business processes and controls. As such, the Company developed modifications to its internal controls for certain topics under the guidance as they apply to the Company and such modifications were not deemed to be significant. Results for reporting periods beginning after December 31, 2017, are presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting for revenue recognition.

Under the modified retrospective approach, the guidance was applied only to contracts that were not completed as of January 1, 2018. Therefore, the Company recognized the cumulative effect of initially applying the guidance with an adjustment to the opening balance of retained earnings at January 1, 2018. For the six months ended June 30, 2018, there were no material impacts to the financial statements as a result of applying the guidance. The cumulative effect of the changes made to the Consolidated Balance Sheet were as follows:

	December 31, 2017	Adjustments	January 1, 2018
	(In thousands)		
<b>Liabilities and Stockholders' Equity</b>			
<b>Current liabilities:</b>			
Other accrued liabilities	\$ 186,010	\$ 903	\$ 186,913
<b>Deferred credits and other liabilities:</b>			
Deferred income taxes	347,271	(332)	346,939
Other	1,179,140	399	1,179,539
<b>Commitments and contingencies</b>			
<b>Stockholders' equity:</b>			
Retained earnings	1,040,748	(970)	1,039,778

The cumulative effect adjustment is related to prepaid natural gas transportation to storage contracts where a separate performance obligation existed and has not yet been satisfied. As such, these contracts were still open and met the criteria for a cumulative effect adjustment.

**ASU 2016-15 - Classification of Certain Cash Receipts and Cash Payments** In August 2016, the FASB issued guidance to clarify the classification of certain cash receipts and payments in the statement of cash flows. The guidance is intended to standardize the presentation and classification of certain transactions, including cash payments for debt prepayment or extinguishment, proceeds from insurance claim settlements and distributions from equity method investments. In addition, the guidance clarifies how to classify transactions that have characteristics of more than one class of cash flows. The Company adopted the guidance on January 1, 2018, on a prospective basis. The guidance did not have a material effect on the Company's statement of cash flows.

**ASU 2017-01 - Clarifying the Definition of a Business** In January 2017, the FASB issued guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The guidance provides a screen to determine when an integrated set of assets and activities is not a business. The guidance will also affect other aspects of accounting, such as determining reporting units for goodwill testing and whether an entity has acquired or sold a business. The Company adopted the guidance on January 1, 2018, on a prospective basis. The guidance did not have a material effect on the Company's results of operations, financial position, cash flows or disclosures.

**ASU 2017-07 - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost** In March 2017, the FASB issued guidance to improve the presentation of net periodic pension and net periodic postretirement benefit costs. The guidance required the service cost component to be presented in the income statement in the same line item or items as other compensation costs arising from services performed during the period. Other components of net periodic benefit cost shall be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. The guidance also only allows the service cost component to be capitalized.

The Company adopted the guidance on January 1, 2018, on a retrospective basis. The guidance required the reclassification of all components of net periodic benefit costs, except for the service cost component, from operating expenses to other income on the Consolidated Statements of Income with no impact to earnings. As a result of the retrospective application of this change in accounting guidance, the Company reclassified \$1.2 million and \$3.0 million from operation and maintenance expense to other income on the Consolidated Statements of Income for the three and six months ended June 30, 2017, respectively. The Company also reclassified unrealized gains on investments used to satisfy obligations under the defined benefit plans of \$2.2 million and \$5.3 million for the three and six months ended June 30, 2017, respectively, which were included in operation and maintenance expense, to other income on the Consolidated Statements of Income. The guidance did not have a material effect on the Company's results of operations, cash flows or disclosures.

**ASU 2018-02 - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income** In February 2018, the FASB issued guidance that allows an entity to reclassify the stranded tax effects resulting from the newly enacted federal corporate income tax rate from accumulated other comprehensive income (loss) to retained earnings. The guidance is effective for the Company on January 1, 2019, including interim periods, with early adoption permitted. The guidance can be applied using one of two methods. One method is to record the reclassification of the stranded income taxes at the beginning of the period of adoption. The other method is to apply the guidance retrospectively to each period in which the income tax effects of the TCJA are recognized in accumulated other comprehensive income (loss). The Company early adopted the guidance on January 1, 2018, and elected to reclassify the stranded income taxes at the beginning of the period. During the first quarter of 2018, the Company reclassified \$7.9 million of stranded tax expense from accumulated other comprehensive loss to retained earnings. The guidance did not have a material effect on the Company's results of operations, cash flows or disclosures.

#### **Recently issued accounting standards not yet adopted**

**ASU 2016-02 - Leases** In February 2016, the FASB issued guidance regarding leases. The guidance requires lessees to recognize a lease liability and a right-of-use asset on the balance sheet for operating and financing leases with terms of more than 12 months. The guidance remains largely the same for lessors, although some changes were made to better align lessor accounting with the new lessee accounting and to align with the revenue recognition standard. The guidance also requires additional disclosures, both quantitative and qualitative, related to operating and finance leases for the lessee and sales-type, direct financing and operating leases for the lessor. This guidance will be effective for the Company on January 1, 2019, with early adoption permitted.

In July 2018, the FASB issued ASU 2018-11 - *Leases: Targeted Improvements*, an accounting standard update to ASU 2016-02. This ASU provides an entity the option to adopt the guidance using one of two modified retrospective approaches. An entity can adopt the guidance using the modified retrospective transition approach beginning in the earliest year presented in the financial statements. This method of adoption would require the restatement of prior periods reported and the presentation of lease disclosures under the new guidance for all periods reported. The additional transition method of adoption introduced by ASU 2018-11, allows entities the option to apply the guidance on the date of adoption by recognizing a cumulative effect adjustment to retained earnings during the period of adoption and does not require prior comparative periods to be restated. The Company is planning to adopt the standard on January 1, 2019, utilizing the practical expedient that allows the Company to not reassess whether an expired or existing contract contains a lease, the classification of leases or initial direct costs as well as the additional transition method of adoption applied on the date of adoption.

The Company formed a lease implementation team and is currently in the contract review and assessment phase to identify and evaluate contracts containing leases. During the assessment phase, the Company will use various analytic methodologies to ensure the completeness of the lease inventory. The Company expects that most of the current operating leases will be subject to the guidance and recognized as operating lease liabilities and right-of-use assets on the Consolidated Balance Sheets upon adoption. The Company continues to evaluate the impact the new guidance will have on lease contracts where the Company is the lessor and, at this time, does not anticipate a significant impact. The Company continues to monitor industry-specific issues as it relates to the regulated businesses, which includes the treatment of land easements. The final resolution of these issues could significantly impact the number of contracts that would be considered a lease under the new guidance. As such, the Company continues to evaluate the potential impact the adoption of the new guidance will have on its results of operations, financial position, cash flows and disclosures.

In January 2018, the FASB issued a practical expedient for land easements under the new lease guidance. The practical expedient permits an entity to elect the option to not evaluate land easements under the new guidance if they existed or expired before the adoption of the new lease guidance and were not previously accounted for as leases under the previous lease guidance. Once an entity adopts the new guidance, the entity should apply the new guidance on a prospective basis to all new or modified land easements. The Company is currently planning to adopt this practical expedient.

**ASU 2017-04 - Simplifying the Test for Goodwill Impairment** In January 2017, the FASB issued guidance on simplifying the test for goodwill impairment by eliminating Step 2, which required an entity to measure the amount of impairment loss by comparing the implied fair value of reporting unit goodwill with the carrying amount of such goodwill. This guidance requires entities to perform a quantitative impairment test, previously Step 1, to identify both the existence of impairment and the amount of impairment loss by comparing the fair value of a reporting unit to its carrying amount. Entities will continue to have the option of performing a qualitative assessment to determine if the quantitative impairment test is necessary. The guidance also requires additional disclosures if an entity has one or more reporting units with zero or negative carrying amounts of net assets. The guidance will be effective for the Company on January 1, 2020, and must be applied on a prospective basis with early adoption permitted. The Company is evaluating the effects the adoption of the new guidance will have on its results of operations, financial position, cash flows and disclosures.

**ASU 2018-07 - Improvements to Nonemployee Share-Based Payment Accounting** In June 2018, the FASB issued guidance on simplifying the accounting for nonemployee share-based payment transactions by expanding the scope of ASC 718, *Compensation - Stock Compensation*, to include share-based payment transactions for acquiring goods and services from nonemployees. The guidance will require nonemployee share-based payment awards be measured at the grant-date fair value of the equity instruments at the grant date. The guidance will be effective for the Company on January 1, 2019, including interim periods, and must be applied using a modified retrospective approach with early adoption permitted. The modified retrospective approach requires an entity to record a cumulative-effect adjustment to retained earnings at the beginning of the year of adoption. The Company is evaluating the effects the adoption of the new guidance will have on the its results of operations, financial position, cash flows and disclosures.

### Note 7 - Comprehensive income (loss)

The after-tax changes in the components of accumulated other comprehensive loss were as follows:

Three Months Ended June 30, 2018	Net Unrealized Gain (Loss) on Derivative Instruments Qualifying as Hedges	Postretirement Liability Adjustment	Foreign Currency Translation Adjustment	Net Unrealized Gain (Loss) on Available-for-sale Investments	Total Accumulated Other Comprehensive Loss
(In thousands)					
Balance at beginning of period	\$ (2,231)	\$ (42,265)	\$ (190)	\$ (174)	\$ (44,860)
Other comprehensive loss before reclassifications	—	—	(59)	(43)	(102)
Amounts reclassified from accumulated other comprehensive loss	95	449	249	34	827
Net current-period other comprehensive income (loss)	95	449	190	(9)	725
Balance at end of period	\$ (2,136)	\$ (41,816)	\$ —	\$ (183)	\$ (44,135)

Three Months Ended June 30, 2017	Net Unrealized Gain (Loss) on Derivative Instruments Qualifying as Hedges	Postretirement Liability Adjustment	Foreign Currency Translation Adjustment	Net Unrealized Gain (Loss) on Available-for-sale Investments	Total Accumulated Other Comprehensive Loss
(In thousands)					
Balance at beginning of period	\$ (2,209)	\$ (33,781)	\$ (140)	\$ (55)	\$ (36,185)
Other comprehensive loss before reclassifications	—	—	(15)	(24)	(39)
Amounts reclassified from accumulated other comprehensive loss	92	312	—	31	435
Net current-period other comprehensive income (loss)	92	312	(15)	7	396
Balance at end of period	\$ (2,117)	\$ (33,469)	\$ (155)	\$ (48)	\$ (35,789)

Six Months Ended June 30, 2018	Net Unrealized Gain (Loss) on Derivative Instruments Qualifying as Hedges	Postretirement Liability Adjustment	Foreign Currency Translation Adjustment	Net Unrealized Gain (Loss) on Available-for-sale Investments	Total Accumulated Other Comprehensive Loss
(In thousands)					
Balance at beginning of period	\$ (1,934)	\$ (35,163)	\$ (155)	\$ (82)	\$ (37,334)
Other comprehensive loss before reclassifications	—	—	(61)	(148)	(209)
Amounts reclassified from accumulated other comprehensive loss	187	867	249	64	1,367
Net current-period other comprehensive income (loss)	187	867	188	(84)	1,158
Reclassification adjustment of prior period tax effects related to TCJA included in accumulated other comprehensive loss	(389)	(7,520)	(33)	(17)	(7,959)
Balance at end of period	\$ (2,136)	\$ (41,816)	\$ —	\$ (183)	\$ (44,135)

Six Months Ended June 30, 2017	Net Unrealized Gain (Loss) on Derivative Instruments Qualifying as Hedges	Postretirement Liability Adjustment	Foreign Currency Translation Adjustment	Net Unrealized Gain (Loss) on Available-for-sale Investments	Total Accumulated Other Comprehensive Loss
(In thousands)					
Balance at beginning of period	\$ (2,300)	\$ (33,221)	\$ (149)	\$ (63)	\$ (35,733)
Other comprehensive loss before reclassifications	—	—	(6)	(51)	(57)
Amounts reclassified from accumulated other comprehensive loss	183	669	—	66	918
Amounts reclassified to accumulated other comprehensive loss from regulatory asset	—	(917)	—	—	(917)
Net current-period other comprehensive income (loss)	183	(248)	(6)	15	(56)
Balance at end of period	\$ (2,117)	\$ (33,469)	\$ (155)	\$ (48)	\$ (35,789)

The following amounts were reclassified out of accumulated other comprehensive loss into net income. The amounts presented in parenthesis indicate a decrease to net income in the Consolidated Statements of Income. The reclassifications were as follows:

	Three Months Ended		Six Months Ended		Location on Consolidated Statements of Income
	June 30,		June 30,		
	2018	2017	2018	2017	
(In thousands)					
Reclassification adjustment for loss on derivative instruments included in net income	\$ (148)	\$ (148)	\$ (296)	\$ (295)	Interest expense
	53	56	109	112	Income taxes
	(95)	(92)	(187)	(183)	
Amortization of postretirement liability losses included in net periodic benefit cost (credit)	(594)	(502)	(1,167)	(1,075)	Other income
	145	190	300	406	Income taxes
	(449)	(312)	(867)	(669)	
Reclassification adjustment for loss on foreign currency translation adjustment included in net income	(324)	—	(324)	—	Other income
	75	—	75	—	Income taxes
	(249)	—	(249)	—	
Reclassification adjustment for loss on available-for-sale investments included in net income	(44)	(48)	(81)	(102)	Other income
	10	17	17	36	Income taxes
	(34)	(31)	(64)	(66)	
<b>Total reclassifications</b>	<b>\$ (827)</b>	<b>\$ (435)</b>	<b>\$ (1,367)</b>	<b>\$ (918)</b>	

## Note 8 - Revenue from contracts with customers

Revenue is recognized when a performance obligation is satisfied by transferring control over a product or service to a customer. Revenue is measured based on consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Company is considered an agent for certain taxes collected from customers. As such, the Company presents revenues net of these taxes at the time of sale to be remitted to governmental authorities, including sales and use taxes.

The electric and natural gas distribution segments generate revenue from the sales of electric and natural gas products and services, which includes retail and transportation services. These segments establish a customer's retail or transportation service account based on the customer's application/contract for service, which indicates approval of a contract for service. The contract identifies an obligation to provide service in exchange for delivering or standing ready to deliver the identified commodity; and the customer is obligated to pay for the service as provided in the applicable tariff. The product sales are based on a fixed rate that includes a base and per-unit rate, which are included in approved tariffs as determined by state or federal regulatory agencies. The quantity of the commodity consumed or transported determines the total per-unit revenue. The service provided, along with the product consumed or transported, are a single performance obligation because both are required in combination to successfully transfer the contracted product or service to the customer. Revenues are recognized over time as customers receive and consume the products and services. The method of measuring progress toward the completion of the single performance obligation is on a per-unit output method basis, with revenue recognized based on the direct measurement of the value to the customer of the goods or services transferred to date. For contracts governed by the Company's utility tariffs, amounts are billed monthly with the amount due between 15 and 22 days of receipt of the invoice depending on the applicable state's tariff. For other contracts not governed by tariff, payment terms are net thirty days. At this time, the segment has no material obligations for returns, refunds or other similar obligations.

The pipeline and midstream segment generates revenue from providing natural gas transportation, gathering and underground storage services as well as other energy-related services to both third parties and internal customers, largely the natural gas distribution segment. The pipeline and midstream segment establishes a contract with a customer based upon the customer's request for firm or interruptible natural gas transportation, storage or gathering service(s). The contract identifies an obligation for the segment to provide the requested service(s) in exchange for consideration from the customer over a specified term. Depending on the type of service(s) requested and contracted, the service provided may include transporting, gathering or storing an identified quantity of natural gas and/or standing ready to deliver or store an identified quantity of natural gas. Natural gas transportation, gathering and storage revenues are based on fixed rates, which may include reservation fees and/or per-unit commodity rates. The services provided by the segment are generally treated as single performance obligations satisfied over time simultaneous to when the service is provided and revenue is recognized. Rates for the segment's regulated services are based on its FERC approved tariff or customer negotiated rates on special projects, and rates for its non-regulated services are negotiated

with its customers and set forth in the contract. For contracts governed by the company's tariff, amounts are billed on or before the ninth business day of the following month and the amount is due within twelve days of receipt of the invoice. For gathering contracts not governed by the tariff, amounts are due within twenty days of invoice receipt. For other contracts not governed by the tariff, payment terms are net thirty days. At this time, the segment has no material obligations for returns, refunds or other similar obligations.

The construction materials and contracting segment generates revenue from contracting services and construction materials sales. This segment focuses on the vertical integration of its contracting services with its construction materials to support the aggregate based product lines. This segment provides contracting services to a customer when a contract has been signed by both the customer and a representative of the segment obligating a service to be provided in exchange for the consideration identified in the contract. The nature of the services this segment provides generally includes integrating a set of services and related construction materials into a single project to create a distinct bundle of goods and services, which the Company evaluated and determined to be single performance obligations. The transaction price is the original contract price plus any subsequent change orders and variable consideration. Examples of variable consideration that exist in this segment's contracts include liquidated damages; performance bonuses or incentives and penalties; and index pricing. The variable amounts usually arise upon achievement of certain performance metrics. The Company estimates variable consideration at the most likely amount expected. Revenue is recognized over time using the input method based on the measurement of progress on a project. The input method is the preferred method of measuring revenue because the costs incurred have been determined to represent the best indication of the overall progress toward the transfer of such goods or services promised to a customer. This segment also sells construction materials to third parties and internal customers. The contract for material sales is the use of a sales order or an invoice, which includes the pricing and payment terms. All material contracts contain a single performance obligation for the delivery of a single distinct product or a distinct separately identifiable bundle of products and services. Revenue is recognized at a point in time when the performance obligation has been satisfied with the delivery of the products or services. The warranties associated with the sales are those consistent with a standard warranty that the product meets certain specifications for quality or those required by law. For most contracts, amounts billed to customers are due within thirty days of receipt. There are no material obligations for returns, refunds or other similar obligations.

The construction services segment generates revenue from specialty contracting services which also includes the sale of construction equipment and other supplies. This segment provides specialty contracting services to a customer when a contract has been signed by both the customer and a representative of the segment obligating a service to be provided in exchange for the consideration identified in the contract. The nature of the services this segment provides generally includes multiple promised goods and services in a single project to create a distinct bundle of goods and services, which the Company evaluates to determine whether a separate performance obligation exists. The transaction price is the original contract price plus any subsequent change orders and variable consideration. Examples of variable consideration that exist in this segment's contracts include unapproved/unpriced change orders, bonuses, incentives, penalties and liquidated damages. The variable amounts usually arise upon achievement of certain performance metrics. The Company estimates variable consideration at the most likely amount expected. Revenue is recognized over time using the input method based on the measurement of progress on a project. The input method is the preferred method of measuring revenue because the costs incurred have been determined to represent the best indication of the overall progress toward the transfer of such goods or services promised to a customer. This segment also sells construction equipment and other supplies to third parties and internal customers. The contract for these sales is the use of a sales order or invoice, which includes the pricing and payment terms. All such contracts include a single performance obligation for the delivery of a single distinct product or a distinct separately identifiable bundle of products and services. Revenue is recognized at a point in time when the performance obligation has been satisfied with the delivery of the products or services. The warranties associated with the sales are those consistent with a standard warranty that the product meets certain specifications for quality or those required by law. For most contracts, amounts billed to customers are due within thirty days of receipt. There are no material obligations for returns, refunds or other similar obligations.

The Company recognizes all other revenues when services are rendered or goods are delivered.

## Disaggregation

In the following table, revenue is disaggregated by the type of customer or service provided. The Company believes this level of disaggregation best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The table also includes a reconciliation of the disaggregated revenue by reportable segments. For more information on the Company's business segments, see Note 14.

Three Months Ended June 30, 2018	Electric	Natural gas distribution	Pipeline and midstream	Construction materials and contracting	Construction services	Other	Total
(in thousands)							
Residential utility sales	\$ 26,752	\$ 68,688	\$ —	\$ —	\$ —	\$ —	95,440
Commercial utility sales	32,676	40,820	—	—	—	—	73,496
Industrial utility sales	8,226	5,227	—	—	—	—	13,453
Other utility sales	1,874	—	—	—	—	—	1,874
Natural gas transportation	—	10,084	21,287	—	—	—	31,371
Natural gas gathering	—	—	2,310	—	—	—	2,310
Natural gas storage	—	—	2,634	—	—	—	2,634
Contracting services	—	—	—	247,558	—	—	247,558
Construction materials	—	—	—	387,632	—	—	387,632
Intrasegment eliminations*	—	—	—	(125,567)	—	—	(125,567)
Inside specialty contracting	—	—	—	—	216,371	—	216,371
Outside specialty contracting	—	—	—	—	95,261	—	95,261
Other	8,425	3,614	4,326	—	103	2,757	19,225
Intersegment eliminations	—	—	(6,539)	(235)	(540)	(2,667)	(9,981)
Revenues from contracts with customers	77,953	128,433	24,018	509,388	311,195	90	1,051,077
Revenues out of scope	546	1,107	42	—	11,825	—	13,520
Total external operating revenues	\$ 78,499	\$ 129,540	\$ 24,060	\$ 509,388	\$ 323,020	\$ 90	\$ 1,064,597

\* Intrasegment revenues are presented within the construction materials and contracting segment to highlight the focus on vertical integration as this segment sells materials to both third parties and internal customers. Due to consolidation requirements, these revenues must be eliminated against construction materials to arrive at the external operating revenue total for the segment.

Six Months Ended June 30, 2018	Electric	Natural gas distribution	Pipeline and midstream	Construction materials and contracting	Construction services	Other	Total
(in thousands)							
Residential utility sales	\$ 61,935	\$ 261,574	\$ —	\$ —	\$ —	\$ —	323,509
Commercial utility sales	67,377	157,711	—	—	—	—	225,088
Industrial utility sales	16,996	13,036	—	—	—	—	30,032
Other utility sales	3,710	—	—	—	—	—	3,710
Natural gas transportation	—	21,263	43,105	—	—	—	64,368
Natural gas gathering	—	—	4,580	—	—	—	4,580
Natural gas storage	—	—	5,768	—	—	—	5,768
Contracting services	—	—	—	321,622	—	—	321,622
Construction materials	—	—	—	561,223	—	—	561,223
Intrasegment							

eliminations*	—	—	—	(159,837)	—	—	(159,837)
Inside specialty contracting	—	—	—	—	450,192	—	450,192
Outside specialty contracting	—	—	—	—	182,442	—	182,442
Other	16,678	7,613	7,652	—	17	5,452	37,412
Intersegment eliminations	—	—	(28,298)	(336)	(550)	(5,306)	(34,490)
Revenues from contracts with customers	166,696	461,197	32,807	722,672	632,101	146	2,015,619
Revenues out of scope	(792)	1,007	86	—	24,970	—	25,271
Total external operating revenues	\$ 165,904	\$ 462,204	\$ 32,893	\$ 722,672	\$ 657,071	\$ 146	\$ 2,040,890

\* Intra-segment revenues are presented within the construction materials and contracting segment to highlight the focus on vertical integration as this segment sells materials to both third parties and internal customers. Due to consolidation requirements, these revenues must be eliminated against construction materials to arrive at the external operating revenue total for the segment.

## Contract balances

The timing of revenue recognition may differ from the timing of invoicing to customers. Contracts from contracting services are billed as work progresses in accordance with agreed upon contractual terms. Generally, billing to the customer occurs contemporaneous to revenue recognition. A variance in timing of the billings may result in a contract asset or a contract liability. A contract asset occurs when revenues are recognized under the cost-to-cost measure of progress, which exceeds amounts billed on uncompleted contracts. Such amounts will be billed as standard contract terms allow, usually based on various measures of performance or achievement. A contract liability occurs when there are billings in excess of revenues recognized under the cost-to-cost measure of progress on uncompleted contracts. Contract liabilities decrease as revenue is recognized from the satisfaction of the related performance obligation. The changes in contract assets and liabilities were as follows:

	June 30, 2018	December 31, 2017	Change	Location on Consolidated Balance Sheets
(In thousands)				
Contract assets	\$ 153,732	\$ 109,540	\$ 44,192	Receivables, net
Contract liabilities - current	(90,478)	(84,123)	(6,355)	Accounts payable
Contract liabilities - noncurrent	(399)	—	(399)	Deferred credits and other liabilities - other
Net contract assets	\$ 62,855	\$ 25,417	\$ 37,438	

At June 30, 2018, the Company's net contract assets increased \$37.4 million compared to December 31, 2017. Included in the change of total contract assets (liabilities) was an increase in contract assets due to revenue recognized in excess of billings on contracts and an increase in contract liabilities due to billings on contracts in excess of revenues recognized. The Company recognized \$16.9 million and \$68.9 million in revenue for the three and six months ended June 30, 2018, respectively, which was previously included in contract liabilities at December 31, 2017. The Company recognized \$2.6 million and \$5.3 million in revenue for the three and six months ended June 30, 2018, respectively, from performance obligations satisfied in prior periods.

## Note 9 - Acquisitions

On April 23, 2018, the Company acquired an aggregate producer, which provides crushed rock and gravel to construction and retail customers in Oregon. On June 4, 2018, the Company acquired a general contractor and aggregate, asphalt and ready-mixed concrete supplier in Minnesota. The gross aggregate consideration for these acquisitions was \$21.1 million in cash, subject to certain adjustments, and 713,948 shares of common stock with a market value of \$20.1 million as of the respective acquisition date. Due to the holding period restriction on the common stock, the shares have been discounted to a fair value of approximately \$18.0 million, as reflected in the Company's financial statements.

The above acquisitions are considered business combinations and the Company has preliminarily allocated the purchase price of the acquisitions to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition dates. The excess of the purchase price over the aggregate fair values was recorded as goodwill. The Company calculated the fair value of the assets acquired using the income, market or cost approach (or a combination thereof). Fair values for some of the assets were determined based on Level 3 inputs including estimated future cash flows, discount rates, growth rates, sales projections, retention rates and terminal values, all of which require significant management judgment and are susceptible to change. The purchase price allocation is based upon preliminary information and is subject to change if additional information about the facts and circumstances that existed at the acquisition date becomes available. The final fair value of the net assets acquired may result in adjustments to the assets and liabilities, including goodwill. However, any subsequent measurement period adjustments are not expected to have a material impact on the Company's results of operations. The discount rate used in calculating the fair value of the common stock issued was determined by a Black-Scholes-Merton model. The model used Level 2 inputs including risk-free interest rate, volatility range and dividend yield. The results of the acquired businesses have been included in the Company's construction materials and contracting segment and consolidated financial statements beginning on the acquisition dates. Pro forma financial amounts reflecting the effects of the above acquisitions are not presented, as such acquisitions were not material to the Company's financial position or results of operations.

## Note 10 - Discontinued operations

The assets and liabilities of the Company's discontinued operations have been classified as held for sale and the results of operations are shown in income (loss) from discontinued operations, other than certain general and administrative costs and interest expense which do not meet the criteria for income (loss) from discontinued operations. At the time the assets were classified as held for sale, depreciation, depletion and amortization expense was no longer recorded.

**Dakota Prairie Refining** On June 24, 2016, WBI Energy entered into a membership interest purchase agreement with Tesoro to sell all of the outstanding membership interests in Dakota Prairie Refining to Tesoro. WBI Energy and Calumet each previously owned 50 percent of the Dakota Prairie Refining membership interests and were equal members in building and operating Dakota Prairie Refinery. To effectuate the sale, WBI Energy acquired Calumet's 50 percent membership interest in Dakota Prairie Refining on June 27, 2016. The sale of the membership interests to Tesoro closed on June 27, 2016. The sale of Dakota Prairie Refining reduced the Company's risk by decreasing exposure to commodity prices. As of June 30, 2018, Dakota Prairie Refining incurred no material exit and disposal costs, and does not expect to incur any future material exit and disposal costs.

Centennial continues to guarantee certain debt obligations of Dakota Prairie Refining; however, Tesoro has agreed to indemnify Centennial for any losses and litigation expenses arising from the guarantee. For more information related to the guarantee, see Note 17.

The carrying amounts of the major classes of assets and liabilities classified as held for sale, related to the operations of and activity associated with Dakota Prairie Refining, on the Consolidated Balance Sheets were as follows:

	June 30, 2018	June 30, 2017	December 31, 2017
(In thousands)			
<b>Assets</b>			
<b>Current assets:</b>			
Income taxes receivable (a)	\$ 1,689	\$ 5,552	\$ 1,778
<b>Total current assets held for sale</b>	<b>1,689</b>	<b>5,552</b>	<b>1,778</b>
<b>Total assets held for sale</b>	<b>\$ 1,689</b>	<b>\$ 5,552</b>	<b>\$ 1,778</b>
<b>Liabilities</b>			
<b>Noncurrent liabilities:</b>			
Deferred income taxes (b)	\$ 37	\$ 55	\$ 37
<b>Total noncurrent liabilities held for sale</b>	<b>37</b>	<b>55</b>	<b>37</b>
<b>Total liabilities held for sale</b>	<b>\$ 37</b>	<b>\$ 55</b>	<b>\$ 37</b>

(a) On the Company's Consolidated Balance Sheets, these amounts were reclassified to taxes payable and are reflected in current liabilities held for sale.

(b) On the Company's Consolidated Balance Sheets, these amounts were reclassified to deferred charges and other assets - deferred income taxes and are reflected in noncurrent assets held for sale.

**Fidelity** In the second quarter of 2015, the Company began the marketing and sale process of Fidelity with an anticipated sale to occur within one year. Between September 2015 and March 2016, the Company entered into purchase and sale agreements to sell substantially all of Fidelity's oil and natural gas assets. The completion of these sales occurred between October 2015 and April 2016. In July 2018, the Company completed the sale of a majority of the remaining property, plant and equipment. The sale of Fidelity was part of the Company's strategic plan to grow its capital investments in the remaining business segments and to focus on creating a greater long-term value.

The carrying amounts of the major classes of assets and liabilities classified as held for sale, related to the operations of Fidelity, on the Consolidated Balance Sheets were as follows:

	June 30, 2018	June 30, 2017	December 31, 2017
(In thousands)			
<b>Assets</b>			
<b>Current assets:</b>			
Receivables, net	\$ 572	\$ 328	\$ 479
<b>Total current assets held for sale</b>	<b>572</b>	<b>328</b>	<b>479</b>
<b>Noncurrent assets:</b>			
Net property, plant and equipment	1,236	2,064	1,631
Deferred income taxes	2,637	74,013	2,637
Other	162	161	161
<b>Total noncurrent assets held for sale</b>	<b>4,035</b>	<b>76,238</b>	<b>4,429</b>
<b>Total assets held for sale</b>	<b>\$ 4,607</b>	<b>\$ 76,566</b>	<b>\$ 4,908</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ —	\$ 138	\$ 30
Taxes payable	10,656	7,171	10,857
Other accrued liabilities	2,746	2,724	2,884
<b>Total current liabilities held for sale</b>	<b>13,402</b>	<b>10,033</b>	<b>13,771</b>
<b>Total liabilities held for sale</b>	<b>\$ 13,402</b>	<b>\$ 10,033</b>	<b>\$ 13,771</b>

The Company's deferred tax assets included in assets held for sale were largely comprised of federal and state net operating loss carryforwards. The Company realized substantially all of the outstanding net operating loss carryforwards in 2017.

The Company has incurred \$10.5 million of exit and disposal costs to date. As of June 30, 2018, the Company has incurred no exit and disposal costs for the year. As of June 30, 2017, the Company had incurred no exit and disposal costs for the year. The Company does not expect to incur any additional material exit and disposal costs. The exit and disposal costs are associated with severance and other related matters.

**Dakota Prairie Refining and Fidelity** The reconciliation of the major classes of income and expense constituting pretax income (loss) from discontinued operations, which includes Dakota Prairie Refining and Fidelity, to the after-tax income (loss) from discontinued operations on the Consolidated Statements of Income was as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
(In thousands)				
Operating revenues	\$ 75	\$ 130	\$ 140	\$ 235
Operating expenses	435	1,205	609	(5,372)
Operating income (loss)	(360)	(1,075)	(469)	5,607
Other income (expense)	—	3	12	(13)
Interest expense	—	239	575	239
Income (loss) from discontinued operations before income taxes	(360)	(1,311)	(1,032)	5,355
Income taxes	(87)	1,879 *	(1,235)	6,859 *
Income (loss) from discontinued operations	\$ (273)	\$ (3,190)	\$ 203	\$ (1,504)

\* Includes the eliminations for the presentation of income tax adjustments between continuing and discontinued operations.

The Company retained certain liabilities of Dakota Prairie Refining. In the first quarter of 2017, the Company recorded a reversal of the previously accrued liability of \$7.0 million (\$4.3 million after tax) due to the resolution of a legal matter.

## Note 11 - Goodwill and other intangible assets

The changes in the carrying amount of goodwill were as follows:

Six Months Ended June 30, 2018	Balance at January 1, 2018	Goodwill Acquired During the Year*	Balance at June 30, 2018
(In thousands)			
Natural gas distribution	\$ 345,736	\$ —	\$ 345,736
Construction materials and contracting	176,290	10,583	186,873
Construction services	109,765	—	109,765
Total	\$ 631,791	\$ 10,583	\$ 642,374

\* Relates to business acquisitions that occurred during the period, as discussed in Note 9.

Six Months Ended June 30, 2017	Balance at January 1, 2017	Goodwill Acquired During the Year	Balance at June 30, 2017
(In thousands)			
Natural gas distribution	\$ 345,736	\$ —	\$ 345,736
Construction materials and contracting	176,290	—	176,290
Construction services	109,765	—	109,765
Total	\$ 631,791	\$ —	\$ 631,791

Year Ended December 31, 2017	Balance at January 1, 2017	Goodwill Acquired During the Year	Balance at December 31, 2017
(In thousands)			
Natural gas distribution	\$ 345,736	\$ —	\$ 345,736
Construction materials and contracting	176,290	—	176,290
Construction services	109,765	—	109,765
Total	\$ 631,791	\$ —	\$ 631,791

Other amortizable intangible assets were as follows:

	June 30, 2018	June 30, 2017	December 31, 2017
(In thousands)			
Customer relationships	\$ 15,587	\$ 15,745	\$ 15,248
Less accumulated amortization	13,191	13,302	13,382
	2,396	2,443	1,866
Noncompete agreements	2,546	2,430	2,430
Less accumulated amortization	1,877	1,732	1,805
	669	698	625
Other	6,458	7,086	6,990
Less accumulated amortization	5,333	5,442	5,644
	1,125	1,644	1,346
Total	\$ 4,190	\$ 4,785	\$ 3,837

Amortization expense for amortizable intangible assets for the three and six months ended June 30, 2018, was \$300,000 and \$700,000, respectively. Amortization expense for amortizable intangible assets for the three and six months ended June 30, 2017, was \$600,000 and \$1.2 million, respectively. Estimated amortization expense for amortizable intangible assets is \$1.4 million in 2018, \$1.1 million in 2019, \$600,000 in

2020, \$400,000 in 2021, \$400,000 in 2022 and \$1.0 million thereafter.

## Note 12 - Fair value measurements

The Company measures its investments in certain fixed-income and equity securities at fair value with changes in fair value recognized in income. The Company anticipates using these investments, which consist of an insurance contract, to satisfy its obligations under its unfunded, nonqualified benefit plans for executive officers and certain key management employees, and invests in these fixed-income and equity securities for the purpose of earning investment returns and capital appreciation. These investments, which totaled \$78.3 million, \$73.1 million and \$77.4 million, at June 30, 2018 and 2017, and December 31, 2017, respectively, are classified as investments on the Consolidated Balance Sheets. The net unrealized gains on these investments were \$1.4 million and \$900,000 for the three and six months ended June 30, 2018, respectively. The net unrealized gains on these investments were \$2.1 million and \$5.0 million for the three and six months ended June 30, 2017, respectively. The change in fair value, which is considered part of the cost of the plan, is classified in other income on the Consolidated Statements of Income. In connection with the adoption of ASU 2017-07, as discussed in Note 6, the Company has elected to reclassify prior period unrealized gains from operation and maintenance expense to other income on the Consolidated Statements of Income.

The Company did not elect the fair value option, which records gains and losses in income, for its available-for-sale securities. The available-for-sale securities include mortgage-backed securities and U.S. Treasury securities. These available-for-sale securities are recorded at fair value and are classified as investments on the Consolidated Balance Sheets. Unrealized gains or losses are recorded in accumulated other comprehensive income (loss). Details of available-for-sale securities were as follows:

June 30, 2018	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Mortgage-backed securities	\$ 10,015	\$ 6	\$ 236	\$ 9,785
U.S. Treasury securities	242	—	2	240
Total	\$ 10,257	\$ 6	\$ 238	\$ 10,025

June 30, 2017	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Mortgage-backed securities	\$ 9,743	\$ 13	\$ 86	\$ 9,670
U.S. Treasury securities	613	—	—	613
Total	\$ 10,356	\$ 13	\$ 86	\$ 10,283

December 31, 2017	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Mortgage-backed securities	\$ 10,342	\$ 4	\$ 129	\$ 10,217
U.S. Treasury securities	205	—	1	204
Total	\$ 10,547	\$ 4	\$ 130	\$ 10,421

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The fair value ASC establishes a hierarchy for grouping assets and liabilities, based on the significance of inputs.

The estimated fair values of the Company's assets and liabilities measured on a recurring basis are determined using the market approach.

The Company's Level 2 money market funds are valued at the net asset value of shares held at the end of the quarter, based on published market quotations on active markets, or using other known sources including pricing from outside sources.

The estimated fair value of the Company's Level 2 mortgage-backed securities and U.S. Treasury securities are based on comparable market transactions, other observable inputs or other sources, including pricing from outside sources.

The estimated fair value of the Company's Level 2 insurance contract is based on contractual cash surrender values that are determined primarily by investments in managed separate accounts of the insurer. These amounts approximate fair value. The managed separate accounts are valued based on other observable inputs or corroborated market data.

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value. For the six months ended June 30, 2018 and 2017, there were no transfers between Levels 1 and 2.

The Company's assets and liabilities measured at fair value on a recurring basis were as follows:

	Fair Value Measurements at June 30, 2018, Using			Balance at June 30, 2018
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(In thousands)				
Assets:				
Money market funds	\$ —	\$ 9,904	\$ —	\$ 9,904
Insurance contract*	—	78,312	—	78,312
Available-for-sale securities:				
Mortgage-backed securities	—	9,785	—	9,785
U.S. Treasury securities	—	240	—	240
<b>Total assets measured at fair value</b>	<b>\$ —</b>	<b>\$ 98,241</b>	<b>\$ —</b>	<b>\$ 98,241</b>

\* The insurance contract invests approximately 48 percent in fixed-income investments, 23 percent in common stock of large-cap companies, 13 percent in common stock of mid-cap companies, 11 percent in common stock of small-cap companies, 3 percent in target date investments and 2 percent in cash equivalents.

	Fair Value Measurements at June 30, 2017, Using			Balance at June 30, 2017
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(In thousands)				
Assets:				
Money market funds	\$ —	\$ 5,882	\$ —	\$ 5,882
Insurance contract*	—	73,126	—	73,126
Available-for-sale securities:				
Mortgage-backed securities	—	9,670	—	9,670
U.S. Treasury securities	—	613	—	613
<b>Total assets measured at fair value</b>	<b>\$ —</b>	<b>\$ 89,291</b>	<b>\$ —</b>	<b>\$ 89,291</b>

\* The insurance contract invests approximately 50 percent in fixed-income investments, 23 percent in common stock of large-cap companies, 13 percent in common stock of mid-cap companies, 11 percent in common stock of small-cap companies, 2 percent in target date investments and 1 percent in cash equivalents.

	Fair Value Measurements at December 31, 2017, Using			Balance at December 31, 2017
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(In thousands)				
Assets:				
Money market funds	\$ —	\$ 6,965	\$ —	\$ 6,965
Insurance contract*	—	77,388	—	77,388
Available-for-sale securities:				
Mortgage-backed securities	—	10,217	—	10,217
U.S. Treasury securities	—	204	—	204
<b>Total assets measured at fair value</b>	<b>\$ —</b>	<b>\$ 94,774</b>	<b>\$ —</b>	<b>\$ 94,774</b>

\* The insurance contract invests approximately 49 percent in fixed-income investments, 23 percent in common stock of large-cap companies, 14 percent in common stock of mid-cap companies, 11 percent in common stock of small-cap companies, 2 percent in target date investments and 1 percent in cash equivalents.

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The Company's long-term debt is not measured at fair value on the Consolidated Balance Sheets and the fair value is being provided for disclosure purposes only. The fair value was based on discounted future cash flows using current market interest rates. The estimated fair value of the Company's Level 2 long-term debt was as follows:

	Carrying Amount	Fair Value
	(In thousands)	
Long-term debt at June 30, 2018	\$ 1,852,910	\$ 1,949,564
Long-term debt at June 30, 2017	\$ 1,761,476	\$ 1,864,884
Long-term debt at December 31, 2017	\$ 1,714,853	\$ 1,826,256

The carrying amounts of the Company's remaining financial instruments included in current assets and current liabilities approximate their fair values.

### **Note 13 - Cash flow information**

Cash expenditures for interest and income taxes were as follows:

	Six Months Ended	
	June 30,	
	2018	2017
	(In thousands)	
Interest, net*	\$ 39,467	\$ 39,207
Income taxes paid, net**	\$ 4,034	\$ 32,388

\* AFUDC - borrowed was \$1.0 million and \$418,000 for the six months ended June 30, 2018 and 2017, respectively.

\*\* Income taxes paid (refunded), net of discontinued operations, were \$3.1 million and \$(3.6) million for the six months ended June 30, 2018 and 2017, respectively.

Noncash investing and financing transactions were as follows:

	June 30,	
	2018	2017
	(In thousands)	
Property, plant and equipment additions in accounts payable	\$ 30,985	\$ 10,449
Issuance of common stock in connection with acquisition	\$ 17,993	—

### **Note 14 - Business segment data**

The Company's reportable segments are those that are based on the Company's method of internal reporting, which generally segregates the strategic business units due to differences in products, services and regulation. The internal reporting of these operating segments is defined based on the reporting and review process used by the Company's chief executive officer. The vast majority of the Company's operations are located within the United States.

The electric segment generates, transmits and distributes electricity in Montana, North Dakota, South Dakota and Wyoming. The natural gas distribution segment distributes natural gas in those states as well as in Idaho, Minnesota, Oregon and Washington. These operations also supply related value-added services.

The pipeline and midstream segment provides natural gas transportation, underground storage and gathering services through regulated and nonregulated pipeline systems primarily in the Rocky Mountain and northern Great Plains regions of the United States. This segment also provides cathodic protection and other energy-related services.

The construction materials and contracting segment operations mine, process and sell construction aggregates (crushed stone, sand and gravel); produce and sell asphalt mix; and supply ready-mixed concrete. This segment focuses on vertical integration of its contracting services with its construction materials to support the aggregate based product lines including aggregate placement, asphalt and concrete paving, and site development and grading. Although not common to all locations, other products include the sale of cement, liquid asphalt for various commercial and roadway applications, various finished concrete products and other building materials and related contracting services. This segment operates in the central, southern and western United States and Alaska and Hawaii.

The construction services segment provides inside and outside specialty contracting services. Its outside services include design, construction and maintenance of overhead and underground electrical distribution and transmission lines, substations, external lighting, traffic signalization,

and gas pipelines, as well as utility excavation and the manufacture and distribution of transmission

line construction equipment. Its inside services include design, construction and maintenance of electrical and communication wiring and infrastructure, fire suppression systems, and mechanical piping and services. This segment also constructs and maintains renewable energy projects. These specialty contracting services are provided to utilities and large manufacturing, commercial, industrial, institutional and government customers.

The Other category includes the activities of Centennial Capital, which insures various types of risks as a captive insurer for certain of the Company's subsidiaries. The function of the captive insurer is to fund the self-insured layers of the insured Company's general liability, automobile liability, pollution liability and other coverages. Centennial Capital also owns certain real and personal property. The Other category also includes certain general and administrative costs (reflected in operation and maintenance expense) and interest expense which were previously allocated to the refining business and Fidelity and do not meet the criteria for income (loss) from discontinued operations. The Other category also includes Centennial Resources' former investment in Brazil.

Discontinued operations includes the results and supporting activities of Dakota Prairie Refining and Fidelity other than certain general and administrative costs and interest expense as described above. For more information on discontinued operations, see Note 10.

The information below follows the same accounting policies as described in Note 1 of the Company's Notes to Consolidated Financial Statements in the 2017 Annual Report. Information on the Company's segments was as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	(In thousands)			
External operating revenues:				
Regulated operations:				
Electric	\$ 78,499	\$ 74,574	\$ 165,904	\$ 162,799
Natural gas distribution	129,540	131,592	462,204	474,111
Pipeline and midstream	18,645	19,319	23,035	22,190
	226,684	225,485	651,143	659,100
Nonregulated operations:				
Pipeline and midstream	5,415	4,520	9,858	8,163
Construction materials and contracting	509,388	501,426	722,672	702,203
Construction services	323,020	336,009	657,071	635,580
Other	90	199	146	519
	837,913	842,154	1,389,747	1,346,465
Total external operating revenues	\$ 1,064,597	\$ 1,067,639	\$ 2,040,890	\$ 2,005,565
Intersegment operating revenues:				
Regulated operations:				
Electric	\$ —	\$ —	\$ —	\$ —
Natural gas distribution	—	—	—	—
Pipeline and midstream	6,446	6,353	28,182	27,841
	6,446	6,353	28,182	27,841
Nonregulated operations:				
Pipeline and midstream	93	59	116	93
Construction materials and contracting	235	172	336	258
Construction services	540	295	550	301
Other	2,667	1,758	5,306	3,501
	3,535	2,284	6,308	4,153
Intersegment eliminations	(9,981)	(8,637)	(34,490)	(31,994)
Total intersegment operating revenues	\$ —	\$ —	\$ —	\$ —

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
(In thousands)				
<b>Earnings (loss) on common stock:</b>				
Regulated operations:				
Electric	\$ 9,133	\$ 7,859	\$ 22,216	\$ 22,191
Natural gas distribution	(6,852)	(2,797)	25,771	25,064
Pipeline and midstream	5,240	5,492	10,699	10,048
	7,521	10,554	58,686	57,303
Nonregulated operations:				
Pipeline and midstream	467	(238)	288	(865)
Construction materials and contracting	24,336	21,168	815	1,255
Construction services	14,088	12,391	29,179	19,753
Other	(2,337)	(2,163)	(2,932)	(2,440)
	36,554	31,158	27,350	17,703
Intersegment eliminations*	—	2,093	—	4,266
Earnings on common stock before income (loss) from discontinued operations	44,075	43,805	86,036	79,272
Income (loss) from discontinued operations, net of tax*	(273)	(3,190)	203	(1,504)
Total earnings on common stock	\$ 43,802	\$ 40,615	\$ 86,239	\$ 77,768

\* Includes the eliminations for the presentation of income tax adjustments between continuing and discontinued operations.

## Note 15 - Employee benefit plans

### Pension and other postretirement plans

The Company has qualified defined benefit pension plans and other postretirement benefit plans for certain eligible employees. Components of net periodic benefit cost (credit) for the Company's pension and other postretirement benefit plans were as follows:

Three Months Ended June 30,	Pension Benefits		Other Postretirement Benefits	
	2018	2017	2018	2017
	(In thousands)			
Components of net periodic benefit cost (credit):				
Service cost	\$ —	\$ —	\$ 340	\$ 306
Interest cost	3,488	4,089	672	825
Expected return on assets	(5,379)	(5,234)	(1,266)	(1,175)
Amortization of prior service credit	—	—	(348)	(343)
Amortization of net actuarial loss	1,721	1,385	82	100
Net periodic benefit cost (credit), including amount capitalized	(170)	240	(520)	(287)
Less amount capitalized	—	73	43	(114)
Net periodic benefit cost (credit)	\$ (170)	\$ 167	\$ (563)	\$ (173)

Six Months Ended June 30,	Pension Benefits		Other Postretirement Benefits	
	2018	2017	2018	2017
	(In thousands)			
Components of net periodic benefit cost (credit):				
Service cost	\$ —	\$ —	\$ 747	\$ 753
Interest cost	7,295	8,103	1,450	1,633
Expected return on assets	(10,377)	(10,263)	(2,433)	(2,320)
Amortization of prior service credit	—	—	(697)	(686)
Amortization of net actuarial loss	3,503	3,178	320	436
Net periodic benefit cost (credit), including amount capitalized	421	1,018	(613)	(184)
Less amount capitalized	—	180	83	(153)
Net periodic benefit cost (credit)	\$ 421	\$ 838	\$ (696)	\$ (31)

In accordance with ASU 2017-07, the components of net periodic benefit cost (credit), other than the service cost component, are included in other income on the Consolidated Statements of Income.

### Nonqualified defined benefit plans

In addition to the qualified defined benefit pension plans reflected in the table, the Company also has unfunded, nonqualified defined benefit plans for executive officers and certain key management employees that generally provide for defined benefit payments at age 65 following the employee's retirement or, upon death, to their beneficiaries for a 15-year period. In February 2016, the Company froze the unfunded, nonqualified defined benefit plans to new participants and eliminated benefit increases. Vesting for participants not fully vested was retained. The Company's net periodic benefit cost for these plans for the three and six months ended June 30, 2018, was \$1.1 million and \$2.2 million, respectively. The Company's net periodic benefit cost for these plans for the three and six months ended June 30, 2017, was \$1.1 million and \$2.3 million, respectively. In accordance with ASU 2017-07, the components of net periodic benefit cost for these plans, which does not contain any service costs, have been classified as other income on the Consolidated Statements of Income.

### Note 16 - Regulatory matters

The Company regularly reviews the need for electric and natural gas rate changes in each of the jurisdictions in which service is provided. The Company files for rate adjustments to seek recovery of operating costs and capital investments, as well as reasonable returns as allowed by regulators. The Company's most recent cases by jurisdiction are discussed in the following paragraphs. The jurisdictions in which the Company provides service have requested the Company furnish plans for the effect of the reduced corporate tax rate due to the enactment of the TCJA which may impact the Company's rates. The following paragraphs include additional details and statuses of each jurisdiction's request.

#### IPUC

On January 17, 2018, the IPUC issued a general order initiating the investigation of the impacts of the TCJA. The order required the tax rate reduction to be deferred as a regulatory liability and for companies to report on the expected impacts of the TCJA by March 30, 2018. On March 12, 2018, the Idaho governor signed into law a decrease in the state corporate income tax rate from 7.4 percent to 6.9 percent retroactive to January 1, 2018. On March 23, 2018, Intermountain filed an application and supporting tariffs incorporating the effects of the decreases in both federal and state income taxes resulting in a decrease in revenues of approximately \$5.0 million annually. A regulatory liability was recorded beginning on January 1, 2018, to capture the customer benefits associated with the lower taxes. On May 10, 2018, a rate reduction settlement was reached and filed with the IPUC reflecting a revised annual revenue reduction of approximately \$5.1 million or approximately 2.3 percent, which represents the tax benefit Intermountain will be returning to customers. On May 31, 2018, the IPUC approved the settlement with rates effective June 1, 2018.

#### MNPUC

On December 29, 2017, the MNPUC issued a notice of investigation related to tax changes with the enactment of the TCJA. On January 19, 2018, the MNPUC issued a notice of request for information, commission planning meeting and subsequent comment period. Pursuant to the notice, Great Plains provided preliminary impacts of the TCJA on January 30, 2018. On March 2, 2018, Great Plains submitted its initial filing addressing the impacts of the TCJA and is advocating existing rates are reasonable and a reduction in rates is not warranted. A hearing is scheduled for August 9, 2018. This matter is pending before the MNPUC.

#### MTPSC

On September 25, 2017, Montana-Dakota filed an application with the MTPSC for a natural gas rate increase of approximately \$2.8 million annually or approximately 4.1 percent above current rates. The requested increase is primarily to recover the increased investment in distribution facilities to enhance system safety and reliability and the depreciation and taxes associated with the increase in investment. Montana-Dakota also introduced a SSIP and the proposed adjustment mechanism required to fund the SSIP. Montana-Dakota requested an interim increase of approximately \$1.6 million or approximately 2.3 percent, subject

to refund. On December 27, 2017, the MTPSC requested Montana-Dakota identify a plan for the impacts of the TCJA for the natural gas segment within the existing natural gas rate case. On January 12, 2018, Montana-Dakota filed a revised interim increase of approximately \$764,000, subject to refund, incorporating the estimated impacts of the TCJA reduction in the federal corporate income tax rate. On February 23, 2018, supplemental testimony, regarding the effects of the TCJA, was submitted reducing Montana-Dakota's initial request of approximately \$2.8 million to approximately \$1.6 million. On March 6, 2018, the interim request for rate relief was denied by the MTPSC. On April 24, 2018, a stipulation was filed with the MTPSC reflecting an annual increase of approximately \$975,000 or approximately 1.4 percent, which included the withdrawal of the proposed adjustment mechanism required to fund the SSIP. The MTPSC issued an order on June 13, 2018, approving the stipulation and the rates were implemented for service rendered on or after June 15, 2018.

On December 27, 2017, the MTPSC requested Montana-Dakota identify a plan for the impacts of the TCJA and to file a proposal for the impacts on the electric segment by March 31, 2018. On April 2, 2018, Montana-Dakota submitted its plan requesting the MTPSC recognize the identified need for additional rate relief and to consider the effects of the TCJA in a general electric rate case to be submitted by September 30, 2018. This matter is pending before the MTPSC.

#### NDPSC

On July 21, 2017, Montana-Dakota filed an application with the NDPSC for a natural gas rate increase of approximately \$5.9 million annually or approximately 5.4 percent above current rates. The requested increase is primarily to recover the increased investment in distribution facilities to enhance system safety and reliability and the depreciation and taxes associated with the increase in investment. Montana-Dakota is also introducing a SSIP and the proposed adjustment mechanism required to fund the SSIP. Montana-Dakota requested an interim increase of approximately \$4.6 million or approximately 4.2 percent, subject to refund. On September 6, 2017, the NDPSC approved the request for interim rates effective with service rendered on or after September 19, 2017.

On January 12, 2018, Montana-Dakota requested a delay of the rate case filed on July 21, 2017, as a result of the enactment of the TCJA to allow Montana-Dakota time to investigate the implications of the TCJA on the rate case. On February 14, 2018, the NDPSC approved the delay of hearing and scheduled it to begin on May 30, 2018. Also on February 14, 2018, Montana-Dakota filed a revised interim increase request of approximately \$2.7 million, subject to refund, incorporating the estimated impacts of the TCJA reduction in the federal corporate income tax rate. On March 1, 2018, the updated interim rates were implemented. The impact of the TCJA was submitted as part of a rebuttal testimony identifying a reduction of the adjusted revenue requirement to approximately \$3.6 million. A hearing was held May 30, 2018 through June 1, 2018. On July 19, 2018, a settlement was filed reflecting a revised annual revenue increase of approximately \$2.5 million or approximately 2.3 percent. The proposed adjustment mechanism to fund the SSIP was not included in the settlement and will be decided on separately by the NDPSC. Both matters are pending before the NDPSC.

On January 10, 2018, the NDPSC issued a general order initiating the investigation into the effects of the TCJA. The order required regulatory deferral accounting on the impacts of the TCJA and for companies to file comments and the expected impacts. On February 15, 2018, Montana-Dakota filed a summary of the primary impacts of the TCJA on the electric and natural gas utilities. On March 9, 2018, Montana-Dakota submitted a request to decrease its electric rates by \$7.2 million or 3.9 percent annually. This matter is pending before the NDPSC.

#### OPUC

On December 29, 2017, Cascade filed a request with the OPUC to use deferral accounting for the 2018 net benefits associated with the implementation of the TCJA. This matter is pending before the OPUC.

On May 31, 2018, Cascade filed a general rate case with the OPUC requesting an overall increase of approximately \$2.3 million or approximately 3.5 percent on an annual basis, which incorporates the impact of the TCJA. Cascade is also requesting a safety cost recovery mechanism for replacement of its most high-risk pipelines. This matter is pending before the OPUC.

#### SDPUC

On December 29, 2017, the SDPUC issued an order initiating the investigation into the effects of the TCJA. The order required Montana-Dakota to provide comments by February 1, 2018, regarding the general effects of the TCJA on the cost of service in South Dakota and possible mechanisms for adjusting rates. The order also stated that all rates impacted by the federal income tax shall be adjusted effective January 1, 2018, subject to refund. On May 4, 2018 and June 2, 2018, Montana-Dakota submitted detailed plans to address the TCJA impacts on the natural gas and electric utilities, respectively, to the SDPUC staff. Discussions with the SDPUC staff are underway.

#### WUTC

On August 31, 2017, Cascade filed an application with the WUTC for a natural gas rate increase of approximately \$5.9 million annually or approximately 2.7 percent above current rates. The requested increase includes costs associated with increased infrastructure investment and the associated operating expenses. Also included in the request is recovery of operation and maintenance costs associated with a maximum allowable operating pressure validation plan. On January 3, 2018, the WUTC filed a bench request requiring Cascade to provide information related to the impacts of the TCJA on Cascade's revenue requirement and a proposed ratemaking treatment of those impacts. On March 23, 2018, Cascade filed its rebuttal testimony revising the

revenue requirement to a decrease of approximately \$1.7 million annually, which includes the impacts of the TCJA. On May 17, 2018, Cascade, the WUTC staff and interveners in the case reached a settlement on all matters in the rate case except the treatment of interim tax benefits for the period January 1, 2018 through July 31, 2018. The settlement included an overall annual rate reduction of approximately \$2.9 million or approximately 1.4 percent plus specific tariffs passing excess deferred income taxes back to customers totaling approximately \$2.5 million. On July 20, 2018, the WUTC approved the settlement reflecting a decrease in annual revenues, as well as refunding an additional \$1.6 million for the interim tax benefits for the period of January 1, 2018 through July 31, 2018. The refund of excess deferred income taxes and interim tax benefits is over a fifteen month period. These changes are effective August 1, 2018.

On June 1, 2018, Cascade filed its annual pipeline cost recovery mechanism requesting an increase in annual revenue of \$2.3 million or approximately 1.1 percent. This matter is pending before the WUTC.

#### WYPSC

On December 29, 2017, the WYPSC issued a general order requiring regulatory deferral accounting on the impacts of the TCJA. A technical conference was held on February 6, 2018, to discuss the implications of the TCJA. On March 23, 2018, the WYPSC issued an order requiring all public utilities to submit an initial assessment of the overall effects on the TCJA on their rates by March 30, 2018. On March 30, 2018, Montana-Dakota submitted its initial assessment indicating a rate reduction for its electric rates in the amount of approximately \$1.1 million annually or approximately 4.2 percent. Revised electric rates reflecting this reduction were submitted to the WYPSC on June 13, 2018. Montana-Dakota reported its natural gas earnings do not support a decrease in rates and requested the WYPSC allow the impacts of the TCJA be addressed in a natural gas rate case to be submitted by June 1, 2019. Both matters are pending before the WYPSC.

#### FERC

Montana-Dakota and certain MISO Transmission Owners with projected rates submitted a filing to the FERC on February 1, 2018, requesting the FERC to waive certain provisions of the MISO tariff in order for Montana-Dakota and certain MISO Transmission Owners with projected rates to revise their rates to reflect the reduction in the corporate tax rate. Under the MISO tariff, rates are to be changed only on an annual basis with any changes reflected in subsequent true-ups. On March 15, 2018, the FERC approved the waiver request and new rates reflecting the effects of the TCJA were implemented by MISO on March 1, 2018. MISO also retroactively re-billed the January and February 2018 services to reflect the new rates. The total revenue requirement for the Company's multivalued project was reduced to \$12.0 million from \$13.6 million, which was previously effective on January 1, 2018.

On July 18, 2018, the FERC issued a final rule on Rate Changes Relating to Federal Income Tax Rate reductions resulting from the TCJA which requires natural gas pipeline companies to make a one-time informational filing to evaluate the impact of the lower corporate income tax rate and also select one of four options presented by the FERC to address the impact. In accordance with WBI Energy Transmission's offer of settlement and stipulation and agreement with the FERC dated June 4, 2014, the Company is to make a filing with new proposed rates to be effective no later than May 1, 2019. On April 10, 2018, WBI Energy Transmission held an initial rate change pre-filing settlement meeting with its customers and subsequently was working with its customers on reaching a pre-filing settlement. The Company has decided to prepare and file a rate case with the FERC by October 31, 2018. Due to the timing of the rate case filing, the Company will be exempt from the one-time informational filing required by the FERC's final rule.

#### **Note 17 - Contingencies**

The Company is party to claims and lawsuits arising out of its business and that of its consolidated subsidiaries, which may include, but are not limited to, matters involving property damage, personal injury, and environmental, contractual, statutory and regulatory obligations. The Company accrues a liability for those contingencies when the incurrence of a loss is probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. The Company does not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is probable or reasonably possible and which are material, the Company discloses the nature of the contingency and, in some circumstances, an estimate of the possible loss. Accruals are based on the best information available, but in certain situations management is unable to estimate an amount or range of a reasonably possible loss including, but not limited to when: (1) the damages are unsubstantiated or indeterminate, (2) the proceedings are in the early stages, (3) numerous parties are involved, or (4) the matter involves novel or unsettled legal theories.

The Company accrued liabilities of \$31.1 million, \$33.7 million and \$35.4 million, which have not been discounted, including liabilities held for sale, for contingencies, including litigation, production taxes, royalty claims and environmental matters at June 30, 2018 and 2017, and December 31, 2017, respectively. This includes amounts that may have been accrued for matters discussed in Environmental matters within this note. The Company will continue to monitor each matter and adjust accruals as might be warranted based on new information and further developments. Management believes that the outcomes with respect to probable and reasonably possible losses in excess of the amounts accrued, net of insurance recoveries, while uncertain, either cannot be estimated or will not have a material effect upon the Company's financial position, results of operations or cash flows. Unless otherwise required by GAAP, legal costs are expensed as they are incurred.

## **Environmental matters**

**Portland Harbor Site** In December 2000, Knife River - Northwest was named by the EPA as a PRP in connection with the cleanup of a riverbed site adjacent to a commercial property site acquired by Knife River - Northwest from Georgia-Pacific West, Inc. in 1999. The riverbed site is part of the Portland, Oregon, Harbor Superfund Site. The EPA wants responsible parties to share in the cleanup of sediment contamination in the Willamette River. To date, costs of the overall remedial investigation and feasibility study of the harbor site are being recorded, and initially paid, through an administrative consent order by the LWG, a group of several entities, which does not include Knife River - Northwest or Georgia-Pacific West, Inc. Investigative costs are indicated to be in excess of \$100 million. On January 6, 2017, Region 10 of the EPA issued an ROD with its selected remedy for cleanup of the in-river portion of the site. Implementation of the remedy is expected to take up to 13 years with a present value cost estimate of approximately \$1 billion. Corrective action will not be taken until remedial design/remedial action plans are approved by the EPA. Knife River - Northwest also received notice in January 2008 that the Portland Harbor Natural Resource Trustee Council intends to perform an injury assessment to natural resources resulting from the release of hazardous substances at the Harbor Superfund Site. The Portland Harbor Natural Resource Trustee Council indicates the injury determination is appropriate to facilitate early settlement of damages and restoration for natural resource injuries. It is not possible to estimate the costs of natural resource damages until an assessment is completed and allocations are undertaken.

Based upon a review of the Portland Harbor sediment contamination evaluation by the Oregon DEQ and other information available, Knife River - Northwest does not believe it is a responsible party. In addition, Knife River - Northwest has notified Georgia-Pacific West, Inc., that it intends to seek indemnity for liabilities incurred in relation to the above matters pursuant to the terms of their sale agreement. Knife River - Northwest has entered into an agreement tolling the statute of limitations in connection with the LWG's potential claim for contribution to the costs of the remedial investigation and feasibility study. By letter in March 2009, LWG stated its intent to file suit against Knife River - Northwest and others to recover LWG's investigation costs to the extent Knife River - Northwest cannot demonstrate its non-liability for the contamination or is unwilling to participate in an alternative dispute resolution process that has been established to address the matter. At this time, Knife River - Northwest has agreed to participate in the alternative dispute resolution process.

The Company believes it is not probable that it will incur any material environmental remediation costs or damages in relation to the above referenced matter.

**Manufactured Gas Plant Sites** There are three claims against Cascade for cleanup of environmental contamination at manufactured gas plant sites operated by Cascade's predecessors.

The first claim is for contamination at a site in Eugene, Oregon which was received in 1995. There are PRPs in addition to Cascade that may be liable for cleanup of the contamination. Some of these PRPs have shared in the investigation costs. It is expected that these and other PRPs will share in the cleanup costs. The Oregon DEQ released an ROD in January 2015 that selected a remediation alternative for the site as recommended in an earlier staff report. The total estimated cost for the selected remediation, including long-term maintenance, is approximately \$3.5 million of which \$400,000 has been incurred. It is not known at this time what share of the cleanup costs will actually be borne by Cascade; however, Cascade has paid 50 percent of the ongoing investigation and design costs and anticipates its proportional share of the final costs could be approximately 50 percent. Cascade has an accrual balance of \$1.6 million for remediation of this site. In January 2013, the OPUC approved Cascade's application to defer environmental remediation costs at the Eugene site for a period of 12 months starting November 30, 2012. Cascade received orders reauthorizing the deferred accounting for the 12-month periods starting November 30, 2013, December 1, 2014, December 1, 2015, December 1, 2016 and December 1, 2017.

The second claim is for contamination at the Bremerton Gasworks Superfund Site in Bremerton, Washington which was received in 1997. A preliminary investigation has found soil and groundwater at the site contain contaminants requiring further investigation and cleanup. The EPA conducted a Targeted Brownfields Assessment of the site and released a report summarizing the results of that assessment in August 2009. The assessment confirms that contaminants have affected soil and groundwater at the site, as well as sediments in the adjacent Port Washington Narrows. Alternative remediation options have been identified with preliminary cost estimates ranging from \$340,000 to \$6.4 million. Data developed through the assessment and previous investigations indicates the contamination likely derived from multiple, different sources and multiple current and former owners of properties and businesses in the vicinity of the site may be responsible for the contamination. In April 2010, the Washington DOE issued notice it considered Cascade a PRP for hazardous substances at the site. In May 2012, the EPA added the site to the National Priorities List of Superfund sites. Cascade has entered into an administrative settlement agreement and consent order with the EPA regarding the scope and schedule for a remedial investigation and feasibility study for the site. Current estimates for the cost to complete the remedial investigation and feasibility study are approximately \$7.6 million of which \$2.1 million has been incurred. Cascade has accrued \$5.5 million for the remedial investigation and feasibility study as well as \$6.4 million for remediation of this site; however, the accrual for remediation costs will be reviewed and adjusted, if necessary, after completion of the remedial investigation and feasibility study. In April 2010, Cascade filed a petition with the WUTC for authority to defer the costs, which are included in other noncurrent assets, incurred in relation to the environmental remediation of this site. The WUTC approved the petition in September 2010, subject to conditions set forth in the order.

The third claim is for contamination at a site in Bellingham, Washington. Cascade received notice from a party in May 2008 that Cascade may be a PRP, along with other parties, for contamination from a manufactured gas plant owned by Cascade and its predecessor from about 1946 to 1962. Other PRPs reached an agreed order and work plan with the Washington DOE for

completion of a remedial investigation and feasibility study for the site. A feasibility study prepared for one of the PRPs in March 2018 identifies five cleanup action alternatives for the site with estimated costs ranging from \$8.0 million to \$20.4 million with a selected preferred alternative having an estimated total cost of \$9.3 million. Cascade believes its proportional share of any liability will be relatively small in comparison to other PRPs. The plant manufactured gas from coal between approximately 1890 and 1946. In 1946, shortly after Cascade's predecessor acquired the plant, it converted the plant to a propane-air gas facility. There are no documented wastes or by-products resulting from the mixing or distribution of propane-air gas. Cascade has recorded an accrual for this site for an amount that is not material.

Cascade has received notices from and entered into agreement with certain of its insurance carriers that they will participate in defense of Cascade for certain of the contamination claims subject to full and complete reservations of rights and defenses to insurance coverage. To the extent these claims are not covered by insurance, Cascade intends to seek recovery through the OPUC and WUTC of remediation costs in its natural gas rates charged to customers. The accruals related to these matters are reflected in regulatory assets.

### **Guarantees**

In June 2016, WBI Energy sold all of the outstanding membership interests in Dakota Prairie Refining. In connection with the sale, Centennial agreed to continue to guarantee certain debt obligations of Dakota Prairie Refining which totaled \$51.0 million at June 30, 2018, and are expected to mature in 2023. Tesoro agreed to indemnify Centennial for any losses and litigation expenses arising from the guarantee. The estimated fair value of the indemnity asset is reflected in deferred charges and other assets - other and the guarantee liability is reflected in other accrued liabilities and deferred credits and other liabilities - other, on the Consolidated Balance Sheets. Continuation of the guarantee was required as a condition to the sale of Dakota Prairie Refining.

In March 2016, a sale agreement was signed to sell Fidelity's assets in the Paradox Basin. In connection with the sale, Centennial agreed to guarantee Fidelity's indemnity obligations associated with the Paradox assets. The guarantee was required by the buyer as a condition to the sale of the Paradox Basin assets.

In 2009, multiple sale agreements were signed to sell the Company's ownership interests in the Brazilian Transmission Lines. In connection with the sale, Centennial agreed to guarantee payment of any indemnity obligations of certain of the Company's indirect wholly owned subsidiaries who were the sellers in three purchase and sale agreements for periods ranging up to 10 years from the date of sale. The guarantees were required by the buyers as a condition to the sale of the Brazilian Transmission Lines.

Certain subsidiaries of the Company have outstanding guarantees to third parties that guarantee the performance of other subsidiaries of the Company. These guarantees are related to construction contracts, insurance deductibles and loss limits, and certain other guarantees. At June 30, 2018, the fixed maximum amounts guaranteed under these agreements aggregated \$186.5 million. The amounts of scheduled expiration of the maximum amounts guaranteed under these agreements aggregate to \$2.0 million in 2018; \$97.2 million in 2019; \$80.3 million in 2020; \$500,000 in 2021; \$500,000 in 2022; \$2.0 million thereafter; and \$4.0 million, which has no scheduled maturity date. There were no amounts outstanding under the above guarantees at June 30, 2018. In the event of default under these guarantee obligations, the subsidiary issuing the guarantee for that particular obligation would be required to make payments under its guarantee.

Certain subsidiaries have outstanding letters of credit to third parties related to insurance policies and other agreements, some of which are guaranteed by other subsidiaries of the Company. At June 30, 2018, the fixed maximum amounts guaranteed under these letters of credit aggregated \$30.9 million. The amounts of scheduled expiration of the maximum amounts guaranteed under these letters of credit aggregate to \$30.3 million in 2018 and \$600,000 in 2019. There were no amounts outstanding under the above letters of credit at June 30, 2018. In the event of default under these letter of credit obligations, the subsidiary guaranteeing the letter of credit would be obligated for reimbursement of payments made under the letter of credit.

In addition, Centennial, Knife River and MDU Construction Services have issued guarantees to third parties related to the routine purchase of maintenance items, materials and lease obligations for which no fixed maximum amounts have been specified. These guarantees have no scheduled maturity date. In the event a subsidiary of the Company defaults under these obligations, Centennial, Knife River or MDU Construction Services would be required to make payments under these guarantees. Any amounts outstanding by subsidiaries of the Company were reflected on the Consolidated Balance Sheet at June 30, 2018.

In the normal course of business, Centennial has surety bonds related to construction contracts and reclamation obligations of its subsidiaries. In the event a subsidiary of Centennial does not fulfill a bonded obligation, Centennial would be responsible to the surety bond company for completion of the bonded contract or obligation. A large portion of the surety bonds is expected to expire within the next 12 months; however, Centennial will likely continue to enter into surety bonds for its subsidiaries in the future. At June 30, 2018, approximately \$789.2 million of surety bonds were outstanding, which were not reflected on the Consolidated Balance Sheet.

### **Variable interest entities**

The Company evaluates its arrangements and contracts with other entities to determine if they are VIEs and if so, if the Company is the primary beneficiary.

**Fuel Contract** Coyote Station entered into a coal supply agreement with Coyote Creek that provides for the purchase of coal necessary to supply the coal requirements of the Coyote Station for the period May 2016 through December 2040. Coal purchased under the coal supply agreement is reflected in inventories on the Company's Consolidated Balance Sheets and is recovered from customers as a component of electric fuel and purchased power.

The coal supply agreement creates a variable interest in Coyote Creek due to the transfer of all operating and economic risk to the Coyote Station owners, as the agreement is structured so that the price of the coal will cover all costs of operations as well as future reclamation costs. The Coyote Station owners are also providing a guarantee of the value of the assets of Coyote Creek as they would be required to buy the assets at book value should they terminate the contract prior to the end of the contract term and are providing a guarantee of the value of the equity of Coyote Creek in that they are required to buy the entity at the end of the contract term at equity value. Although the Company has determined that Coyote Creek is a VIE, the Company has concluded that it is not the primary beneficiary of Coyote Creek because the authority to direct the activities of the entity is shared by the four unrelated owners of the Coyote Station, with no primary beneficiary existing. As a result, Coyote Creek is not required to be consolidated in the Company's financial statements.

At June 30, 2018, the Company's exposure to loss as a result of the Company's involvement with the VIE, based on the Company's ownership percentage, was \$39.8 million.

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

The Company operates with a two-platform business model. Its regulated energy delivery platform and its construction materials and services platform are each comprised of different operating segments. Some of these segments experience seasonality related to the industries in which they operate. The two-platform approach helps balance this seasonality and the risk associated with each type of industry. Through its regulated energy delivery platform, the Company provides electric and natural gas services to customers, generates, transmits and distributes electricity, and provides natural gas transportation, storage and gathering services. These businesses are regulated by state public service commissions and/or the FERC. The construction materials and services platform provides construction services to a variety of industries, including commercial, industrial and governmental, and provides construction materials through aggregate mining and marketing of related products, such as ready-mixed concrete and asphalt.

The Company is organized into five reportable business segments. These business segments include: electric, natural gas distribution, pipeline and midstream, construction materials and contracting, and construction services. The Company's reportable segments are determined based on the Company's method of internal reporting, which generally segregates the strategic business units due to differences in products, services and regulation. The internal reporting of these segments is defined based on the reporting and review process used by the Company's chief executive officer.

The Company's strategy is to apply its expertise in the regulated energy delivery and construction materials and services businesses to increase market share, increase profitability and enhance shareholder value through organic growth opportunities and strategic acquisitions. The Company is focused on a disciplined approach to the acquisition of well-managed companies and properties.

The Company has capabilities to fund its growth and operations through various sources, including internally generated funds, commercial paper facilities, revolving credit facilities and the issuance from time to time of debt and equity securities. For more information on the Company's capital expenditures, see Liquidity and Capital Commitments.

On December 22, 2017, President Trump signed into law the TCJA making significant changes to the United States federal income tax laws. Some of the more material changes from the TCJA impacting the Company included lower corporate tax rates, repealing the domestic production deduction, disallowance of immediate expensing for regulated utility property and modifying or repealing many other business deductions and credits. The Company continues to review the components of the TCJA and evaluate the impact on the Company for 2018 and thereafter. For information pertinent to the specific impacts or trends identified by the Company's business segments, see Business Segment Financial and Operating Data.

## Consolidated Earnings Overview

The following table summarizes the contribution to the consolidated earnings by each of the Company's business segments.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
(In millions, except per share amounts)				
Electric	\$ 9.1	\$ 7.8	\$ 22.2	\$ 22.2
Natural gas distribution	(6.8)	(2.8)	25.8	25.1
Pipeline and midstream	5.7	5.3	11.0	9.2
Construction materials and contracting	24.3	21.2	.8	1.3
Construction services	14.1	12.4	29.2	19.7
Other	(2.3)	(2.2)	(3.0)	(2.5)
Intersegment eliminations	—	2.1	—	4.3
Earnings before discontinued operations	44.1	43.8	86.0	79.3
Income (loss) from discontinued operations, net of tax	(.3)	(3.2)	.2	(1.5)
Earnings on common stock	\$ 43.8	\$ 40.6	\$ 86.2	\$ 77.8
Earnings per common share - basic:				
Earnings before discontinued operations	\$ .22	\$ .22	\$ .44	\$ .41
Discontinued operations, net of tax	—	(.01)	—	(.01)
Earnings per common share - basic	\$ .22	\$ .21	\$ .44	\$ .40
Earnings per common share - diluted:				
Earnings before discontinued operations	\$ .22	\$ .22	\$ .44	\$ .40
Discontinued operations, net of tax	—	(.01)	—	—
Earnings per common share - diluted	\$ .22	\$ .21	\$ .44	\$ .40

**Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017** The Company recognized consolidated earnings of \$43.8 million for the quarter ended June 30, 2018, compared to \$40.6 million for the same period in 2017.

Positively impacting the Company's earnings were increased earnings at the construction materials and contracting business, largely due to lower income taxes as a result of lower corporate tax rates due to the TCJA and higher construction margins offset by overall lower materials margins. Also contributing to the increased earnings were higher outside specialty contracting margins, higher equipment sales and rentals, and lower income taxes, as previously discussed, at the construction services business. The Company's earnings were negatively impacted by increased operation and maintenance expense and reserves against revenues in certain jurisdictions to refund to customers lower income taxes as a result of the TCJA at the natural gas distribution business.

**Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017** The Company recognized consolidated earnings of \$86.2 million for the six months ended June 30, 2018, compared to \$77.8 million for the same period in 2017.

Positively impacting the Company's earnings were higher outside specialty contracting margins, increased equipment sales and rentals, and lower income taxes as a result of lower corporate tax rates due to the enactment of the TCJA at the construction services business. Also contributing to the increased earnings were higher natural gas retail sales margins at the natural gas distribution business and higher nonregulated project revenues and transportation revenues at the pipeline and midstream business.

A discussion of key financial data from the Company's business segments follows.

### Business Segment Financial and Operating Data

Following are key financial and operating data for each of the Company's business segments. Also included are highlights on key growth strategies, projections and certain assumptions for the Company and its subsidiaries and other matters of the Company's business segments. Many of these highlighted points are "forward-looking statements." There is no assurance that the Company's projections, including estimates for growth and changes in earnings, will in fact be achieved. Please refer to assumptions contained in this section, as well as the various important factors listed in Part II, Item 1A - Risk Factors and Part I, Item 1A - Risk Factors in the 2017 Annual Report. Changes in such assumptions and factors could cause actual future results to differ materially from the Company's growth and earnings projections, see Forward-Looking Statements.

For information pertinent to various commitments and contingencies, see Notes to Consolidated Financial Statements. For a summary of the Company's business segments, see Note 14.

## Electric and Natural Gas Distribution

**Strategy and challenges** The electric and natural gas distribution segments provide electric and natural gas distribution services to customers, as discussed in Note 14. Both segments strive to be a top performing utility company measured by integrity, safety, employee satisfaction, customer service and shareholder return, while continuing to focus on providing safe, reliable and competitively priced energy and related services to customers. The Company continues to monitor opportunities for these segments to retain, grow and expand their customer base through extensions of existing operations, including building and upgrading electric generation and transmission and natural gas systems, and through selected acquisitions of companies and properties at prices that will provide stable cash flows and an opportunity to earn a competitive return on investment. The continued efforts to create operational improvements and efficiencies across both segments promotes the Company's business integration strategy. The primary factors that impact the results of these segments are the ability to earn authorized rates of return, the cost of natural gas, cost of electric fuel and purchased power, weather, competitive factors in the energy industry and economic conditions in the segments' service areas.

The electric and natural gas distribution segments are subject to extensive regulation in the jurisdictions where they conduct operations with respect to costs, timely recovery of investments and permitted returns on investment as well as certain operational, system integrity and environmental regulations. To assist in the reduction of regulatory lag with the increase in investments, tracking mechanisms have been implemented in certain jurisdictions. Legislative and regulatory initiatives to increase renewable energy resources and reduce GHG emissions could impact the price and demand for electricity and natural gas and result in the retirement of certain electric generating facilities before they are fully depreciated. Although the current administration has slowed environmental regulations, the segments continue to invest in facility upgrades to be in compliance with the existing and future regulations.

President Trump has issued proclamations for additional import duties on steel and aluminum. The tariffs on such raw materials could negatively affect the segments' construction projects and maintenance work. The Company is monitoring the impact tariff increases will have on raw material costs. The natural gas distribution segment is also facing increased lead times on delivery of certain raw materials used in pipeline projects. In addition to the effect of tariffs, long lead times are attributable to increased demand for steel products from pipeline companies as they respond to the United States Department of Transportation Pipeline System Safety and Integrity Plan. The Company continues to monitor the material lead times and is working with manufacturers to proactively order such materials to help mitigate the extended lead times.

The ability to grow through acquisitions is subject to significant competition and acquisition premiums. In addition, the ability of the segments to grow their service territory and customer base is affected by the economic environment of the markets served and competition from other energy providers and fuels. The construction of any new electric generating facilities, transmission lines and other service facilities is subject to increasing cost and lead time, extensive permitting procedures, and federal and state legislative and regulatory initiatives, which will necessitate increases in electric energy prices.

Revenues are impacted by both customer growth and usage, the latter of which is primarily impacted by weather. Very cold winters increase demand for natural gas and to a lesser extent, electricity, while warmer than normal summers increase demand for electricity, especially among residential and commercial customers. Average consumption among natural gas customers has tended to decline as more efficient appliances and furnaces are installed, and as the Company has implemented conservation programs. Decoupling mechanisms in certain jurisdictions have been implemented to largely mitigate the effect that would otherwise be caused by variations in volumes sold to these customers due to weather and changing consumption patterns on the Company's distribution margins.

**Non-GAAP measures** The following discussion includes financial information prepared in accordance with GAAP, as well as another financial measure, adjusted gross margin, that is considered a non-GAAP financial measure as it relates to the Company's electric and natural gas distribution segments. The presentation of adjusted gross margin is intended to be a helpful supplemental measure for investors' understanding of the segments' operating performance. This non-GAAP measure should not be considered as an alternative to, or more meaningful than, GAAP measures such as operating income (loss) or earnings (loss). The Company's adjusted gross margin measure may not be comparable to other companies' gross margin measures.

In addition to operating revenues and operating expenses, management also uses the non-GAAP measure of adjusted gross margin when evaluating the results of operations for the electric and natural gas distribution segments. Adjusted gross margin for the electric segment is calculated as operating revenue less cost of electric fuel and purchased power and certain taxes, other than income. Adjusted gross margin for the natural gas distribution segment is calculated as operating revenues less purchased natural gas sold and certain taxes, other than income. These taxes, other than income included as a reduction to adjusted gross margin relate to revenue taxes. These segments pass on to their customers the increases and decreases in the wholesale cost of power purchases, natural gas and other fuel supply costs in accordance with regulatory requirements. As such, the segments' revenues are directly impacted by the fluctuations in such commodities. Revenue taxes fluctuate with revenues as they are calculated as a percentage of revenues. Period over period, the segments' operating income (loss) is generally not impacted by the increase or decrease in revenues since the change is directly related to the increase or decrease in wholesale cost of power purchases, natural gas or other fuel supply costs, nor is it impacted by revenue taxes since it is a direct result of revenues. The Company's management believes the adjusted gross margin is an adequate supplemental measure as these items are included in both operating revenues and operating expenses. The Company's management also believes that adjusted gross margin and the

remaining operating expenses that calculate operating income (loss) are useful in assessing the Company's utility performance as management has the ability to influence control over the remaining operating expenses.

The electric segment's operating income was \$13.0 million and \$13.2 million for the three months ended June 30, 2018 and 2017, respectively. Operating income for the three months ended June 30, 2018 and 2017, is calculated as operating revenues of \$78.5 million and \$74.6 million, respectively, less operating expenses of \$65.5 million and \$61.4 million, respectively. For the three months ended June 30, 2018, operating income decreased by \$200,000 due to higher operation and maintenance expense; higher depreciation, depletion and amortization expense; and higher electric fuel and purchase power costs passed on to customers in the quarter. Partially offsetting these higher costs were higher operating revenues driven by increased sales of 5 percent to all customer classes offset in part by reserves against revenues in certain jurisdictions for anticipated refunds to customers of the lower income taxes due to the enactment of the TCJA. For the three months ended June 30, 2018 and 2017, the segment's operating income of \$13.0 million and \$13.2 million, respectively, is adjusted by adding back operation and maintenance expense of \$31.1 million and \$29.3 million, respectively; depreciation, depletion and amortization expense of \$12.5 million and \$11.4 million, respectively; and certain taxes, other than income of \$3.7 million and \$3.7 million, respectively, to calculate adjusted gross margin of \$60.3 million and \$57.6 million, respectively.

The electric segment's operating income was \$31.2 million and \$35.5 million for the six months ended June 30, 2018 and 2017, respectively. Operating income for the six months ended June 30, 2018 and 2017, is calculated as operating revenues of \$165.9 million and \$162.8 million, respectively, less operating expenses of \$134.7 million and \$127.3 million, respectively. For the six months ended June 30, 2018, operating income decreased by \$4.3 million due to higher operation and maintenance expense; higher depreciation, depletion and amortization expense; and higher electric fuel and purchase power costs passed on to customers. Partially offsetting these higher costs were higher operating revenues driven by increased sales of 4 percent to all customer classes offset in part by reserves against revenues in certain jurisdictions for anticipated refunds to customers of the lower income taxes due to the enactment of the TCJA. For the six months ended June 30, 2018 and 2017, the segment's operating income of \$31.2 million and \$35.5 million, respectively, is adjusted by adding back operation and maintenance expense of \$61.2 million and \$57.9 million, respectively; depreciation, depletion and amortization expense of \$25.1 million and \$23.4 million, respectively; and certain taxes, other than income of \$7.5 million and \$7.0 million, respectively, to calculate adjusted gross margin of \$125.0 million and \$123.8 million, respectively.

The natural gas distribution segment's operating income (loss) was \$(4.4) million and \$900,000 for the three months ended June 30, 2018 and 2017, respectively. Operating income (loss) for the three months ended June 30, 2018 and 2017, is calculated as operating revenues of \$129.5 million and \$131.6 million, respectively, less operating expenses of \$133.9 million and \$130.7 million, respectively. For the three months ended June 30, 2018, operating income decreased by \$5.3 million due to higher operation and maintenance expense, which includes a non-recurring expense related to the recently approved WUTC general rate case settlement; lower operating revenues largely resulting from reserves against revenues in certain jurisdictions for anticipated refunds to customers of the lower income tax rates due to the TCJA and lower purchased natural gas sold passed through to customers; and higher depreciation, depletion and amortization expense. For the three months ended June 30, 2018 and 2017, the segment's operating income (loss) of \$(4.4) million and \$900,000, respectively, is adjusted by adding back operation and maintenance expense of \$42.5 million and \$39.0 million, respectively; depreciation, depletion and amortization expense of \$17.7 million and \$17.2 million, respectively; and certain taxes, other than income of \$5.4 million and \$5.1 million, respectively, to calculate adjusted gross margin of \$61.2 million and \$62.2 million, respectively.

The natural gas distribution segment's operating income was \$44.2 million and \$52.3 million for the six months ended June 30, 2018 and 2017, respectively. Operating income for the six months ended June 30, 2018 and 2017, is calculated as operating revenues of \$462.2 million and \$474.1 million, respectively, less operating expenses of \$418.0 million and \$421.8 million, respectively. For the six months ended June 30, 2018, operating income decreased by \$8.1 million due to lower operating revenues largely resulting from reserves against revenues in certain jurisdictions for anticipated refunds to customers of lower income taxes due to the TCJA and lower purchased natural gas sold passed through to customers; higher operation and maintenance expense, which includes a non-recurring expense related to the recently approved WUTC general rate case settlement in second quarter 2018; and higher depreciation, depletion and amortization expense. For the six months ended June 30, 2018 and 2017, the segment's operating income of \$44.2 million and \$52.3 million, respectively, is adjusted by adding back operation and maintenance expense of \$87.2 million and \$80.0 million, respectively; depreciation, depletion and amortization expense of \$35.4 million and \$34.2 million, respectively; and certain taxes, other than income of \$11.2 million and \$10.2 million, respectively, to calculate adjusted gross margin of \$178.0 million and \$176.7 million, respectively.

**Earnings overview - electric** The following information summarizes the performance of the electric segment.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
(Dollars in millions, where applicable)				
Operating revenues	\$ 78.5	\$ 74.6	\$ 165.9	\$ 162.8
Electric fuel and purchased power	18.0	16.8	40.5	38.6
Taxes, other than income	.2	.2	.4	.4
Adjusted gross margin	60.3	57.6	125.0	123.8
Operating expenses:				
Operation and maintenance	31.1	29.3	61.2	57.9
Depreciation, depletion and amortization	12.5	11.4	25.1	23.4
Taxes, other than income	3.7	3.7	7.5	7.0
Total operating expenses	47.3	44.4	93.8	88.3
Operating income	13.0	13.2	31.2	35.5
Other income	.9	.6	1.3	1.3
Interest expense	6.5	6.5	13.1	12.6
Income before income taxes	7.4	7.3	19.4	24.2
Income taxes	(1.7)	(1.0)	(2.8)	1.4
Net income	9.1	8.3	22.2	22.8
Loss/dividends on preferred stock	—	.5	—	.6
Earnings	\$ 9.1	\$ 7.8	\$ 22.2	\$ 22.2
Retail sales (million kWh):				
Residential	246.1	225.7	620.1	581.5
Commercial	355.1	348.0	757.4	744.9
Industrial	131.5	120.4	273.9	262.3
Other	23.4	24.8	46.0	47.2
	756.1	718.9	1,697.4	1,635.9
Average cost of electric fuel and purchased power per kWh	\$ .022	\$ .021	\$ .022	\$ .022

**Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017** Electric earnings increased \$1.3 million (16 percent) as a result of:

*Adjusted gross margin:* Increase of \$2.7 million, primarily due to higher retail sales volumes of 5 percent driven by all major customer classes and the absence in 2018 of reserves against revenues related to tracker balances in prior years. Partially offsetting these increases were reserves against revenues in certain jurisdictions for anticipated refunds to customers of lower income taxes due to the enactment of the TCJA.

*Operation and maintenance:* Increase of \$1.8 million, largely from increased contract services and payroll-related costs.

*Depreciation, depletion and amortization:* Increase of \$1.1 million as a result of increased plant balances.

*Taxes, other than income:* Comparable to the same period in prior year.

*Other income:* Increase of \$300,000 as a result of lower net periodic benefit costs.

*Interest expense:* Comparable to the same period in prior year.

*Income taxes:* Decrease of \$700,000 due to the enactment of the TCJA reduced corporate tax rate on January 1, 2018, which had a favorable impact compared to the second quarter of 2017. A majority of the reduction in income taxes are being reserved against revenues, as previously discussed, resulting in a minimal impact on overall earnings. Partially offsetting the decrease in taxes were lower production tax credits.

**Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017** Electric earnings were comparable to the same period in the prior year as a result of:

*Adjusted gross margin:* Increase of \$1.2 million, largely the result of higher retail sales volumes of 4 percent driven by all major customer classes. Partially offsetting the increase were reserves against revenues in certain jurisdictions for anticipated refunds to customers of lower income taxes due to the enactment of the TCJA.



*Operation and maintenance:* Increase of \$3.3 million, largely from higher payroll-related costs and contract services.

*Depreciation, depletion and amortization:* Increase of \$1.7 million as a result of increased plant balances.

*Taxes, other than income:* Increase of \$500,000 as a result of higher property taxes.

*Other income:* Comparable to the same period in prior year.

*Interest expense:* Increase of \$500,000 as a result of higher debt balances.

*Income taxes:* Decrease of \$4.2 million due to the enactment of the TCJA reduced corporate tax rate, which had a favorable impact compared to the six months ended June 30, 2017, and reduced income before income taxes. A majority of the reduction in income taxes are being reserved against revenues, as previously discussed, resulting in a minimal impact on overall earnings. Partially offsetting the decrease in taxes were lower production tax credits.

**Earnings overview - natural gas distribution** The following information summarizes the performance of the natural gas distribution segment.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
(Dollars in millions, where applicable)				
Operating revenues	\$ 129.5	\$ 131.6	\$ 462.2	\$ 474.1
Purchased natural gas sold	62.7	64.1	266.4	278.5
Taxes, other than income	5.6	5.3	17.8	18.9
Adjusted gross margin	61.2	62.2	178.0	176.7
Operating expenses:				
Operation and maintenance	42.5	39.0	87.2	80.0
Depreciation, depletion and amortization	17.7	17.2	35.4	34.2
Taxes, other than income	5.4	5.1	11.2	10.2
Total operating expenses	65.6	61.3	133.8	124.4
Operating income (loss)	(4.4)	.9	44.2	52.3
Other income	.9	.5	1.3	.9
Interest expense	7.3	7.5	14.9	15.3
Income (loss) before income taxes	(10.8)	(6.1)	30.6	37.9
Income taxes	(4.0)	(3.4)	4.8	12.7
Net income (loss)	(6.8)	(2.7)	25.8	25.2
Loss/dividends on preferred stock	—	.1	—	.1
Earnings (loss)	\$ (6.8)	\$ (2.8)	\$ 25.8	\$ 25.1
Volumes (MMdk)				
Retail sales:				
Residential	8.3	8.3	36.4	36.5
Commercial	6.3	6.0	25.0	25.1
Industrial	1.0	1.0	2.4	2.5
	15.6	15.3	63.8	64.1
Transportation sales:				
Commercial	.4	.4	1.1	1.1
Industrial	29.4	28.2	66.2	66.2
	29.8	28.6	67.3	67.3
Total throughput	45.4	43.9	131.1	131.4
Average cost of natural gas, including transportation, per dk	\$ 4.01	\$ 4.17	\$ 4.18	\$ 4.35

**Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017** Natural gas distribution earnings decreased \$4.0 million (145 percent) as a result of:

*Adjusted gross margin:* Decrease of \$1.0 million resulting from the reserves against revenues in certain jurisdictions for anticipated refunds to customers for lower income taxes due to the enactment of the TCJA offset in part by approved rate recovery.

*Operation and maintenance:* Increase of \$3.5 million, largely from higher contract services, which includes the recognition of a non-recurring expense related to the recently approved WUTC general rate case settlement, and higher payroll-related costs.

*Depreciation, depletion and amortization:* Increase of \$500,000, primarily as a result of increased plant balances offset in part by lower depreciation rates implemented in certain jurisdictions.

*Taxes, other than income:* Increase of \$300,000 due to higher property taxes.

*Other income:* Increase of \$400,000 due to lower net periodic benefit costs.

*Interest expense:* Comparable to the same period in prior year.

*Income taxes:* Increase in income tax benefits of \$600,000 as a result of increased loss before income taxes, partially offset by the reduced corporate tax rate due to the enactment of the TCJA. A portion of the reduction in income taxes are being reserved against revenues, as previously discussed.

**Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017** Natural gas distribution earnings increased \$700,000 (3 percent) as a result of:

*Adjusted gross margin:* Increase of \$1.3 million, largely resulting from approved rate recovery offset in part by the reserves against revenues in certain jurisdictions for anticipated refunds to customers for lower income taxes due to the enactment of the TCJA. Also increasing adjusted gross margin were weather normalization mechanisms in certain jurisdictions partially offsetting lower retail sales volumes.

*Operation and maintenance:* Increase of \$7.2 million, largely from higher payroll-related costs and contract services, which includes the recognition of a non-recurring expense related to the recently approved WUTC general rate case settlement.

*Depreciation, depletion and amortization:* Increase of \$1.2 million, primarily as a result of increased plant balances offset in part by lower depreciation rates implemented in certain jurisdictions.

*Taxes, other than income:* Increase of \$1.0 million due to higher property taxes.

*Other income:* Increase of \$400,000 due to lower net periodic benefit costs.

*Interest expense:* Decrease of \$400,000 as a result of lower debt balances.

*Income taxes:* Decrease of \$7.9 million, largely due to the enactment of the TCJA on January 1, 2018, which reduced the corporate tax rate, resulting in a favorable impact compared to the six months ended June 30, 2017, and reduced income before income taxes. A portion of the reduction in income taxes are being reserved against revenues, as previously discussed, resulting in a minimal impact on overall earnings.

**Outlook** The Company expects these segments will grow rate base by approximately 6 percent annually over the next five years on a compound basis. Operations are spread across eight states where the Company expects customer growth to be higher than the national average. Customer growth is expected to grow by 1 percent to 2 percent per year. This customer growth, along with system upgrades and replacements needed to supply safe and reliable service, will require investments in new electric generation and transmission and natural gas systems.

In November 2017, the NDPSA approved the advance determination of prudence for the purchase of the Thunder Spirit Wind farm expansion. Construction of the Thunder Spirit Wind farm expansion began in May 2018. The Company, in February 2018, signed a purchase agreement to obtain ownership of the expansion and will finalize the purchase when the construction is complete in late 2018. With the addition of the expansion, the total Thunder Spirit Wind farm generation capacity will be approximately 155 MW and will increase the Company's electric generation portfolio to approximately 27 percent renewables based on nameplate ratings. The Company's integrated resource plans filed in North Dakota and Montana in 2017 include additional generation projects in the 2025 timeframe.

In June 2016, the Company, along with a partner, began construction on a 345-kilovolt transmission line from Ellendale, North Dakota, to Big Stone City, South Dakota. The estimated capital investment for this project is \$130 million to \$150 million. All necessary easements have been secured and construction is well underway. The project is expected to be completed in 2019.

The Company continues to be focused on the regulatory recovery of its investments. The Company files for rate adjustments to seek recovery of operating costs and capital investments, as well as reasonable returns as allowed by regulators. The Company's most recent cases by jurisdiction are discussed in Note 16.

With the enactment of the TCJA, the state regulators in jurisdictions where the segments operate have requested companies submit plans for the estimated impact of the TCJA. As such, the segments used the deferral method of accounting for the revaluation of its regulated deferred tax assets and liabilities.

The Company recorded a regulatory liability for the excess deferred income taxes that related to the effect of the change in tax rates on its regulated deferred tax assets and liabilities in the fourth quarter of 2017. For the six months ended June 30, 2018, the Company reserved an additional regulatory liability of approximately \$11.3 million, which is an offset to the Company's revenues, as previously discussed. The additional reserves were calculated by completing a revenue requirement calculation in each state where the Company thought it was probable that the refund of tax savings would be returned to the Company's customers. The Company continues to work with the state regulators on plans for the impacts of the TCJA, as discussed in Note 16. The Company anticipates the TCJA will negatively impact the segments' cash flows due to not being able to immediately expense utility property for tax purposes as well as lower deferred taxes.

The labor contract that Montana-Dakota was negotiating with the IBEW, and the labor contract that Cascade was negotiating with the ICWU, as reported in Items 1 and 2 - Business Properties - General in the 2017 Annual Report, have been ratified.

## **Pipeline and Midstream**

**Strategy and challenges** The pipeline and midstream segment provides natural gas transportation, gathering and underground storage services, as discussed in Note 14. The segment focuses on utilizing its extensive expertise in the design, construction and operation of energy infrastructure and related services to increase market share and profitability through optimization of existing operations, organic growth and investments in energy-related assets within or in close proximity to its current operating areas. The segment focuses on the continual safety and reliability of its systems, which entails building and maintaining safe natural gas pipelines and facilities. The segment continues to evaluate growth opportunities including the expansion of existing storage, gathering and transmission facilities; incremental pipeline projects, which expand pipeline capacity; and expansion of energy-related services leveraging on its core competencies.

The segment is exposed to energy price volatility which is impacted by the fluctuations in pricing, production and basis differentials of the energy market's commodities. Legislative and regulatory initiatives to increase pipeline safety regulations and reduce methane emissions could also impact the price and demand for natural gas.

President Trump has issued proclamations for additional import duties on steel and aluminum. The Company is monitoring the impact tariff increases will have on costs of materials used in construction projects and maintenance work. The segment is also experiencing extended lead times on raw materials that are critical to the segment's construction and maintenance work. Long lead times on materials could delay maintenance work and project construction potentially causing lost revenues and/or increased costs. The Company continues to monitor the material lead times and is working with manufacturers to proactively order such materials to help mitigate the extended lead times.

The pipeline and midstream segment is subject to extensive regulation including certain operational, system integrity and environmental regulations as well as various permit terms and operational compliance conditions. The segment is charged with the ongoing process of reviewing existing permits and easements as well as securing new permits and easements as necessary to meet current demand and future growth opportunities. Exposure to pipeline opposition groups could also cause negative impacts on the segment with increased costs and potential delays to project completion.

The segment focuses on the recruitment and retention of a skilled workforce to remain competitive and provide services to its customers. The industry in which it operates relies on a skilled workforce to construct energy infrastructure and operate existing infrastructure in a safe manner. A shortage of skilled personnel can create a competitive labor market which could increase costs incurred by the segment. Competition from other pipeline and midstream companies can also have a negative impact on the segment.

**Earnings overview** - The following information summarizes the performance of the pipeline and midstream segment.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Operating revenues	\$ 30.6	\$ 30.2	\$ 61.2	\$ 58.3
Operating expenses:				
Operation and maintenance	14.6	13.9	29.7	27.7
Depreciation, depletion and amortization	4.4	4.1	8.7	8.2
Taxes, other than income	3.1	3.1	6.2	6.1
Total operating expenses	22.1	21.1	44.6	42.0
Operating income	8.5	9.1	16.6	16.3
Other income	.4	.5	.5	.9
Interest expense	1.3	1.3	2.5	2.5
Income before income taxes	7.6	8.3	14.6	14.7
Income taxes	1.9	3.0	3.6	5.5
Earnings	\$ 5.7	\$ 5.3	\$ 11.0	\$ 9.2
Transportation volumes (MMdk)	88.2	79.5	166.5	146.5
Natural gas gathering volumes (MMdk)	3.7	4.1	7.4	8.0
Customer natural gas storage balance (MMdk):				
Beginning of period	7.7	15.0	22.4	26.4
Net injection (withdrawal)	8.5	10.1	(6.2)	(1.3)
End of period	16.2	25.1	16.2	25.1

**Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017** Pipeline and midstream earnings increased \$400,000 (9 percent) as a result of:

*Revenues:* Increase of \$400,000, largely attributable to higher nonregulated project revenues of \$1.0 million, resulting from increased project workloads, partially offset by lower natural gas gathering volumes due to the normal decline in production. The segment also had record volumes of natural gas transported through its system as a result of organic growth projects completed in the second quarter of 2017, which were more than offset by decreased storage related revenue reflecting the decrease in natural gas pricing spreads, as discussed in the Outlook below.

*Operation and maintenance:* Increase of \$700,000, primarily from higher nonregulated project costs directly related to the increase in nonregulated project workloads, as previously discussed.

*Depreciation, depletion and amortization:* Increase of \$300,000, largely resulting from organic growth projects.

*Taxes, other than income:* Comparable to the same period in prior year.

*Other income:* Comparable to the same period in prior year.

*Interest expense:* Comparable to the same period in prior year.

*Income taxes:* Decrease of \$1.1 million, primarily due to a lower corporate tax rate resulting from the enactment of the TCJA and the reduction of income before income taxes.

**Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017** Pipeline and midstream earnings increased \$1.8 million (20 percent) as a result of:

*Revenues:* Increase of \$2.9 million, largely attributable to higher nonregulated project revenues, as previously discussed, and higher transportation revenues of \$1.8 million as a result of organic growth projects completed in the second quarter of 2017, which contributed to record volumes of natural gas being transported through its system. These increases were partially offset by decreased storage related revenues reflecting the decrease in natural gas pricing spreads, as discussed in the Outlook below.

*Operation and maintenance:* Increase of \$2.0 million, primarily from higher nonregulated project costs, as previously discussed.

*Depreciation, depletion and amortization:* Increase of \$500,000, largely resulting from organic growth projects.

*Taxes, other than income:* Comparable to the same period in prior year.

*Other income:* Decrease of \$400,000 as a result of lower returns on investments.

*Interest expense:* Comparable to the same period in prior year.

*Income taxes:* Decrease of \$1.9 million, primarily due to a lower corporate tax rate resulting from the enactment of the TCJA on January 1, 2018.

**Outlook** The Company has continued to experience the effects of natural gas production at record levels which is keeping downward pressure on natural gas prices and spreads in the near term. The Company continues to focus on growth and improving existing operations through organic projects in all areas in which it operates. The following describes recent growth projects.

Construction on the Company's Valley Expansion project, a 38-mile pipeline that will deliver natural gas supply to eastern North Dakota and far western Minnesota, began in May 2018. The project, which is designed to transport 40 MMcf of natural gas per day, is under the jurisdiction of the FERC. Construction is on schedule with an expected in-service date in late 2018.

In June 2017, the Company announced plans to complete a Line Section 27 Expansion project in the Bakken area of northwestern North Dakota. The project includes approximately 13 miles of new pipeline and associated facilities. The project, as designed, will increase capacity by over 200 MMcf per day and bring total capacity of Line Section 27 to over 600 MMcf per day. Construction is currently underway with an expected in-service date in September 2018.

Earlier this year, the Company announced two additional natural gas pipeline growth projects, the Demicks Lake project and Line Section 22 Expansion project. The Company has signed long-term commitment contracts supporting both projects. The Demicks Lake project, which includes approximately 14 miles of 20-inch pipe, is located in McKenzie County, North Dakota. Construction is expected to begin in 2019, with an in-service date in the fall of 2019. The Line Section 22 Expansion project in the Billings, Montana, area is also scheduled for construction in 2019, with an in-service date in late 2019. The project will increase capacity by 22.5 MMcf per day to serve incremental demand in Billings, Montana.

In 2017, the Company completed and placed into service the Charbonneau and Line Section 25 expansion projects, which include a new compression station as well as other compressor additions and enhancements at existing stations. Partly due to the completion of these two expansion projects, the Company continues to transport a record volume of natural gas through its system.

The impact of the TCJA on the pipeline and midstream segment remains uncertain. As such, the regulated pipeline is using the deferral method of accounting for the revaluation of its regulated deferred tax assets and liabilities. No reserves have been established as a result of the TCJA enactment. The Company continues to work with the FERC on plans for the impacts of the TCJA, as discussed in Note 16.

The Company currently does not have any labor contracts in negotiations.

## **Construction Materials and Contracting**

**Strategy and challenges** The construction materials and contracting segment provides an integrated set of construction services, as discussed in Note 14. The segment focuses on high-growth strategic markets located near major transportation corridors and desirable mid-sized metropolitan areas; strengthening the long-term, strategic aggregate reserve position through available purchase and/or lease opportunities; enhancing profitability through cost containment, margin discipline and vertical integration of the segment's operations; development and recruitment of talented employees; and continued growth through organic and acquisition opportunities.

A key element of the Company's long-term strategy for this business is to further expand its market presence in the higher-margin materials business (rock, sand, gravel, liquid asphalt, asphalt concrete, ready-mixed concrete and related products), complementing and expanding on the segment's expertise. The Company's recent acquisitions thus far in 2018 support this strategy.

As one of the country's largest sand and gravel producers, the segment will continue to strategically manage its nearly 1.0 billion tons of aggregate reserves in all its markets, as well as take further advantage of being vertically integrated. The segment's vertical integration allows the segment to manage operations from aggregate mining to final lay-down of concrete and asphalt, with control of and access to permitted aggregate reserves being significant.

The construction materials and contracting segment faces challenges that are not under the direct control of the business. The segment operates in geographically diverse and highly competitive markets. Competition can put negative pressure on the segment's operating margins. The segment is also subject to volatility in the cost of raw materials such as diesel fuel, gasoline, liquid asphalt, cement and steel. In 2018, the segment has experienced higher diesel fuel and asphalt oil costs as compared to 2017. Such volatility can have a negative impact on the segment's margins. Other variables that can impact the segment's margins include adverse weather conditions, the timing of project starts or completion and declines or delays in new and existing projects due to the cyclical nature of the construction industry and federal infrastructure spending.

The segment also faces challenges in the recruitment and retention of employees. Trends in the labor market include an aging workforce and availability issues. The segment continues to face increasing pressure to reduce costs and increase the use of temporary employment because of the seasonality of the work performed in certain regions.

**Earnings overview** - The following information summarizes the performance of the construction materials and contracting segment.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
(Dollars in millions)				
Operating revenues	\$ 509.6	\$ 501.6	\$ 723.0	\$ 702.5
Cost of sales:				
Operation and maintenance	426.0	418.1	624.9	606.4
Depreciation, depletion and amortization	14.0	13.5	27.0	26.2
Taxes, other than income	11.2	11.2	19.0	18.4
Total cost of sales	451.2	442.8	670.9	651.0
Gross margin	58.4	58.8	52.1	51.5
Selling, general and administrative expense:				
Operation and maintenance	19.6	19.2	37.2	37.0
Depreciation, depletion and amortization	.5	.9	1.2	1.9
Taxes, other than income	1.0	.8	2.7	2.5
Total selling, general and administrative expense	21.1	20.9	41.1	41.4
Operating income	37.3	37.9	11.0	10.1
Other income (expense)	(.1)	—	(.8)	.2
Interest expense	4.5	3.9	8.1	7.5
Income before income taxes	32.7	34.0	2.1	2.8
Income taxes	8.4	12.8	1.3	1.5
Earnings	\$ 24.3	\$ 21.2	\$ .8	\$ 1.3
Sales ('000's):				
Aggregates (tons)	7,647	7,374	11,494	10,879
Asphalt (tons)	1,975	1,830	2,201	2,045
Ready-mixed concrete (cubic yards)	948	1,037	1,520	1,599

**Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017** Construction materials and contracting's earnings increased \$3.1 million (15 percent) as a result of:

*Gross margin:* Decrease of \$400,000 resulting from lower overall materials margins due to unfavorable weather in certain regions. Partially offsetting these lower materials margins were favorable construction margins due to strong demand and positive job performance.

*Selling, general and administrative expense:* Comparable to the same period in prior year.

*Other income:* Comparable to the same period in prior year.

*Interest expense:* Increase of \$600,000, largely resulting from higher debt balances as a result of recent acquisitions, capital expenditures and higher working capital needs as well as higher interest rates.

*Income taxes:* Decrease of \$4.4 million due to the enactment of the TCJA, that lowered the corporate tax rate.

**Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017** Construction materials and contracting's earnings decreased \$500,000 (35 percent) as a result of:

*Gross margin:* Increase of \$600,000 resulting from higher construction margins, which were positively impacted by favorable job performance and strong demand in certain regions. Partially offsetting these increases were overall lower materials margins and lower equipment sales gains.

*Selling, general and administrative expense:* Comparable to the same period in prior year.

*Other income:* Decrease of \$1.0 million, largely the result of lower returns on investments.

*Interest expense:* Increase of \$600,000, largely resulting from higher debt balances and higher interest rates, as previously discussed.

*Income taxes:* Comparable to the same period in prior year.

**Outlook** The segment's vertically integrated aggregates based business model provides the Company with the ability to capture margin throughout the sales delivery process. The aggregate products are sold internally and externally for use in other products such as ready-mixed concrete, asphaltic concrete and public and private construction markets. The contracting services and construction materials are sold primarily to construction contractors in connection with street, highway and other public infrastructure projects, as well as private commercial and residential development projects. The public infrastructure projects have traditionally been more stable markets as public funding is more secure during periods of economic decline. The public funding is, however, dependent on state and federal funding such as appropriations to the Federal Highway Administration. Spending on private development is highly dependent on both local and national economic cycles, providing additional sales during times of strong economic cycles.

The Company remains optimistic about overall economic growth and infrastructure spending. The IBIS World Industry Report issued in July 2017 for sand and gravel mining in the United States projects a 2.7 percent annual growth rate over the next five years. The report also states the demand for clay and refractory materials is projected to continue deteriorating in several downstream manufacturing industries, but this decline will be offset by stronger demand from the housing market and buoyant demand from the highway and bridge construction market. This stronger demand in the housing markets along with continued demand from the highway and bridge construction markets should provide a stable demand for construction materials and contracting products and services in the near future.

In April 2018, the Company announced that it acquired Teevin & Fischer Quarry, LLC, a crushed rock and gravel supplier in northwestern Oregon. In June 2018, the Company announced that it acquired Tri-City Paving, Inc., a general contractor and aggregate, asphalt and ready-mix concrete supplier headquartered in Little Falls, Minnesota. Subsequent to June 30, 2018, the Company announced that it acquired Molalla Redi-Mix and Rock Products, Inc., which produces ready-mix concrete in Molalla, Oregon. These acquisitions are expected to be accretive to the segment's earnings. The Company continues to evaluate additional acquisition opportunities. For more information on these acquisitions, see Note 9.

The construction materials and contracting backlog at June 30, 2018, was \$731.2 million, down from \$765.8 million at June 30, 2017. The decrease in backlog was primarily attributable to lower state agency work.

The impact of the TCJA on the economy as a whole continues to be unclear at this time. As such, the impact to the construction materials and contracting industry is also uncertain. Under the TCJA, the domestic production deduction is no longer available. The domestic production deduction was originally introduced to incentivize domestic production activities and was a deduction of up to 9 percent on qualified production activity income for which this segment's activities qualified. The Company expects the lower federal corporate tax rate will more than offset the loss of the domestic production deduction for this segment.

The Company currently does not have any labor contracts in negotiations.

## **Construction Services**

**Strategy and challenges** The construction services segment provides inside and outside specialty contracting, as discussed in Note 14. The construction services segment focuses on providing a superior return on investment by building new and strengthening existing customer relationships; ensuring quality service; safely executing projects; effectively controlling costs; collecting on receivables; retaining, developing and recruiting talented employees; growing through organic and acquisition opportunities; and focusing efforts on projects that will permit higher margins while properly managing risk.

The construction services segment faces challenges in the highly competitive markets in which it operates. Competitive pricing environments, project delays and the effects of restrictive regulatory requirements have negatively impacted margins in the past and could affect margins in the future. Additionally, margins may be negatively impacted on a quarterly basis due to adverse weather conditions, as well as timing of project starts or completions, declines or delays in new projects due to the cyclical nature of the construction industry and other factors. These challenges may also impact the risk of loss on certain projects. Accordingly, operating results in any particular period may not be indicative of the results that can be expected for any other period.

The need to ensure available specialized labor resources for projects also drives strategic relationships with customers and project margins. These trends include an aging workforce and labor availability issues, increasing pressure to reduce costs and improve reliability, and increasing duration and complexity of customer capital programs. Due to these and other factors, the Company believes customer demand for labor resources will continue to increase, possibly surpassing the supply of industry resources.

**Earnings overview** - The following information summarizes the performance of the construction services segment.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	(In millions)			
Operating revenues	\$ 323.6	\$ 336.3	\$ 657.6	\$ 635.9
Cost of sales:				
Operation and maintenance	270.7	283.8	548.7	537.5
Depreciation, depletion and amortization	3.6	3.6	7.1	7.2
Taxes, other than income	9.5	10.6	22.3	22.6
Total cost of sales	283.8	298.0	578.1	567.3
Gross margin	39.8	38.3	79.5	68.6
Selling, general and administrative expense:				
Operation and maintenance	19.1	16.4	36.4	32.4
Depreciation, depletion and amortization	.3	.4	.7	.8
Taxes, other than income	1.0	.9	2.4	2.2
Total selling, general and administrative expense	20.4	17.7	39.5	35.4
Operating income	19.4	20.6	40.0	33.2
Other income	.3	.2	.6	.8
Interest expense	.9	.9	1.8	1.8
Income before income taxes	18.8	19.9	38.8	32.2
Income taxes	4.7	7.5	9.6	12.5
Earnings	\$ 14.1	\$ 12.4	\$ 29.2	\$ 19.7

**Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017** Construction services earnings increased \$1.7 million (14 percent) as a result of:

*Gross margin:* Increase of \$1.5 million resulting from higher outside specialty contracting gross margins due to increased customer demands driven by the additional number and size of construction projects in 2018 and higher outside equipment sales and rentals. Partially offsetting these increases were lower inside specialty contracting gross margins as a result of decreased workloads caused by timing of job startups.

*Selling, general and administrative expense:* Increase of \$2.7 million, primarily payroll-related costs, office expense and higher bad debt expense.

*Other income:* Comparable to the same period in prior year.

*Interest expense:* Comparable to the same period in prior year.

*Income taxes:* Decrease of \$2.8 million due to the enactment of the TCJA, which reduced the corporate tax rate creating a favorable impact compared to the second quarter of 2017.

**Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017** Construction services earnings increased \$9.5 million (48 percent) as a result of:

*Gross margin:* Increase of \$10.9 million resulting from higher outside specialty contracting gross margins due to increased customer demands driven by the additional number and size of construction projects in 2018, higher workloads in areas impacted by storm activity and higher outside equipment sales and rentals. Partially offsetting these increases were lower inside specialty contracting gross margins as a result of decreased workloads caused by timing of job startups.

*Selling, general and administrative expense:* Increase of \$4.1 million, primarily payroll-related costs, office expense and outside professional costs.

*Other income:* Comparable to the same period in prior year.

*Interest expense:* Comparable to the same period in prior year.

*Income taxes:* Decrease of \$2.9 million due to the enactment of the TCJA on January 1, 2018, which reduced the corporate tax rate creating a favorable impact compared to the six months ended June 30, 2017, partially offset by an increase in income before income taxes in 2018.

**Outlook** The Company continues to expect long-term growth in the electric transmission market, although the timing of large bids and subsequent construction is likely to be highly variable from year to year. The Company continues to believe several projects will be available for bid in the 2018 timeframe and also expects bidding activity in small and medium-sized projects to continue in 2018.

The Company expects bidding activity to remain strong in both outside and inside specialty construction companies in the year 2018. Although bidding remains highly competitive in all areas, the Company expects the segment's skilled workforce will continue to provide a benefit in securing and executing profitable projects. The construction services segment had record backlog at June 30, 2018, of \$887.9 million, up from \$595.7 million at June 30, 2017. The increase in backlog was primarily attributable to an increase in projects from all revenue streams based on customer demand. Additionally, the Company continues to evaluate potential acquisition opportunities.

The impact of the TCJA on the economy as a whole remains unclear at this time. As such, the impact to the construction services industry is also uncertain. While it is unclear what impact the TCJA may have on the construction services industry, the Company is optimistic about overall economic growth and infrastructure spending and believes that improving industry activity will continue in both market segments and the drivers for investment will remain intact. As the Company continues to experience growth in its operations, the impacts of the lower corporate tax rate offsets the increase in taxes on operating income. The Company believes that regulatory reform, state renewable portfolio standards, the aging of the electric grid, and the general improvement of the economy will positively impact the level of spending by its customers. Although competition remains strong, these trends are viewed as positive factors in the future.

The Company currently does not have any labor contracts in negotiations.

## Other

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	(In millions)			
Operating revenues	\$ 2.8	\$ 1.9	\$ 5.5	\$ 4.0
Operating expenses:				
Operation and maintenance	2.0	4.4	3.9	5.7
Depreciation, depletion and amortization	.5	.5	1.1	1.1
Taxes, other than income	.1	—	.1	.1
Total operating expenses	2.6	4.9	5.1	6.9
Operating income (loss)	.2	(3.0)	.4	(2.9)
Other income (expense)	(.3)	.2	.1	.4
Interest expense	.8	.9	1.7	1.8
Income (loss) before income taxes	(.9)	(3.7)	(1.2)	(4.3)
Income taxes	1.4	(1.5)	1.8	(1.8)
Loss	\$ (2.3)	\$ (2.2)	\$ (3.0)	\$ (2.5)

Included in Other are general and administrative costs and interest expense previously allocated to the exploration and production and refining businesses that do not meet the criteria for income (loss) from discontinued operations, as well as other income tax adjustments in 2018.

## Discontinued Operations

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	(In millions)			
Income (loss) from discontinued operations before intercompany eliminations, net of tax	\$ (.3)	\$ (1.1)	\$ .2	\$ 2.8
Intercompany eliminations	—	(2.1) *	—	(4.3) *
Income (loss) from discontinued operations, net of tax	\$ (.3)	\$ (3.2)	\$ .2	\$ (1.5)

\* Includes eliminations for the presentation of income tax adjustments between continuing and discontinued operations.

## Intersegment Transactions

Amounts presented in the preceding tables will not agree with the Consolidated Statements of Income due to the Company's elimination of intersegment transactions. The amounts related to these items were as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	(In millions)			
Intersegment transactions:				
Operating revenues	\$ 10.0	\$ 8.6	\$ 34.5	\$ 32.0
Operation and maintenance	3.5	2.2	6.3	4.1
Purchased natural gas sold	6.5	6.4	28.2	27.9
Income from continuing operations	—	(2.1) *	—	(4.3) *

\* Includes eliminations for the presentation of income tax adjustments between continuing and discontinued operations.

For more information on intersegment eliminations, see Note 14.

## Liquidity and Capital Commitments

At June 30, 2018, the Company had cash and cash equivalents of \$41.7 million and available borrowing capacity of \$548.9 million under the outstanding credit facilities of the Company and its subsidiaries. The Company expects to meet its obligations for debt maturing within one year and its other operating and capital requirements from various sources, including internally generated funds; the Company's credit facilities, as described in Capital resources; the issuance of long-term debt; and the issuance of equity securities.

## Cash flows

**Operating activities** The changes in cash flows from operating activities generally follow the results of operations as discussed in Business Segment Financial and Operating Data and also are affected by changes in working capital. Cash flows provided by operating activities in the first six months of 2018 increased \$37.1 million from the comparable period in 2017.

*Increases:* The increase in cash flows provided by operating activities was largely the change in natural gas costs recoverable; the use of a prepaid gas contract resulting in lower gas purchases; and the change in construction project escrow balances at the electric and natural gas distribution businesses. Also contributing to the increase was stronger collection of accounts receivable at the construction services business and the increase in the Company's consolidated earnings during the first six months of 2018.

*Decreases:* Partially offsetting these increases were higher inventory balances at the construction materials and contracting business due to higher asphalt oil inventory, largely resulting from higher average per ton cost, and higher aggregate inventory, primarily higher production and acquisition activity in second quarter 2018. Operating cash flows from discontinued operations also decreased due to the realization of net operating loss carryforwards in 2017.

**Investing activities** Cash flows used in investing activities in the first six months of 2018 was \$222.3 million compared to \$22.5 million in the first six months of 2017. The increase in cash used in investing activities was primarily related to the absence in 2018 of net proceeds from the sale of Pronghorn in January 2017 and higher capital expenditures at the pipeline and midstream business; acquisition activity in the second quarter of 2018 at the construction materials and contracting business; and higher capital expenditures related to various construction projects in 2018 at the electric and natural gas distribution businesses.

**Financing activities** Cash flows provided by financing activities in the first six months of 2018 was \$52.7 million compared to cash flows used in financing activities of \$123.0 million in the first six months of 2017. The change was largely the result of higher debt borrowings in 2018 offset in part by the repayment of debt. The increase in debt issuance was largely from an increase in commercial paper balances used for acquisitions, ongoing capital expenditures and working capital needs at the construction materials and contracting business; and the issuance of an additional \$40 million under the private shelf agreement for capital projects at the pipeline and midstream business. This increase in issuance of long-term debt was partially offset by the higher debt repayment on a line of credit at the natural gas distribution business and the strong collection of accounts receivable resulting in lower commercial paper balances at the construction services business.

## Defined benefit pension plans

There were no material changes to the Company's qualified noncontributory defined benefit pension plans from those reported in the 2017 Annual Report. For more information, see Note 15 and Part II, Item 7 in the 2017 Annual Report.

## Capital expenditures

Capital expenditures for the first six months of 2018 were \$251.3 million, including completed acquisitions at the construction materials and contracting business. Capital expenditures allocated to the Company's business segments are estimated to be approximately \$672 million for 2018. The Company has included in the estimated capital expenditures for 2018 completed acquisitions, as previously discussed, the purchase of the Thunder Spirit Wind farm expansion, the Valley Expansion project and the Line Section 27 expansion project, as previously discussed in Business Segment Financial and Operating Data.

Estimated capital expenditures for 2018 also include system upgrades; service extensions; routine equipment maintenance and replacements; buildings, land and building improvements; pipeline, gathering and other midstream projects; power generation and transmission opportunities, including certain costs for additional electric generating capacity; environmental upgrades; and other growth opportunities.

The Company continues to evaluate potential future acquisitions and other growth opportunities; however, they are dependent upon the availability of economic opportunities and, as a result, capital expenditures may vary significantly from the estimate previously discussed. It is anticipated that all of the funds required for capital expenditures for 2018 will be met from various sources, including internally generated funds; the Company's credit facilities, as described later; issuance of long-term debt; and issuance of equity securities.

## Capital resources

Certain debt instruments of the Company and its subsidiaries contain restrictive covenants and cross-default provisions. In order to borrow under the respective credit agreements, the Company and its subsidiaries must be in compliance with the applicable covenants and certain other conditions, all of which the Company and its subsidiaries, as applicable, were in compliance with at June 30, 2018. In the event the Company and its subsidiaries do not comply with the applicable covenants and other conditions, alternative sources of funding may need to be pursued. For more information on the covenants, certain other conditions and cross-default provisions, see Part II, Item 8 - Note 6, in the 2017 Annual Report.

The following table summarizes the outstanding revolving credit facilities of the Company and its subsidiaries at June 30, 2018:

Company	Facility		Facility Limit		Amount Outstanding		Letters of Credit		Expiration Date
(In millions)									
MDU Resources Group, Inc.	Commercial paper/Revolving credit agreement	(a) \$	175.0	\$	47.1	(b) \$	—		6/8/23
Cascade Natural Gas Corporation	Revolving credit agreement	\$	75.0	(c) \$	4.6	\$	2.2	(d)	4/24/20
Intermountain Gas Company	Revolving credit agreement	\$	85.0	(e) \$	16.0	\$	—		4/24/20
Centennial Energy Holdings, Inc.	Commercial paper/Revolving credit agreement	(f) \$	500.0	\$	216.2	(b) \$	—		9/23/21

(a) The commercial paper program is supported by a revolving credit agreement with various banks (provisions allow for increased borrowings, at the option of the Company on stated conditions, up to a maximum of \$225.0 million). There were no amounts outstanding under the credit agreement.

(b) Amount outstanding under commercial paper program.

(c) Certain provisions allow for increased borrowings, up to a maximum of \$100.0 million.

(d) Outstanding letter(s) of credit reduce the amount available under the credit agreement.

(e) Certain provisions allow for increased borrowings, up to a maximum of \$110.0 million.

(f) The commercial paper program is supported by a revolving credit agreement with various banks (provisions allow for increased borrowings, at the option of Centennial on stated conditions, up to a maximum of \$600.0 million). There were no amounts outstanding under the credit agreement.

The Company's and Centennial's respective commercial paper programs are supported by revolving credit agreements. While the amount of commercial paper outstanding does not reduce available capacity under the respective revolving credit agreements, the Company and Centennial do not issue commercial paper in an aggregate amount exceeding the available capacity under their credit agreements. The commercial paper borrowings may vary during the period, largely the result of fluctuations in working capital requirements due to the seasonality of the construction businesses.

The Company's coverage of earnings to fixed charges including preferred stock dividends was 4.2 times, 4.0 times and 4.2 times for the 12 months ended June 30, 2018 and 2017, and December 31, 2017, respectively.

Total equity as a percent of total capitalization was 57 percent, 57 percent and 59 percent at June 30, 2018 and 2017, and December 31, 2017, respectively. This ratio is calculated as the Company's total equity, divided by the Company's total capital. Total capital is the Company's total debt, including short-term borrowings and long-term debt due within one year, plus total equity. This ratio is an indicator of how a company is financing its operations, as well as its financial strength.

**MDU Resources Group, Inc.** The Company's revolving credit agreement supports its commercial paper program. Commercial paper borrowings under this agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued commercial paper borrowings. The Company's objective is to maintain acceptable credit ratings in order to access the capital markets through the issuance of commercial paper. Historically, downgrades in the Company's credit ratings have not limited, nor are currently expected to limit, the Company's ability to access the capital markets. If the Company were to experience a downgrade of its credit ratings in the future, it may need to borrow under its credit agreement and may experience an increase in overall interest rates with respect to its cost of borrowings.

On June 8, 2018, the Company entered into an amended and restated revolving credit agreement which extended the maturity date to June 8, 2023.

**WBI Energy Transmission, Inc.** On June 15, 2018, WBI Energy Transmission issued an additional \$40.0 million under the private shelf agreement, with a maturity date of January 31, 2033, at an interest rate of 4.18 percent. WBI Energy Transmission had \$140.0 million of notes outstanding at June 30, 2018, which reduces the remaining capacity under this uncommitted private shelf agreement to \$60.0 million.

### **Off balance sheet arrangements**

As of June 30, 2018, the Company had no material off balance sheet arrangements as defined by the rules of the SEC.

### **Contractual obligations and commercial commitments**

There are no material changes in the Company's contractual obligations from continuing operations relating to long-term debt, estimated interest payments, operating leases, purchase commitments, asset retirement obligations, uncertain tax positions and minimum funding requirements for its defined benefit plans for 2018 from those reported in the 2017 Annual Report.

For more information on contractual obligations and commercial commitments, see Part II, Item 7 in the 2017 Annual Report.

### **New Accounting Standards**

For information regarding new accounting standards, see Note 6, which is incorporated by reference.

### **Critical Accounting Policies Involving Significant Estimates**

The Company's critical accounting policies involving significant estimates include impairment testing of long-lived assets and intangibles, revenue recognition, purchase accounting, pension and other postretirement benefits, and income taxes. There were no material changes in the Company's critical accounting policies involving significant estimates from those reported in the 2017 Annual Report other than the addition of a critical accounting policy involving revenue recognition due to the adoption of the new guidance, as discussed in Note 6, and the addition of a critical accounting policy involving purchase accounting due to the Company's recent acquisitions, as discussed in Note 9. For more information on critical accounting policies involving significant estimates, see Part II, Item 7 in the 2017 Annual Report.

### **Revenue recognition**

Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The recognition of revenue requires the Company to make estimates and assumptions that affect the reported amounts of revenue.

To determine the proper revenue recognition method for contracts, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate the combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. For most contracts, the customer contracts with the Company to provide a significant service of integrating a complex set of tasks and components into a single project or capability. Hence, the Company's contracts are generally accounted for as one performance obligation.

The Company recognizes construction contract revenue over time using the cost-to-cost measure of progress for contracts because it best depicts the transfer of assets to the customer which occurs as the Company incurs costs on the contract. Under the cost-to-cost measure of progress, the costs incurred are compared with total estimated costs of a performance obligation. Revenues are recorded proportionately to the costs incurred. This method depends largely on the ability to make reasonably dependable estimates related to the extent of progress toward completion of the contract, contract revenues and contract costs. Inasmuch as contract prices are generally set before the work is performed, the estimates pertaining to every project could contain significant unknown risks such as volatile labor, material and fuel costs, weather delays, adverse project site conditions, unforeseen actions by regulatory agencies, performance by subcontractors, job management and relations with project owners. Changes in estimates could have a material effect on the Company's results of operations, financial position and cash flows.

Several factors are evaluated in determining the bid price for contract work. These include, but are not limited to, the complexities of the job, past history performing similar types of work, seasonal weather patterns, competition and market

conditions, job site conditions, work force safety, reputation of the project owner, availability of labor, materials and fuel, project location and project completion dates. As a project commences, estimates are continually monitored and revised as information becomes available and actual costs and conditions surrounding the job become known. If a loss is anticipated on a contract, the loss is immediately recognized.

Contracts are often modified to account for changes in contract specifications and requirements. The Company considers contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Generally, contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration of services provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price and the measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue on a cumulative catch-up basis.

The Company's construction contracts generally contain variable consideration including liquidated damages, performance bonuses or incentives, unapproved/unpriced change orders and penalties or index pricing. The variable amounts usually arise upon achievement of certain performance metrics. The Company estimates variable consideration at the most likely amount expected.

The Company believes its estimates surrounding the cost-to-cost method are reasonable based on the information that is known when the estimates are made. The Company has contract administration, accounting and management control systems in place that allow its estimates to be updated and monitored on a regular basis. Because of the many factors that are evaluated in determining bid prices, it is inherent that the Company's estimates have changed in the past and will continually change in the future as new information becomes available for each job. There were no material changes in contract estimates at the individual contract level in 2018.

### **Purchase accounting**

The Company accounts for acquisitions under the purchase method of accounting and, accordingly, the acquired assets and liabilities assumed are recorded at their respective fair values. The excess of the purchase price over the fair value of the assets acquired and liabilities assumed is recorded as goodwill. Acquired assets and liabilities assumed by the Company are subject to various estimates. The recorded values of assets and liabilities are based on third-party estimates and valuations when available. The remaining values are based on management's judgments and estimates, and accordingly, the Company's financial position or result of operations may be affected by changes in estimates and judgments.

The fair value of owned recoverable aggregate reserve deposits is determined using qualified internal personnel as well as geologists. Reserve estimates are calculated based on the best available data. This data is collected from drill holes and other subsurface investigations, as well as investigations of surface features such as mine high walls and other exposures of the aggregate reserves. Mine plans, production history and geologic data also are utilized to estimate reserve quantities. Value is assigned to the aggregate reserves based on a review of market royalty rates, expected cash flows and the number of years of recoverable aggregate reserves at owned aggregate sites.

The fair value of property, plant and equipment is based on a valuation performed either by qualified internal personnel and/or outside appraisers. Fair values assigned to plant and equipment are based on several factors including the age and conditions of the equipment, maintenance records of the equipment and auction values for equipment with similar characteristics at the time of purchase. The Intangible assets are valued using a discounted cash flows methodology.

While the allocation of the purchase price of an acquisition is subject to a considerable degree of judgment and uncertainty, the Company does not expect the estimates to vary significantly once an acquisition has been completed.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company is exposed to the impact of market fluctuations associated with interest rates. The Company has policies and procedures to assist in controlling these market risks and from time to time has utilized derivatives to manage a portion of its risk.

### **Interest rate risk**

There were no material changes to interest rate risk faced by the Company from those reported in the 2017 Annual Report.

At June 30, 2018, the Company had no outstanding interest rate hedges.

## **Item 4. Controls and Procedures**

### **Evaluation of disclosure controls and procedures**

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. The Company's disclosure controls and other procedures are designed to provide reasonable assurance that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and procedures

include controls and procedures designed to provide reasonable assurance that information required to be disclosed is accumulated and communicated to management, including the Company's chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure. The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the chief executive officer and the chief financial officer have concluded that, as of the end of the period covered by this report, such controls and procedures were effective at a reasonable assurance level.

### **Changes in internal controls**

No change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended June 30, 2018, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## Part II -- Other Information

### Item 1. Legal Proceedings

For information regarding legal proceedings required by this item, see Note 17, which is incorporated herein by reference.

### Item 1A. Risk Factors

Please refer to the Company's risk factors that are disclosed in Part I, Item 1A - Risk Factors in the 2017 Annual Report that could be materially harmful to the Company's business, prospects, financial condition or financial results if they occur. There are no material changes to the Company's risk factors provided in Part I, Item 1A - Risk Factors in the 2017 Annual Report, except for the following:

***The Company's operations could be negatively impacted by import tariffs and/or other government mandates.***

Imposed and proposed import tariffs could significantly increase the prices and delivery lead times on raw materials that are critical to the Company, such as aluminum and steel. The Company is currently experiencing extended lead times on deliveries of raw materials that are critical to the electric, natural gas distribution and pipeline and midstream business segments. In addition, tariff increases on raw materials and finished products may have a similar impact on other product suppliers of the Company, which could increase the negative impact on the delivery and the cost of raw materials and finished product supplies used by the Company. Prolonged lead times on the delivery of raw materials and further tariff increases could have a material adverse effect on the Company's business, financial condition and results of operations.

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

On June 4, 2018, the Company completed an acquisition in which a portion of the consideration consisted of the unregistered issuance of shares of the Company's common stock. The aggregate consideration paid at closing in this acquisition included 713,948 shares of the Company's common stock with a fair value of approximately \$18.0 million as of the acquisition date. For additional information about this acquisition, see Note 9. The shares of common stock issued in this acquisition were issued in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, as the shares were issued to the owners of businesses acquired in privately negotiated transactions not involving any public offering or solicitation.

The following table includes information with respect to the Company's purchase of equity securities:

#### ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (2)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (2)
April 1 through April 30, 2018	—	—	—	—
May 1 through May 31, 2018	—	—	—	—
June 1 through June 30, 2018	—	—	—	—
Total	—	—	—	—

(1) Represents shares of common stock purchased on the open market in connection with the vesting of shares granted pursuant to the Long-Term Performance-Based Incentive Plan.

(2) Not applicable. The Company does not currently have in place any publicly announced plans or programs to purchase equity securities.

### Item 4. Mine Safety Disclosures

For information regarding mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K, see Exhibit 95 to this Form 10-Q, which is incorporated herein by reference.

### Item 5. Other Information

None.

## **Item 6. Exhibits**

See the index to exhibits immediately preceding the exhibits filed with this report.

## Exhibits Index

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ended	Exhibit	Filing Date File Number
4(a)	<a href="#">MDU Resources Group, Inc. Credit Agreement, dated June 8, 2018, among MDU Resources Group, Inc., Various Lenders, and Wells Fargo Bank, National Association, as Administrative Agent</a>	X				
12	<a href="#">Computation of Ratio of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Stock Dividends</a>	X				
31(a)	<a href="#">Certification of Chief Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X				
31(b)	<a href="#">Certification of Chief Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X				
32	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	X				
95	<a href="#">Mine Safety Disclosures</a>	X				
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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					

MDU Resources Group, Inc. agrees to furnish to the SEC upon request any instrument with respect to long-term debt that MDU Resources Group, Inc. has not filed as an exhibit pursuant to the exemption provided by Item 601(b)(4)(iii)(A) of Regulation S-K.

## Signatures

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

### MDU RESOURCES GROUP, INC.

DATE: August 3, 2018

BY: /s/ Jason L. Vollmer

\_\_\_\_\_  
Jason L. Vollmer

Vice President, Chief Financial Officer  
and Treasurer

BY: /s/ Stephanie A. Barth

\_\_\_\_\_  
Stephanie A. Barth

Vice President, Chief Accounting Officer  
and Controller

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## **Section 2: EX-4.A (MDU RESOURCES CREDIT AGREEMENT DATED JUNE 8, 2018)**

Published CUSIP Number: 55277HAE2  
Revolving Credit CUSIP Number: 55277HAF9

### CREDIT AGREEMENT

among

MDU RESOURCES GROUP, INC.  
as Borrower;

VARIOUS LENDERS;

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,  
as Administrative Agent

MUFG BANK, LTD.,  
as Syndication Agent

WELLS FARGO SECURITIES, LLC  
AND  
MUFG BANK, LTD.,  
as Joint Lead Arrangers and Joint Lead Bookrunners

Closing Date: June 8, 2018



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## CREDIT AGREEMENT

This Agreement is entered into as of June 8, 2018, by and among MDU Resources Group, Inc., a Delaware corporation, the several banks and other financial institutions from time to time party hereto as lenders (the “**Lenders**”), and Wells Fargo Bank, National Association, a national banking association (“**Wells Fargo**”), in its capacity as administrative agent for the Lender Parties, as defined below (in such capacity, together with any successor thereto in such capacity, the “**Administrative Agent**”).

The parties hereto agree as follows:

### ARTICLE I Definitions

Section 1.1 Definitions. As used in this Agreement:

“**ABR Borrowing**” means a Borrowing consisting of ABR Loans.

“**ABR Loan**” means any Loan that bears interest at a rate determined by reference to the Adjusted Base Rate.

“**Adjusted Base Rate**” means, for any day, an annual rate equal to the highest of (a) the Base Rate, (b) the Federal Funds Rate plus 50 basis points, and (c) the Floating LIBO Rate plus 100 basis points.

“**Adjusted LIBO Rate**” means, with respect to an Interest Period, the rate (rounded upwards, if necessary, to the nearest 1/16 of 1%) obtained by dividing (a) the applicable LIBO Rate by (b) a percentage equal to 1.00 minus the applicable percentage (expressed as a decimal) prescribed by the Board of Governors of the Federal Reserve System (or any successor thereto) for determining the maximum reserve requirements applicable to eurodollar fundings (currently referred to as “Eurocurrency Liabilities” in Regulation D) or any other maximum reserve requirements applicable to a member bank of the Federal Reserve System with respect to such eurodollar fundings.

“**Administrative Agent**” means Wells Fargo acting in its capacity as administrative agent for itself and the other Lenders hereunder.

“**Administrative Questionnaire**” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“**Advance**” means an advance by a Lender to the Borrower pursuant to Article II, including Revolving Loans and Swingline Loans.

“**Affiliate**” of any Person means any other Person directly or indirectly controlling, controlled by or under the common control with such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities (or other ownership interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock or other equity interests, by contract or otherwise.

“**Aggregate Revolving Commitment Amount**” means \$175,000,000, as such amount may be reduced pursuant to Section 2.14 or increased pursuant to Section 2.15.

**“Aggregate Revolving Credit Exposure”** means the sum of the Revolving Credit Exposure of all Lenders.

**“Agreement”** means this Credit Agreement.

**“Anti-Corruption Laws”** means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or its Subsidiaries from time to time concerning or relating to bribery or corruption, including the United States Foreign Corrupt Practices Act of 1977 and the rules and regulations thereunder and the U.K. Bribery Act 2010 and the rules and regulations thereunder.

**“Anti-Money Laundering Laws”** means any and all laws, statutes, regulations or obligatory government orders, decrees, ordinances or rules applicable to the Borrower, its Subsidiaries or Affiliates related to terrorism financing or money laundering, including any applicable provision of the PATRIOT Act and The Currency and Foreign Transactions Reporting Act (also known as the “Bank Secrecy Act,” 31 U.S.C. §§ 5311-5330 and 12 U.S.C. §§ 1818(s), 1820(b) and 1951-1959).

**“Applicable Law”** means all applicable provisions of constitutions, laws, statutes, ordinances, rules, treaties, regulations, permits, licenses, approvals, interpretations and orders of Governmental Authorities and all orders and decrees of all courts and arbitrators.

**“Applicable Margin”** means, with respect to computation of the applicable interest rate on Loans under the Facility, or the Facility Fee, as the case may be, the applicable increment so designated as determined in accordance with Section 2.6.

**“Applicable Rating”** means (i) with respect to S&P, the rating designated by S&P as its long-term corporate credit rating of the Borrower, and (ii) with respect to Fitch, the rating designated by Fitch as its rating of the Borrower’s senior unsecured debt.

**“Arrangers”** means Wells Fargo Securities, LLC and MUFG Bank, Ltd., in their capacity as Joint Lead Arrangers and Joint Lead Bookrunners.

**“Assignment and Assumption”** means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.6), and accepted by the Administrative Agent, in substantially the form of Exhibit D or any other form approved by the Administrative Agent.

**“Authorizing Order”** means any order of any public utilities commission or any other regulatory body having jurisdiction over the Borrower, authorizing and/or restricting the indebtedness that may be created from time to time hereunder (whether on account of Advances or otherwise).

**“Bankruptcy Code”** means Title 11 of the United States Code, entitled “Bankruptcy,” as amended.

**“Base Rate”** means, for any day, the rate of interest in effect for such day as publicly announced from time to time by the Administrative Agent as its “prime” or “base” rate (whether or not such rate is actually charged by the Administrative Agent), or if the Administrative Agent ceases to announce such a rate so designated, any similar successor rate designated by the Administrative Agent in its reasonable discretion. Any change in the Base Rate announced by the Administrative Agent shall take effect at the opening of business on the day specified in the public announcement of such change. Such rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. Wells Fargo or any other

Lender may make commercial loans or other loans at rates of interest at, above or below the Base Rate. Notwithstanding the foregoing, if the Base Rate (as determined without regard to this sentence) would be less than 0%, then the Base Rate shall be 0%.

**“Benefit Plan”** means any of (a) an “employee benefit plan” (as defined in ERISA) that is subject to Title I of ERISA, (b) a “plan” as defined in Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such “employee benefit plan” or “plan”.

**“Borrower”** means MDU Resources Group, Inc., a Delaware corporation, or any Successor Borrower.

**“Borrower Leverage Ratio”** means the ratio of Funded Debt to Capitalization, determined with respect to the Borrower alone (excluding its Subsidiaries, but including any divisions of the Borrower not constituting separate Persons) as at the end of each fiscal quarter of the Borrower.

**“Borrowing”** means a borrowing under Article II consisting of Advances made to the Borrower at the same time by each of the Lenders severally.

**“Business Day”** means a day other than a Saturday, Sunday, United States national holiday or other day on which banks in Minnesota or New York are permitted or required by law to close. Whenever the context relates to a LIBOR Loan or the fixing of a LIBO Rate, “Business Day” means a day (i) that meets the foregoing definition, and (ii) on which dealings in U.S. dollar deposits are carried on in the London interbank eurodollar market.

**“Capitalization”** means, with respect to any Person as of any Covenant Compliance Date, (i) Funded Debt of that Person, plus (ii) shareholders’ equity of that Person (excluding any non-cash gain or loss resulting from the requirements of Financial Accounting Standards Board Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities”), all determined in accordance with GAAP. In determining Capitalization for purposes of calculating the Borrower Leverage Ratio, Funded Debt and equity attributable to any Subsidiary shall be excluded.

**“Capitalized Lease”** means any lease that in accordance with GAAP should be capitalized on the balance sheet of the lessee thereunder or for which the amount of the asset and liability thereunder as if so capitalized should be disclosed in a note to such balance sheet. All obligations under any lease that is treated as an operating lease under GAAP but pursuant to which the lessee thereunder retains tax ownership of the leased property for federal income tax purposes shall be treated as a Capitalized Lease for purposes of this Agreement.

**“Cash Collateralize”** means, to pledge and deposit with, or deliver to the Administrative Agent, or directly to the applicable Issuing Lender (with notice thereof to the Administrative Agent), for the benefit of one or more of the Issuing Lenders, the Swingline Lender or the Lenders, as collateral for L/C Obligations or obligations of the Lenders to fund participations in respect of L/C Obligations or Swingline Loans, cash or deposit account balances or, if the Administrative Agent and the applicable Issuing Lender and the Swingline Lender shall agree, in their sole discretion, other credit support, in each case pursuant to documentation in form and substance satisfactory to the Administrative Agent, such Issuing Lender and the Swingline Lender, as applicable. **“Cash Collateral”** shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

**“Cash Equivalents”** means, as to any Person, (a) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (but only so long as the full faith and credit of the United States is pledged in support thereof) having maturities of not more than 24 months from the date of acquisition; (b) securities issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof having maturities of not more than 24 months from the date of acquisition and having one of the two highest ratings from either S&P, Fitch, or Moody’s Investors Service, Inc.; (c) domestic and Eurodollar certificates of deposit or time deposits or bankers’ acceptances maturing within 24 months after the date of acquisition issued or guaranteed by or placed with, and money market and demand deposit accounts issued or offered by, any commercial bank organized under the laws of the United States or any state thereof or the District of Columbia, or any Canadian chartered bank, having combined capital and surplus of not less than \$500,000,000; (d) repurchase obligations with a term of not more than thirty days for underlying securities of the types described in clause (a) and (b) of this definition entered into with any bank meeting the qualifications specified in clause (c) of this definition; (e) commercial paper issued by any commercial bank incorporated in the United States having capital and surplus in excess of \$500,000,000 and commercial paper issued by any Person (other than a commercial bank) incorporated in the United States, which commercial paper has one of the two highest ratings from either S&P, Fitch or Moody’s Investors Service, Inc., and in each case maturing not more than ninety days after the date of acquisition by such Person; and (f) investments in money market funds substantially all the assets of which are comprised of cash or securities of the types described in clauses (a) through (e) of this definition.

**“Change in Law”** means the occurrence, after the date of this Agreement, 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.

**“Change of Control”** means, with respect to any corporation, either (i) the acquisition by any “person” or “group” (as those terms are used in Sections 13(d) and 14(d) of the Exchange Act) of beneficial ownership (as defined in Rules 13d-3 and 13d-5 of the Securities and Exchange Commission, except that a Person shall be deemed to have beneficial ownership of all securities that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 25% or more of the then-outstanding voting capital stock of such corporation; or (ii) a change in the composition of the board of directors of such corporation or any corporate parent of such corporation such that continuing directors cease to constitute more than 50% of such board of directors. As used in this definition, “continuing directors” means, as of any date, (i) those members of the board of directors of the applicable corporation who assumed office prior to such date, and (ii) those members of the board of directors of the applicable corporation who assumed office after such date and whose appointment or nomination for election by that corporation’s shareholders was approved by a vote of at least 50% of the directors of such corporation in office immediately prior to such appointment or nomination.

**“Code”** means the Internal Revenue Code of 1986, and the regulations promulgated thereunder, as amended, reformed or otherwise modified from time to time.

**“Commitment”** means, with respect to each Lender, that Lender’s Revolving Commitment.

**“Compliance Certificate”** means a certificate in substantially the form of Exhibit C, or such other form as the Borrower and the Required Lenders may from time to time agree upon in writing, executed by the chief financial officer of the Borrower, stating (i) that any financial statements delivered therewith have been prepared in accordance with GAAP (or, in the case of statements prepared pursuant to Section 6.1(b)(ii), in accordance with FERC Accounting Principles), subject to year-end adjustments, (ii) whether or not such officer has knowledge of the occurrence of any Default or Event of Default hereunder not theretofore reported and remedied and, if so, stating in reasonable detail the facts with respect thereto and (iii) all relevant facts in reasonable detail to evidence, and the computations as to, whether or not the Borrower is in compliance with the Financial Covenants.

**“Consolidated Total Leverage Ratio”** means, as of any Covenant Compliance Date, the ratio of Funded Debt to Capitalization, determined on a consolidated basis with respect to the Borrower and all of its Subsidiaries.

**“Constituent Divisions”** has the meaning specified in Section 7.4(b).

**“Covenant Compliance Date”** means the last day of each fiscal quarter of the Borrower.

**“Credit Exposure”** means, with respect to any Lender at any time, (i) such Lender’s Revolving Commitment (whether used or unused) at such time, or (ii) if the Revolving Commitments have terminated in their entirety, the aggregate outstanding principal amount of its Notes at such time.

**“Credit Extension”** means the making of any Advance, or the conversion to or continuation of any LIBOR Loan.

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

**“Default”** means an event that, with the giving of notice, the passage of time or both, would constitute an Event of Default.

**“Default Rate”** has the meaning specified in Section 2.7(c).

**“Defaulting Lender”** means, subject to Section 2.26(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, any Issuing Lender, the Swingline Lender or any other Lender any other amount required to be paid by it hereunder within two Business Days of the date when due, (b) has notified the Borrower, any Issuing Lender, the Swingline Lender or the Administrative Agent in writing that it does not intend to comply with its funding obligations

hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.26(b)) upon delivery of written notice of such determination to the Borrower, each Issuing Lender, the Swingline Lender and each Lender.

**“Distribution”** means any payment made by the Borrower on account of any equity interest in the Borrower, including but not limited to any dividend and any payment in purchase, redemption or other retirement of any stock or membership interest.

**“Dollars”** or **“\$”** means, unless otherwise qualified, dollars in lawful currency of the United States.

**“Eligible Assignee”** means any Person that meets the requirements to be an assignee under Sections 10.6(b)(v) and (vi) (subject to such consents, if any, as may be required under Section 10.6(b)(iii)).

**“Environmental Claim”** means a material claim, however asserted, by any governmental authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

**“Environmental Law”** means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq., the Hazardous Materials Transportation Act, 49 U.S.C. § 1802 et seq., the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., the Federal Water Pollution Control Act, 33 U.S.C. § 1252 et seq., the Clean Water Act, 33 U.S.C. § 1321 et seq., the Clean Air Act, 42 U.S.C. § 7401 et seq., and any other federal, state, county, municipal, local or other statute, law, ordinance or regulation which in each case relates to human health or the environment, all as may be from time to time amended.

**“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended.

**“ERISA Affiliate”** means any trade or business (whether or not incorporated) that is, along with the Borrower, a member of a controlled group of corporations or a controlled group of trades or businesses, as described in sections 414(b) and 414(c), respectively, of the Code.

**“ERISA Event”** means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations which is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA), insolvent (within the meaning of Section 4245 of ERISA) or in “critical” status (within the meaning of Section 432 of the Code or Section 305 of ERISA); (d) the commencement of proceedings by the PBGC to terminate a Pension Plan; (e) a failure by the Borrower or any ERISA Affiliate to make required contributions to a Pension Plan or Multiemployer Plan, or the imposition of a lien in favor of a Pension Plan under Section 430(k) of the Code or Section 303(k) of ERISA; (f) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or for the imposition of any liability under Section 4069 or 4212(c) of ERISA; (g) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate; (h) an application for a funding waiver pursuant to Section 412 of the Code or Section 302(c) of ERISA with respect to any Plan; or (i) a determination that a Plan is, or is reasonably expected to be, in “at risk” status (within the meaning of Section 430 of the Code or Section 303 of ERISA).

**“ERISA Termination Event”** means the filing of a notice of intent to terminate a Pension Plan, or the treatment of a plan amendment as the termination of a Pension Plan, under Section 4041, 4041A or 4042 of ERISA.

**“Event of Default”** has the meaning specified in Section 8.1.

**“Exchange Act”** means the Securities Exchange Act of 1934, as amended.

**“Excluded Taxes”** means, with respect to any Lender Party or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender, any withholding tax (including withholding taxes imposed under FATCA) that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new lending office) or is attributable to such Foreign Lender’s failure or inability (other than as a result of a Change in Law) to comply with Section 2.18(f), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.18(b).

**“Existing Credit Agreement”** means the Credit Agreement dated May 26, 2011 among the Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and the

Lenders, as defined therein, together with all amendments, modifications and restatements thereof.

**“Existing Credit Agreement Lender”** means, with respect to any specified time prior to the date hereof, a Person that was a “Lender” under the Existing Credit Agreement as of such time.

**“Existing Credit Facility”** means the revolving credit facility arising under the Existing Credit Agreement.

**“Existing Maturity Date”** has the meaning specified in Section 2.28(a).

**“Extension Effective Date”** has the meaning specified in Section 2.28(c).

**“Extension Notice Deadline”** has the meaning specified in Section 2.28(b).

**“Extension Request Date”** has the meaning specified in Section 2.28(a).

**“Extension Request Notice”** has the meaning specified in Section 2.28(a).

**“Facility”** means the Revolving Facility.

**“Facility Fee”** has the meaning specified in Section 2.11(a).

**“Facility Fee Rate”** means a percentage, determined as set forth in Section 2.6.

**“FATCA”** means Sections 1471 through 1474 of the Code, as of the date of this Agreement, and any current or future regulations or official interpretations thereof.

**“Federal Funds Rate”** means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that if such rate is not so published for any day which is a Business Day, the Federal Funds Rate for such day shall be the average of the quotation for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent. Notwithstanding the foregoing, if the Federal Funds Rate (as determined without regard to this sentence) would be less than 0%, then the Federal Funds Rate shall be 0%.

**“Fee Letters”** means (i) the Fee Letter dated May 15, 2018 among the Administrative Agent, Wells Fargo Securities, LLC and the Borrower, (ii) the Fee Letter dated May 15, 2018 between MUFG Bank, Ltd. and the Borrower, and (iii) any separate agreements between the Borrower and the Administrative Agent after the date hereof that set forth the terms of fees to be paid by the Borrower to the Administrative Agent for the Administrative Agent’s own behalf or for the benefit of the Lenders, as more fully set forth therein.

**“FERC Accounting Principles”** means the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

**“Financial Covenant”** means any of the Borrower’s obligations set forth in Sections 7.10 and 7.11.

**“Fitch”** means Fitch, Inc.

**“Floating LIBO Rate”** means, for any day, a rate equal to the Adjusted LIBO Rate with respect to a one-month Interest Period commencing on that day. For the purposes of this definition, the Adjusted LIBO Rate as of any day shall be determined using the Adjusted LIBO Rate as otherwise determined by the Administrative Agent in accordance with the definitions of “LIBO Rate” and “Adjusted LIBO Rate” hereunder, except that (x) if the day is a Business Day, such determination shall be made on such day (rather than two Business Days prior to the commencement of an Interest Period), and (y) if the day is not a Business Day, the Adjusted LIBO Rate for such day shall be the rate determined by the Administrative Agent pursuant to the preceding clause (x) for the most recent Business Day preceding such day.

**“Foreign Lender”** means any Lender that is organized under the laws of a jurisdiction other than the United States of America, any state thereof or the District of Columbia.

**“Fronting Exposure”** means, at any time there is a Defaulting Lender, (a) with respect to any Issuing Lender, such Defaulting Lender’s Percentage of the outstanding L/C Obligations with respect to Letters of Credit issued by such Issuing Lender, other than such L/C Obligations as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof and (b) with respect to the Swingline Lender, such Defaulting Lender’s Percentage of outstanding Swingline Loans other than Swingline Loans as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof.

**“Funded Debt”** of any Person means (without duplication) (i) all indebtedness of such Person for borrowed money (which shall, in the case of the Borrower, include but not be limited to all indebtedness under this Agreement, all indebtedness arising under the Indenture, and all Subordinated Debt); (ii) indebtedness of such Person evidenced by bonds, notes or similar written instruments, whether or not representing obligations for borrowed money; (iii) all liabilities required to appear on such Person’s balance sheet with respect to Capitalized Lease obligations of such Person; (iv) all indebtedness secured by a Lien on any property owned by such Person, whether or not such indebtedness has been assumed by such Person or is nonrecourse to such Person; (v) the face amount of all letters of credit and bankers’ acceptances issued for the account of such Person, and without duplication, all drafts drawn thereunder; (vi) all obligations of such Person with respect to leases constituting part of a sale and leaseback arrangement; (vii) all net obligations of such Person under interest rate agreements or currency agreements; and (viii) guaranty obligations of such Person with respect to indebtedness for borrowed money of another Person (including affiliates).

**“GAAP”** means generally accepted accounting principles as in effect from time to time applied on a basis consistent with the accounting practices applied in the financial statements of the Borrower and its Subsidiaries referred to in Section 5.5; provided that if the Borrower adopts any GAAP Change (as defined below), then unless and until the Borrower, the Administrative Agent and the Required Lenders agree to adjustments to the terms hereof to reflect such GAAP Change, all Financial Covenants, standards and terms in this Agreement shall continue to be determined as if such GAAP Change had not been implemented. As used in this definition, **“GAAP Change”** refers to any change in accounting principles required or permitted by any promulgation of the Financial Accounting Standards Board or, if applicable, the Securities Exchange Commission, and shall include the adoption or implementation of the International Financial Reporting Standards promulgated by the International Accounting Standards Board.

**“Governmental Approvals”** means all authorizations, consents, approvals, permits, licenses and exemptions of, and all registrations and filings with or issued by, any Governmental Authorities.

**“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).

**“Hazardous Materials”** means any asbestos, urea formaldehyde, polychlorinated biphenyls, nuclear fuel or material, chemical waste, radioactive material, explosives, known carcinogens, petroleum products and by-products and other dangerous, toxic or hazardous pollutants, contaminants, chemicals, materials or substances listed or identified in, or regulated by, any Environmental Laws.

**“Indemnified Taxes”** means Taxes other than Excluded Taxes.

**“Indenture”** means the Indenture, dated as of December 15, 2003, executed by the Borrower and delivered to the Bank of New York Mellon, as trustee thereunder, as heretofore amended and supplemented and as hereafter amended and/or supplemented from time to time.

**“Interest Payment Date”** means (a) with respect to each ABR Loan, the last day of each calendar quarter, (b) with respect to each LIBOR Loan, the last day of the Interest Period applicable thereto (and, if such Interest Period is longer than 3 months, each day prior to the last day of such Interest Period that occurs at intervals of three months’ duration after the first day of such Interest Period), and (c) with respect to each Loan, the Maturity Date with respect thereto.

**“Interest Period”** means, relative to any LIBOR Loan, the period beginning on (and including) the date on which such LIBOR Loan is made, or continued as, or converted into, a LIBOR Loan pursuant to Section 2.1, 2.3 or 2.4 and shall end on (but exclude) the day which numerically corresponds to such date 1, 2, 3 or 6 months thereafter (or, if such month has no numerically corresponding day, on the last Business Day of such month), as the Borrower may select in its relevant notice pursuant to Section 2.1, 2.3 or 2.4; provided, however, that:

(a) Unless otherwise agreed by the Administrative Agent, no more than 6 different Interest Periods may be outstanding at any one time with respect to the Facility.

(b) If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next following Business Day (unless such next following Business Day is the first Business Day of a month, in which case such Interest Period shall end on the next preceding Business Day).

(c) No Interest Period may end later than the Maturity Date.

**“Investment Company Act”** means the Investment Company Act of 1940 (15 U.S.C. § 80(a)(1), et seq.).

**“ISP98”** means the International Standby Practices (1998 Revision, effective January 1, 1999), International Chamber of Commerce Publication No. 590.

**“Issuing Lenders”** means Wells Fargo Bank, National Association and MUFG Bank, Ltd.

**“L/C Commitment”** means, as to any Issuing Lender, the obligation of such Issuing Lender to issue Letters of Credit for the account of the Borrower from time to time in an

aggregate amount equal to the amount set forth opposite the name of each such Issuing Lender on Exhibit A, as such amount may be changed after the date hereof in a written agreement between the Borrower and such Issuing Lender (which such agreement shall be promptly delivered to the Administrative Agent upon execution); provided that the L/C Commitment with respect to any Person that ceases to be an Issuing Lender for any reason pursuant to the terms hereof shall be \$0 (subject to the Letters of Credit of such Person remaining outstanding in accordance with the provisions hereof).

**“L/C Facility”** means the letter of credit facility established pursuant to Article III.

**“L/C Obligations”** means at any time, an amount equal to the sum of (a) the aggregate undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit which have not then been reimbursed pursuant to Section 3.5.

**“L/C Participants”** means, with respect to any Letter of Credit, the collective reference to all the Revolving Lenders other than the applicable Issuing Lender.

**“L/C Sublimit”** means the lesser of (a) \$20,000,000, and (b) the Aggregate Revolving Commitment Amount.

**“Lender Parties”** means, collectively, the Administrative Agent, the Lenders and the Issuing Lenders.

**“Lenders”** means Wells Fargo, acting on its own behalf and not as Administrative Agent, each of the undersigned lenders, and any financial institution that becomes a Lender pursuant to Section 2.15 or 10.6(b), collectively. Unless the context otherwise requires, the term “Lenders” includes the Swingline Lender.

**“Letter of Credit Application”** means an application requesting such Issuing Lender to issue a Letter of Credit and a reimbursement agreement, in each case in the form specified by the applicable Issuing Lender from time to time.

**“Letters of Credit”** means the letters of credit issued pursuant to Article III.

**“Level Status”** means Level I, Level II, Level III, Level IV or Level V, each as determined pursuant to Section 2.6.

**“LIBO Rate”** means, with respect to an Interest Period, (a) the rate per annum determined by the Administrative Agent as of approximately 11:00 a.m. London time on the date 2 Business Days before the commencement of such Interest Period by reference to the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other Person that takes over the administration of such rate and designated by the Administrative Agent) for deposits in dollars offered on the London interbank dollar market for a period corresponding to the term of such Interest Period and in an amount comparable to the aggregate amount of the relevant Loan (as displayed in the Bloomberg Financial Market System or any successor thereto or any other service selected by the Administrative Agent that has been nominated by ICE Benchmark Administration Limited as an authorized information vendor for the purpose of displaying such rates), or (b) if such rate cannot be determined, the rate per annum equal to the rate determined by the Administrative Agent in accordance with Section 2.5 to be a rate at which U.S. dollar deposits are offered to major banks in the London interbank eurodollar market for funds to be made available on the first day of such Interest Period and maturing at the

end of such Interest Period. Notwithstanding the foregoing, if the LIBO Rate (as determined without regard to this sentence) would be less than 0%, then the LIBO Rate shall be 0%.

**“LIBOR Borrowing”** means any Borrowing consisting of LIBOR Loans.

**“LIBOR Loan”** means any Loan that bears interest at a rate determined by reference to a LIBO Rate, excluding any ABR Loan.

**“Lien”** means any mortgage, deed of trust, lien, pledge, security interest or other charge or encumbrance, of any kind whatsoever, including but not limited to the interest of the lessor or titleholder under any Capitalized Lease, title retention contract or similar agreement.

**“Loan”** means a designated portion of outstanding principal indebtedness under the Revolving Facility or Swingline Facility.

**“Loan Documents”** means this Agreement, the Notes, the Fee Letters and the Letter of Credit Applications.

**“Material Adverse Effect”** means (a) a material adverse change in, or a material adverse effect on, the operations, business, assets or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole, (b) a material impairment of the ability of the Borrower to perform its obligations under the Loan Documents to which it is a party, (c) a material adverse effect on the rights and remedies of any Lender Party under any Loan Document or (d) an impairment of the legality, validity, binding effect or enforceability against the Borrower of any Loan Document to which it is a party.

**“Maturity Date”** means June 8, 2023, as such date may be extended with respect to one or more Lenders pursuant to Section 2.28.

**“Maximum Aggregate Revolving Facility Amount”** means \$225,000,000, unless said amount is reduced pursuant to Section 2.14, in which event it means the amount to which said amount is reduced.

**“Minimum Collateral Amount”** means, at any time, (a) with respect to Cash Collateral consisting of cash or deposit account balances provided to reduce or eliminate Fronting Exposure during the existence of a Defaulting Lender, an amount equal to 105% of the Fronting Exposure of the Issuing Lenders with respect to Letters of Credit issued and outstanding at such time, (b) with respect to Cash Collateral consisting of cash or deposit account balances provided in accordance with the provisions of Section 8.2(c), an amount equal to 105% of the outstanding amount of all L/C Obligations and (c) otherwise, an amount determined by the Administrative Agent and each of the applicable Issuing Lenders that is entitled to Cash Collateral hereunder at such time in their sole discretion.

**“Multiemployer Plan”** means a “multiemployer plan” (within the meaning of Section 4001(a)(3) of ERISA) to which the Borrower or any ERISA Affiliate makes, is making, or is obligated to make contributions or, during the preceding three calendar years, has made, or been obligated to make, contributions.

**“Non-Consenting Lender”** means any Lender that does not approve any consent, waiver, amendment, modification or termination that (a) requires the approval of all Lenders or all affected Lenders in accordance with the terms of Section 10.2, and (b) has been approved by the Required Lenders.

**“Non-Defaulting Lender”** means, at any time, a Lender that is not a Defaulting Lender at such time.

**“Non-Extending Lender”** has the meaning specified in Section 2.28(b)

**“Notes”** means the collective reference to the Revolving Notes and the Swingline Note.

**“Obligations”** means, in each case, whether now in existence or hereafter arising: (a) the principal of and interest on (including interest accruing after the filing of any bankruptcy or similar petition) the Loans, (b) the L/C Obligations and (c) all other fees and commissions (including attorneys’ fees), charges, indebtedness, loans, liabilities, financial accommodations, obligations, covenants and duties owing by the Borrower to the Lenders, the Issuing Lenders or the Administrative Agent, in each case under any Loan Document, with respect to any Loan or Letter of Credit of every kind, nature and description, direct or indirect, absolute or contingent, due or to become due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any note and including interest and fees that accrue after the commencement by or against the Borrower of any proceeding under any Debtor Relief Laws, naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding, excluding, however, any debt, liability or obligation due or owing to any Lender Party which has not been issued pursuant to any of the Loan Documents and is not otherwise expressly contemplated therein.

**“OFAC”** means the U.S. Department of the Treasury’s Office of Foreign Assets Control.

**“Other Taxes”** means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

**“PATRIOT Act”** means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

**“PBGC”** means the Pension Benefit Guaranty Corporation.

**“Pension Plan”** means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, which the Borrower or any ERISA Affiliate sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding 5 plan years but excluding any Multiemployer Plan.

**“Percentage”** means, with respect to each Lender, the ratio of (i) that Lender’s Credit Exposure, to (ii) the aggregate Credit Exposure of all of the Lenders.

**“Person”** means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

**“Plan”** means an employee benefit plan (as defined in Section 3(3) of ERISA) which the Borrower or any ERISA Affiliate sponsors or maintains or to which the Borrower or any ERISA Affiliate makes, is making, or is obligated to make contributions and includes any Pension Plan but excluding any Multiemployer Plan.

**“Principal Payment Date”** means, with respect to any Loan, the earliest of (i) the last day of the Interest Period applicable thereto, (ii) the first Business Day preceding each anniversary hereof, and (iii) the Maturity Date.

**“PTE”** means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

**“Rating Agencies”** means Fitch and S&P, collectively.

**“Recipient”** means (a) the Administrative Agent, (b) any Lender and (c) any Issuing Lender, as applicable.

**“Register”** has the meaning specified in Section 10.6(c).

**“Regulation D”** means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of the Board of Governors of the Federal Reserve System relating to reserve requirements applicable to member banks of the Federal Reserve System.

**“Reimbursement Obligation”** means the obligation of the Borrower to reimburse any Issuing Lender pursuant to Section 3.5 for amounts drawn under Letters of Credit issued by such Issuing Lender.

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

**“Replacement Rate”** has the meaning specified in Section 2.19(c).

**“Reportable Event”** means any of the events set forth in Section 4043(c) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

**“Required Lenders”** means one or more Lenders having an aggregate Percentage in excess of 50%; provided, however, that if any Lender is a Defaulting Lender at the time of determination, the Percentage of such Defaulting Lender shall be excluded from the determination of Required Lenders.

**“Revolving Advance”** means a loan of funds by a Lender to the Borrower under Section 2.1, including both ABR Loans and LIBOR Loans made thereunder.

**“Revolving Borrowing”** means a Borrowing consisting of a Revolving Advance by each of the Lenders.

**“Revolving Commitment”** means, with respect to each Lender, (i) the amount so designated opposite such Lender’s name on Exhibit A, as such amount may be adjusted pursuant to Section 2.14 or 2.15 and plus or minus any such amount assumed or assigned pursuant to any Assignment and Assumption, or (ii) as the context may require, the obligation of such Lender to make Revolving Advances and to purchase participations in L/C Obligations and Swingline Loans hereunder.

**“Revolving Commitment Termination Date”** means the earlier of (a) the Maturity Date and (b) the date on which the Revolving Commitments are terminated pursuant to Section 2.14 or 8.2 or reduced to zero pursuant to Section 2.14.

**“Revolving Credit Exposure”** means, as to any Revolving Lender at any time, the aggregate principal amount at such time of its outstanding Revolving Loans and such Revolving Lender’s participation in L/C Obligations and Swingline Loans at such time.

**“Revolving Facility”** means the revolving credit facility being made available to the Borrower by the Lenders pursuant to this Agreement, including Revolving Loans, Swingline Loans and Letters of Credit.

**“Revolving Credit Exposure”** means, as to any Revolving Lender at any time, the aggregate principal amount at such time of its outstanding Revolving Loans and such Revolving Lender’s participation in L/C Obligations and Swingline Loans at such time.

**“Revolving Lender”** means any Lender with a Revolving Commitment.

**“Revolving Loan”** means a Loan under Section 2.1.

**“Revolving Note”** means a promissory note of the Borrower payable to a Lender in the amount of such Lender’s Revolving Commitment, in substantially the form of Exhibit B-1, as such promissory note may be amended, extended or otherwise modified from time to time, and including each other promissory note accepted from time to time in substitution therefor or in renewal thereof.

**“Revolving Percentage”** means, with respect to a Revolving Lender, such Revolving Lender’s Percentage of the Revolving Facility.

**“S&P”** means Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., and any successor thereto.

**“Sanctioned Country”** means at any time, a country or territory which is itself the subject or target of any Sanctions (including as of the date hereof Crimea, Cuba, Iran, North Korea and Syria).

**“Sanctioned Person”** means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC (including OFAC’s Specially Designated Nationals and Blocked Persons List and OFAC’s Consolidated Non-SDN List), the U.S. Department of State, the United Nations Security Council, the European Union, Her Majesty’s Treasury, or other relevant sanctions authority, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons described in clauses (a) and (b), including a Person that is deemed by OFAC to be a Sanctions target based on the ownership of such legal entity by Sanctioned Person (s).

**“Sanctions”** means any and all economic or financial sanctions, sectoral sanctions, secondary sanctions, trade embargoes and anti-terrorism laws, including but not limited to those imposed, administered or enforced from time to time by the U.S. government (including those administered by OFAC or the U.S. Department of State), the United Nations Security Council, the European Union, Her Majesty’s Treasury, or other relevant sanctions authority with jurisdiction over any Lender, the Borrower or any of its Subsidiaries or Affiliates.

**“Solvent”** means as to any Person at any time (a) the fair value of the property of such Person is greater than the amount of such Person’s liabilities (including the probable liability of such Person on disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(32) of the Bankruptcy Code; (b) the present fair saleable value of the property of such Person is not less than the amount that will be required to

pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person is able to realize upon its property and pay its debts and other liabilities (including the probable liability of such Person on disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (e) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital.

**“Subordinated Debt”** means all indebtedness and other obligations of the Borrower which are subordinated in right of payment to all indebtedness of the Borrower to any Lender, on terms that have been approved in writing by the Required Lenders and that have been noted by appropriate legend on all instruments evidencing the Subordinated Debt.

**“Subsidiary”** of a Person means any corporation, association, partnership, limited liability company, joint venture or other business entity of which more than 50% of the voting stock, membership interests or other equity interests (in the case of Persons other than corporations), is owned or controlled directly or indirectly by the Person, by one of more of the Subsidiaries of the Person, or by a combination thereof. Unless the context otherwise clearly requires, references herein to a “Subsidiary” refer to a Subsidiary of the Borrower.

**“Successor Borrower”** has the meaning specified in Section 7.4(b).

**“Swingline Commitment”** means the lesser of (a) \$15,000,000, and (b) the Aggregate Revolving Commitment Amount.

**“Swingline Facility”** means the swingline facility established pursuant to Section 2.2.

**“Swingline Lender”** means Wells Fargo in its capacity as swingline lender hereunder or any successor thereto.

**“Swingline Loan”** means a swingline loan made by the Swingline Lender to the Borrower pursuant to Section 2.2.

**“Swingline Note”** means a promissory note made by the Borrower in favor of the Swingline Lender evidencing the Swingline Loans made by the Swingline Lender, substantially in the form attached as Exhibit B-2, and any substitutes therefor, and any replacements, restatements, renewals or extension thereof, in whole or in part.

**“Swingline Participation Amount”** has the meaning assigned thereto in Section 2.2(c)(iii).

**“Taxes”** means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

**“Unfunded Pension Liability”** means the excess of the present value of all benefits accrued under a Pension Plan as of the valuation date for the plan year in which the determination is being made over the value of the assets of the Pension Plan as of such valuation date, each as determined using the applicable actuarial and valuation assumptions under Section 430 of the Code and Section 303 of ERISA.

**“Uniform Customs”** means the Uniform Customs and Practice for Documentary Credits (2007 Revision), effective July, 2007 International Chamber of Commerce Publication No. 600.

**“Wells Fargo”** means Wells Fargo Bank, National Association, a national banking association and a party to this Agreement.

Section 1.2 Rules of Construction. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) The terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular.

(b) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP. Notwithstanding the foregoing, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, (i) indebtedness of the Borrower and its Subsidiaries shall be deemed to be carried at 100% of the outstanding principal amount thereof, and the effects of FASB ASC 825 and FASB ASC 470-20 on financial liabilities shall be disregarded, and (ii) GAAP will be deemed to treat operating leases in a manner consistent with its treatment under generally accepted accounting principles as of the date hereof (excluding, for the avoidance of doubt, the future phase-in of any amendments to GAAP that have been adopted as of the date hereof), notwithstanding any modifications or interpretive changes thereto that may occur thereafter.

(c) References to documents (including this Agreement) shall be deemed to include all subsequent amendments and other modifications thereto and restatements thereof, but only to the extent such amendments, modifications and restatements are not prohibited by the terms of any Loan Document.

(d) The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”.

(e) All references to times of day in this Agreement shall be references to Minneapolis, Minnesota time unless otherwise specifically provided.

## **ARTICLE II**

### **Amount and Terms of the Credit Facilities**

Section 2.1 Revolving Facility.

(a) *Revolving Commitments*. Each Revolving Lender agrees, on the terms and subject to the conditions herein set forth, to make Revolving Advances to the Borrower from time to time during the period from the date hereof to and including the Revolving Commitment Termination Date as requested by the Borrower; provided, however, that (a) the Aggregate Revolving Credit Exposure shall not exceed the Aggregate Revolving Commitment Amount, and (b) the Revolving Credit Exposure of any Lender shall not at any time exceed such Revolving Lender’s Revolving Commitment. Within the above limits, the Borrower may obtain Revolving Advances, prepay Revolving Advances in accordance with the terms hereof and reborrow Revolving Advances in accordance with the applicable terms and conditions of this Agreement.

(b) *Revolving Borrowing Procedures*. Each Revolving Borrowing shall be funded by the Revolving Lenders as either an ABR Borrowing or a LIBOR Borrowing, as the Borrower shall specify in the related notice of proposed Borrowing. ABR Loans and LIBOR Loans may be outstanding at the same time. The principal amount of any Revolving Borrowing shall be in an

amount equal to (i) \$1,000,000 or a higher integral multiple of \$500,000 if such Borrowing is funded as an ABR Borrowing, and (ii) \$5,000,000 or a higher integral multiple of \$1,000,000 if such Borrowing is funded as a LIBOR Borrowing. The Borrower shall give notice to the Administrative Agent of each proposed Revolving Borrowing not later than 12:00 noon on a Business Day that, in the case of an ABR Borrowing, is the proposed date of such Borrowing or, in the case of a Borrowing that is to bear interest initially at an Adjusted LIBO Rate, is at least 3 Business Days prior to the proposed date of such Borrowing. Each such notice shall be effective upon receipt by the Administrative Agent, shall be provided in writing or in such other manner as the Administrative Agent and the Borrower may agree (to be confirmed in writing by the Borrower if so requested by the Administrative Agent), and shall specify whether the Borrowing is to be an ABR Borrowing or a LIBOR Borrowing and, in the case of a LIBOR Borrowing, shall specify the Interest Period to be applicable thereto. Promptly upon receipt of such notice (but in no event later than 1:00 p.m. with respect to an ABR Borrowing, and the close of business, with respect to a LIBOR Borrowing, in each case on the Business Day of receipt of such notice), the Administrative Agent shall advise each Lender of the proposed Borrowing. Subject to satisfaction of the conditions precedent set forth in Article IV with respect to such Borrowing, at or before 1:00 p.m. on the date of the requested Borrowing, each Revolving Lender shall provide the Administrative Agent at the principal office of the Administrative Agent in Charlotte, North Carolina (or such other office as the Administrative Agent may designate), with immediately available funds covering such Revolving Lender's Revolving Percentage of such Borrowing. The Administrative Agent shall pay over proceeds of such Borrowing to the Borrower, in immediately available funds, prior to the close of business on the date of the requested Borrowing.

(c) *Limitation.* Notwithstanding any other provision of this Agreement to the contrary, no Borrowing shall be effected on any anniversary of this Agreement.

## Section 2.2 Swingline Loans.

(a) *Availability.* Subject to the terms and conditions of this Agreement and the other Loan Documents, including Section 4.3 of this Agreement, and in reliance upon the representations and warranties set forth in this Agreement and the other Loan Documents, the Swingline Lender may, in its sole discretion, make Swingline Loans in Dollars to the Borrower from time to time from the date hereof to, but not including, the Maturity Date; provided, that (i) after giving effect to any amount requested, the Aggregate Revolving Credit Exposure shall not exceed the Aggregate Revolving Commitment Amount, and (ii) the aggregate principal amount of all outstanding Swingline Loans (after giving effect to any amount requested) shall not exceed the Swingline Commitment. Each Swingline Loan shall be made and continue as an ABR Loan.

(b) *Borrowing Procedures.* The principal amount of any Swingline Loan shall be equal to (i) \$500,000 or (ii) a higher integral multiple of \$250,000. The Borrower shall give notice to the Swingline Lender of each proposed Swingline Loan not later than 1:00 p.m. on the Business Day that is the proposed date of such Swingline Loan. Each such notice shall be effective upon receipt by the Swingline Lender, shall be provided in writing or in such other manner as the Administrative Agent and the Borrower may agree (to be confirmed in writing by the Borrower if so requested by the Swingline Lender). Subject to satisfaction of the conditions precedent set forth in Article IV with respect to such Swingline Loan and the Swingline Lender's determination that it will (in its sole discretion) make the requested Swingline Loan, the Swingline Lender shall pay over the proceeds of such requested Swingline Loan to the Borrower, in immediately available funds, prior to the close of business on the date of the requested Swingline Loan.

(c) *Refunding.*

(i) The Swingline Lender, at any time and from time to time in its sole and absolute discretion may, on behalf of the Borrower (which hereby irrevocably directs the Swingline Lender to act on its behalf), by written notice given no later than 11:00 a.m. on any Business Day request each Revolving Lender to make, and each Revolving Lender hereby agrees to make, a Revolving Loan as an ABR Loan in an amount equal to such Revolving Lender's Percentage of the aggregate amount of the Swingline Loans outstanding on the date of such notice, to repay the Swingline Lender. Each Revolving Lender shall make the amount of such Revolving Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's office not later than 1:00 p.m. on the day specified in such notice. The proceeds of such Revolving Loans shall be immediately made available by the Administrative Agent to the Swingline Lender for application by the Swingline Lender to the repayment of the Swingline Loans. No Revolving Lender's obligation to fund its respective Percentage of a Swingline Loan shall be affected by any other Revolving Lender's failure to fund its Percentage of a Swingline Loan, nor shall any Revolving Lender's Percentage be increased as a result of any such failure of any other Revolving Lender to fund its Percentage of a Swingline Loan.

(ii) The Borrower shall pay to the Swingline Lender on demand, and in any event on the Maturity Date, in immediately available funds the amount of such Swingline Loans to the extent amounts received from the Revolving Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. In addition, the Borrower irrevocably authorizes the Administrative Agent to charge any account maintained by the Borrower with the Swingline Lender (up to the amount available therein) in order to immediately pay the Swingline Lender the amount of such Swingline Loans to the extent amounts received from the Revolving Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. If any portion of any such amount paid to the Swingline Lender shall be recovered by or on behalf of the Borrower from the Swingline Lender in bankruptcy or otherwise, the loss of the amount so recovered shall be ratably shared among all the Revolving Lenders in accordance with their respective Percentages.

(iii) If for any reason any Swingline Loan cannot be refinanced with a Revolving Loan pursuant to Section 2.2(c)(i), each Revolving Lender shall, on the date such Revolving Loan was to have been made pursuant to the notice referred to in Section 2.2(c)(i), purchase for cash an undivided participating interest in the then outstanding Swingline Loans by paying to the Swingline Lender an amount (the "**Swingline Participation Amount**") equal to such Revolving Lender's Percentage of the aggregate principal amount of Swingline Loans then outstanding. Each Revolving Lender will immediately transfer to the Swingline Lender, in immediately available funds, the amount of its Swingline Participation Amount. Whenever, at any time after the Swingline Lender has received from any Revolving Lender such Revolving Lender's Swingline Participation Amount, the Swingline Lender receives any payment on account of the Swingline Loans, the Swingline Lender will distribute to such Revolving Lender its Swingline Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded and, in the case of principal and interest payments, to reflect such Revolving Lender's pro rata portion of such payment if such payment is not sufficient to pay the principal of and interest on all Swingline Loans then due); provided

that in the event that such payment received by the Swingline Lender is required to be returned, such Revolving Lender will return to the Swingline Lender any portion thereof previously distributed to it by the Swingline Lender.

(iv) Each Revolving Lender's obligation to make the Revolving Loans referred to in Section 2.2 and to purchase participating interests pursuant to Section 2.2(c)(iii) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right that such Revolving Lender or the Borrower may have against the Swingline Lender, the Borrower or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Article IV, (C) any adverse change in the condition (financial or otherwise) of the Borrower, (D) any breach of this Agreement or any other Loan Document by the Borrower or any other Revolving Lender or (E) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(v) If any Revolving Lender fails to make available to the Administrative Agent, for the account of the Swingline Lender, any amount required to be paid by such Revolving Lender pursuant to the foregoing provisions of this Section 2.2(c) by the time specified in Section 2.2(c)(i) or 2.2(c)(iii), as applicable, the Swingline Lender shall be entitled to recover from such Revolving Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swingline Lender at a rate per annum equal to the applicable Federal Funds Rate, plus any administrative, processing or similar fees customarily charged by the Swingline Lender in connection with the foregoing. If such Revolving Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Revolving Lender's Revolving Loan or Swingline Participation Amount, as the case may be. A certificate of the Swingline Lender submitted to any Revolving Lender (through the Administrative Agent) with respect to any amounts owing under this clause (v) shall be conclusive absent manifest error.

(d) *Defaulting Lenders.* Notwithstanding anything to the contrary contained in this Agreement, this Section 2.2 shall be subject to the terms and conditions of Sections 2.25 and 2.26.

**Section 2.3 Converting ABR Loans to LIBOR Loans; Procedures.** So long as no Default or Event of Default has occurred and is continuing, the Borrower may convert all or any part of any outstanding ABR Loan (other than a Swingline Loan) into a LIBOR Loan by giving notice to the Administrative Agent of such conversion not later than 11:00 a.m. on a Business Day that is at least 3 Business Days prior to the date of the requested conversion. Each such notice shall be irrevocable, shall be effective upon receipt by the Administrative Agent, shall be provided in writing or in such other manner as the Administrative Agent and the Borrower may agree (to be confirmed in writing by the Borrower if so requested by the Administrative Agent), shall specify the date and amount of such conversion, the total amount of the Loan to be so converted and the Interest Period therefor. Each conversion of a Loan shall be on a Business Day, and the aggregate amount of each such conversion of an ABR Loan to a LIBOR Loan shall be in an amount equal to \$5,000,000 or a higher integral multiple of \$1,000,000. The Administrative Agent shall promptly (but in no event later than the close of business on the day received) forward such notice to the applicable Lenders. Notwithstanding anything to the contrary herein, a Swingline Loan may not be converted to a LIBOR Loan.

Section 2.4 Procedures at End of an Interest Period. Unless the Borrower requests a new LIBOR Loan in accordance with the procedures set forth below, or prepays the principal of an outstanding LIBOR Loan at the expiration of an Interest Period, each Lender shall automatically and without request of the Borrower convert each LIBOR Loan to an ABR Loan on the last day of the relevant Interest Period. So long as no Default or Event of Default has occurred and is continuing, the Borrower may cause all or any part of any outstanding LIBOR Loan to continue as a LIBOR Loan after the end of the then applicable Interest Period by notifying the Administrative Agent not later than 11:00 a.m. on a Business Day that is at least 2 Business Days prior to the first day of the new Interest Period. Each such notice shall be irrevocable, effective when received by the Administrative Agent, shall be provided in writing or in such other manner as the Administrative Agent and the Borrower may agree (to be confirmed in writing by the Borrower if so requested by the Administrative Agent) and shall specify the first day of the applicable Interest Period, the amount of the expiring LIBOR Loan to be continued and the Interest Period therefor. The Administrative Agent shall promptly (but in no event later than the close of business on the day received) forward such notice to the applicable Lenders. Each new Interest Period shall begin on a Business Day and the amount of each LIBOR Loan shall be in an amount equal to \$5,000,000 or a higher integral multiple of \$1,000,000.

Section 2.5 Setting and Notice of Rates. The applicable LIBO Rate for each Interest Period shall be determined by the Administrative Agent on the second Business Day prior to the beginning of such Interest Period, whereupon notice thereof (which may be by telephone) shall be given by the Administrative Agent to the Borrower and each Lender. Each such determination of the applicable LIBO Rate shall be conclusive and binding upon the parties hereto, in the absence of demonstrable error. The Administrative Agent, upon written request of the Borrower or any Lender, shall deliver to the Borrower or such requesting Lender a statement showing the computations used by the Administrative Agent in determining the applicable LIBO Rate hereunder.

Section 2.6 Level Status, Margins and Fee Rates. (a) The Borrower’s Level Status shall be determined on the basis of the Applicable Ratings established by the Rating Agencies, in accordance with the following table:

	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Level IV</b>	<b>Level V</b>
<b>S&amp;P</b>	A+ or higher	A	A-	BBB+	BBB or lower
<b>Fitch</b>	A+ or higher	A	A-	BBB+	BBB or lower

(b) In making the determinations under paragraph (a):

(i) If any of the Rating Agencies changes the meaning or designation for its Applicable Ratings referenced in paragraph (a), the criteria for Level Status in the table in paragraph (a) shall be adjusted in such manner as the Required Lenders may reasonably determine to correspond with the applicable rating designations used by the applicable Rating Agency in effect on the date hereof.

(ii) If the Rating Agencies’ Applicable Ratings are not in the same column above, the Borrower’s Level Status shall be determined as follows:

(A) If the Applicable Ratings provided by the Rating Agencies are in adjacent columns, the Borrower’s Level Status shall be based on the leftmost of the columns.

(B) If the Applicable Ratings provided by the Rating Agencies are separated by one or more columns, the Borrower's Level Status shall be based on the column to the immediate right of the leftmost applicable column.

Notwithstanding the foregoing, if the Applicable Rating established by either of the Rating Agencies is in the rightmost column above, the Borrower shall be deemed to be at Level Status V.

(iii) If one Rating Agency (but not both Rating Agencies) ceases to issue its Applicable Rating, the Borrower's Level Status shall be determined on the basis of the Applicable Rating of the remaining Rating Agency. If both Rating Agencies cease to establish their Applicable Ratings, the Borrower shall be deemed to be at Level Status V.

(c) The Applicable Margins at any time shall be determined from time to time on the basis of the Borrower's Level Status, in accordance with the following table:

	Level I	Level II	Level III	Level IV	Level V
ABR Loan	0%	0%	0%	0.075%	0.275%
LIBOR Loan	0.800%	0.900%	1.000%	1.075%	1.275%
Facility Fee Rate	0.075%	0.100%	0.125%	0.175%	0.225%

Section 2.7 Interest on Loans. The Borrower will pay interest on the unpaid principal amount of each Loan for the period commencing on the date of this Agreement until the unpaid principal amount thereof is paid in full, in accordance with the following:

(a) *ABR Loans*. Subject to subsection (c) below, while any outstanding principal of a Loan constitutes an ABR Loan, the outstanding principal balance thereof shall bear interest at an annual rate at all times equal to the Adjusted Base Rate, plus the Applicable Margin.

(b) *LIBOR Loans*. Subject to subsection (c) below, while any outstanding principal of a Loan constitutes a LIBOR Loan, the outstanding principal balance thereof shall bear interest at an annual rate equal to the Adjusted LIBO Rate established with respect to such LIBOR Loan in accordance with Section 2.1, 2.3 or 2.4, plus the Applicable Margin.

(c) *Default Rate*. From and after the occurrence of any Event of Default under paragraph (a), (b), (g) or (h) of Section 8.1, and from and after written notice from the Administrative Agent (or the Required Lenders) to the Borrower following the occurrence of any other Event of Default, and continuing (in each case) thereafter until such Event of Default is cured or waived to the written satisfaction of the Required Lenders, the outstanding principal balance of each Loan shall bear interest, until paid in full, at an annual rate equal to the sum of (i) the interest rate otherwise in effect with respect to such outstanding principal and (ii) 200 basis points. In addition, all fees, indemnification obligations and other Obligations not paid when due hereunder shall bear interest, until paid in full, at an annual rate equal to the sum of (x) the Adjusted Base Rate, (y) the Applicable Margin then applicable to ABR Loans, and (z) 200 basis points (each rate described in this subsection (c) herein, a "**Default Rate**").

(d) *Limitation on Interest Determined by Reference to Base Rate*. Notwithstanding anything in this Section 2.7 to the contrary, interest with respect to ABR Loans when determined by reference to the Base Rate shall not in any event exceed an annual rate equal to the sum of the prime rate as then published at <http://www.bloomberg.com/markets/rate-bonds> plus 450 basis

points. This paragraph (d) shall be of no force and effect if (i) the prime rate ceases to be published at <http://www.bloomberg.com/markets/rate-bonds>, or (ii) such limitation is no longer mandated by any then-effective Authorizing Order.

(e) *Savings Clause.* Notwithstanding anything in this Section 2.7 to the contrary, at no time shall the Borrower be obligated or required to pay interest on any Obligation at a rate which could subject any Lender to either civil or criminal liability as a result of being in excess of the maximum interest rate which the Borrower is permitted by Applicable Law, including all applicable usury laws and Authorizing Orders. If, under the terms of this Agreement or any other Loan Document, the Borrower is at any time required or obligated to pay interest on any Obligation at a rate in excess of such maximum rate, the applicable interest rate shall be deemed to be immediately reduced to such maximum rate and all previous payments in excess of the maximum rate shall be deemed to have been payments in reduction of principal and not on account of any interest thereon due hereunder. All sums paid or agreed to be paid to a Lender for the use, forbearance or retention of any Obligation, shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated and spread throughout the full stated term of the Obligation to which such payment applies until payment in full so that the rate or amount of interest on account of any such Obligation does not exceed the maximum lawful rate of interest from time to time in effect and applicable to such Obligation for so long as the Obligation is outstanding.

Section 2.8 Obligation to Repay Advances; Representations. The Borrower shall be obligated to repay all Advances under this Article II notwithstanding the failure of the Administrative Agent to receive from the Borrower any written request therefor or written confirmation thereof and notwithstanding the fact that the Person requesting the same was not in fact authorized to do so. Any request for a Credit Extension, whether written, telephonic, telecopy or otherwise, shall be deemed to be a representation by the Borrower that the statements set forth in Section 4.2 are correct as of the time of the request.

Section 2.9 Scheduled Payments; Mandatory Prepayments; Evidence of Obligations.

(a) *Interest.* The Borrower shall pay accrued but unpaid interest on each Loan on each Interest Payment Date with respect to that Loan.

(b) *Revolving Borrowings: Principal.* The Borrower shall pay the principal balance of all Revolving Borrowings then outstanding in full on each Principal Payment Date.

(c) *Swingline Loans: Principal.* The Borrower shall pay the principal balance of all Swingline Loans in accordance with Section 2.2(c) (but, in any event, no later than the Maturity Date).

(d) *Maintenance of Records.* Each Lender shall maintain in accordance with its usual practice records evidencing the indebtedness of the Borrower to such Lender resulting from the Advances made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder. The Administrative Agent shall maintain in accordance with its usual practice the Register and such other records as it deems appropriate in which it shall record (i) the amount of each Advance hereunder, (ii) the amount of each Loan hereunder and, if applicable, the Interest Period with respect thereto, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder, and (iv) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof. The entries made in the records maintained pursuant to this paragraph (d) shall be *prima facie* evidence of the

matters recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such records or any error therein shall not in any manner affect the obligation of a Borrower to repay the Obligations in accordance with the terms of this Agreement.

(e) *Promissory Notes.* The Borrower's obligation to repay the principal of and interest on the Advances made by each Lender shall be evidenced in the Register and shall also be evidenced by a Revolving Note, duly executed and delivered by the Borrower, with blanks appropriately completed, with respect to Revolving Advances made by such Lender.

Section 2.10 Computation of Interest and Fees. Interest accruing on the Loans, and all Facility Fees and other fees described in Section 2.11, shall be computed on the basis of the actual number of days elapsed in a year of 360 days; provided, however, that interest accruing from time to time on ABR Loans bearing interest determined by reference to the Base Rate shall be computed on the basis of the actual number of days elapsed in a year of 365 or 366 days, as the case may be.

Section 2.11 Fees.

(a) *Facility Fee.* The Borrower shall pay to the Administrative Agent, for the ratable benefit of the Lenders, a facility fee (the "**Facility Fee**") determined at an annual rate equal to the then-applicable Facility Fee Rate applied to the average Aggregate Revolving Commitment Amount (whether or not used). The Facility Fee shall be due and payable quarterly in arrears on the last day of each calendar quarter, and on the Maturity Date. The Facility Fee shall accrue at all times, including at any time during which any condition in Article IV has not been satisfied.

(b) *Fee Letters.* The Borrower shall pay all fees required to be paid pursuant to any Fee Letters. (c) *Audit Fees.* Upon the occurrence of an Event of Default or at any time thereafter until such Event of Default is cured, the Borrower shall pay to the Administrative Agent, on written demand, reasonable fees charged by the Administrative Agent in connection with any audits or inspections by the Administrative Agent of any collateral or the operations or businesses of the Borrower, together with actual out-of-pocket costs and expenses incurred in conducting any such audit or inspection. All such audits and inspections shall be for the sole benefit of the Administrative Agent and the Lenders.

Section 2.12 Use of Proceeds. The proceeds of the initial Borrowing hereunder shall be used to pay in full all obligations of the Borrower outstanding under the Existing Credit Facility, if any. The proceeds of each other Credit Extension (including the initial Borrowing, if no obligations described in the preceding sentence are outstanding on the date thereof) shall be used solely (i) to pay the Borrower's obligations under (A) its commercial paper program, (B) other short-term credit facilities, and (C) maturing long-term obligations, and (ii) for the general corporate purposes of the Borrower and its utility divisions and Subsidiaries in the ordinary course of business.

Section 2.13 Voluntary Prepayments. The Borrower from time to time may voluntarily prepay the Loans in whole or in part; provided, however, that (i) any prepayment of Revolving Loans shall be applied against outstanding Revolving Loans of the Lenders participating in such facility pro rata according to each Lender's Percentage, (ii) each prepayment of the Loans shall be made to the Administrative Agent not later than 1:00 p.m. on a Business Day, and funds received after that hour shall be deemed to have been received by the Administrative Agent on the next following Business Day, (iii) each partial prepayment of LIBOR Loans shall be accompanied by accrued interest on such partial prepayment through the date of prepayment and additional compensation, if any, calculated in accordance with Section 2.20, (iv) each partial prepayment of LIBOR Loans shall be in an aggregate amount equal to \$5,000,000 or more and, after application of any such prepayment, shall not result in a LIBOR Loan remaining outstanding in an amount less than \$5,000,000, and (v) each partial prepayment of ABR Loans

shall be in an aggregate amount equal to \$1,000,000 or a higher integral multiple of \$500,000, unless (in either case) the aggregate outstanding balance of all Loans being prepaid is less than such minimum Loan amount, in which event any such prepayment may be in such lesser amount. Unless otherwise provided in this Agreement or the other Loan Documents, prepayments from the Borrower of principal within any Facility above shall be applied first to the principal of ABR Loans and then to the principal of LIBOR Loans (and, among such LIBOR Loans, first to those with the earliest expiring Interest Periods).

Section 2.14 Voluntary Reduction or Termination of Aggregate Revolving Commitment Amount. The Borrower, from time to time upon not less than 5 Business Days' prior written notice to the Administrative Agent, may permanently reduce the Aggregate Revolving Commitment Amount; provided, however, that no such reduction shall reduce the Aggregate Revolving Commitment Amount to an amount less than the Aggregate Revolving Credit Exposure. Any such voluntary reduction shall be pro rata as to all Revolving Commitments according to each Revolving Lender's Revolving Percentage and shall be in an aggregate amount equal to \$5,000,000 or a higher integral multiple of \$1,000,000. Each such reduction in the Aggregate Revolving Commitment Amount shall constitute a corresponding reduction in the Maximum Aggregate Revolving Facility Amount. The Borrower at any time prior to the Revolving Commitment Termination Date may terminate the Revolving Commitments by (i) providing to the Administrative Agent not less than 5 Business Days' prior written notice of its intention to so terminate the Revolving Commitments, (ii) making payment in full of all Revolving Loans and all other monetary Obligations, and (iii) Cash Collateralizing the L/C Obligations in an amount equal to the Minimum Collateral Amount with respect thereto. A notice of termination of the Revolving Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, and such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied; provided, however, that the Borrower shall be responsible for all reasonable out-of-pocket costs and expenses of the Administrative Agent and the Lenders caused by the revocation of such notice of termination in accordance with Sections 2.20 and 10.4.

Section 2.15 Optional Increases of Aggregate Revolving Commitment Amount.

(a) *Request to Increase.* Following the date hereof, and provided no Event of Default has occurred and is continuing, the Borrower may, with the consent of and in coordination with the Administrative Agent and each Lender increasing its Revolving Commitment (including any Eligible Assignee that has not been a Lender but becomes a Lender in connection therewith) as to all of the matters set forth below in this Section 2.15, from time to time propose to increase the Aggregate Revolving Commitment Amount by increasing the Revolving Commitments of one or more Lenders or by obtaining a Revolving Commitment from an Eligible Assignee that will become a Lender. The aggregate principal amount of each increase to the Aggregate Revolving Commitment Amount made pursuant to this Section 2.15 (the amount of any such increase, the "**Increased Commitment Amount**") shall be equal to an integral multiple of \$5,000,000. No such increase shall cause the Aggregate Revolving Commitment Amount to exceed the Maximum Aggregate Revolving Facility Amount. No more than two increases in the Aggregate Revolving Commitment Amount may be effected pursuant to this Section 2.15. No Lender shall be obligated to increase its Revolving Commitment as a result of any such request by the Borrower, but no Lender (other than the Administrative Agent, in that capacity) shall have any right to object to the allocation of any Increased Commitment Amount among the other Lenders (including any Person who will become a Lender in connection therewith).

(b) *Conditions Precedent.* Any increase in the Aggregate Revolving Commitment Amount under this Section 2.15 shall become effective upon the receipt by the Administrative Agent of:

(i) An amendment, modification or joinder to this Agreement, duly signed by the Borrower, the Administrative Agent and each Lender whose Revolving Commitment will be increased and each other Lender or Eligible Assignee who has subscribed to provide a portion of the Increased Commitment Amount, modifying the definition of "Aggregate Revolving Commitment Amount" and setting forth the agreement of each Eligible Assignee to become a party to this Agreement and to be bound by all the terms and provisions hereof. Any such amendment, modification or joinder may provide that interest or Facility Fees with respect to any Increased Commitment Amount will accrue at the rates set forth herein .

(ii) Amendments and modifications, duly executed by the Borrower and the Administrative Agent, to any other Loan Documents reasonably requested by the Administrative Agent in relation to the Increased Commitment Amount, which amendments and modifications the Administrative Agent is hereby authorized to execute and deliver on behalf of the Lenders.

(iii) Notes, duly executed by the Borrower, as necessary to reflect such increase.

(iv) Evidence of appropriate corporate authorization on the part of the Borrower with respect to the Increased Commitment Amount and the execution and delivery of the documents described in this Section 2.15.

(v) Such opinions of counsel for the Borrower and other assurances as the Administrative Agent may reasonably request.

(vi) Evidence that the Borrower is in compliance, on a pro forma basis after giving effect to the incurrence of such Increased Commitment Amount (and assuming that the Revolving Commitments, including such Increased Commitment Amount, are fully drawn) with each Financial Covenant.

(vii) Reimbursement of the Administrative Agent's out-of-pocket costs and expenses (including reasonable attorney's fees) incurred in connection therewith.

(c) *Adjustments.* On the effective date of any Increased Commitment Amount, the Borrower shall, in coordination with the Administrative Agent, repay the outstanding Advances of certain Lenders, and incur additional Advances from certain other Lenders, in each case to the extent necessary so that all of the Lenders participate in each outstanding Loan ratably on the basis of their respective Revolving Commitments (after giving effect to any increase in the Aggregate Revolving Commitment Amount pursuant to this Section 2.15). The Borrower shall be obligated to pay to the applicable Lenders any costs of the type referred to in Section 2.20 in connection with any such repayment.

(d) *Conflicts with Other Provisions.* This Section 2.15 shall supersede any provisions in Section 10.2 to the contrary.

#### Section 2.16 Payments Generally.

(a) *Making of Payments.* All payments of principal of and interest due hereunder shall be made to the Administrative Agent for the account of the applicable Lenders pro rata according to their respective Percentages of the applicable Facility. All payments of fees pursuant to Section 2.11 and L/C Participants' commissions pursuant to Section 3.3 (a) shall be made to the Administrative Agent for the account of the Administrative Agent or the Lenders, as specified in

Section 2.11. All payments hereunder shall be made to the Administrative Agent at its office in Charlotte, North Carolina (or such other office as the Administrative Agent may designate) not later than 2:00 p.m. on the date due, in immediately available funds, without setoff or counterclaim, and funds received after that hour shall be deemed to have been received on the next following Business Day. The Borrower hereby authorizes the Administrative Agent to charge the Borrower's demand deposit account maintained with the Administrative Agent (or with any other Lender) for the amount of any Obligation on its due date, but the Administrative Agent's failure to so charge any such account shall in no way affect the obligation of the Borrower to make any such payment. The Administrative Agent shall remit to each Lender in immediately available funds on the same Business Day as received by the Administrative Agent its share of all such payments received by the Administrative Agent for the account of such Lender. All payments under Sections 2.17, 2.18 or 2.20 shall be made by the Borrower directly to the Lender entitled thereto.

(b) *Effect of Payments.* Each payment by the Borrower to the Administrative Agent for the account of any Lender pursuant to this Agreement shall be deemed to constitute payment by the Borrower directly to such Lender, provided, however, that in the event any such payment by the Borrower to the Administrative Agent is required to be returned to the Borrower for any reason whatsoever, then the Borrower's obligation to such Lender with respect to such payment shall be deemed to be automatically reinstated.

(c) *Assumed Payments.* Unless the Administrative Agent has been notified by a Lender or the Borrower prior to the date on which such Lender or the Borrower is scheduled to make payment to the Administrative Agent of (in the case of a Lender) the proceeds of an Advance to be made by it hereunder or (in the case of the Borrower) a payment to the Administrative Agent for the account of one or more of the Lenders hereunder (such payment by a Lender or the Borrower (as the case may be) being herein called a "**Required Payment**"), which notice shall be effective upon receipt, that it does not intend to make the Required Payment to the Administrative Agent, the Administrative Agent may assume that the Required Payment has been made and may (but shall not be required to), in reliance upon such assumption, make the amount thereof available to the intended recipient on such date and, if such Lender or the Borrower (as the case may be) has not in fact made the Required Payment to the Administrative Agent, the recipient of such payment shall, on demand, repay to the Administrative Agent the amount so made available together with interest thereon for each day during the period commencing on the date such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at an annual rate (i) equal to the Federal Funds Rate for such day, in the case of a Required Payment owing by a Lender, or (ii) equal to the applicable rate of interest as provided in this Agreement, in the case of a Required Payment owing by the Borrower.

(d) *Due Date Extension.* Subject to subsection (b) of the definition of "Interest Period" with respect to LIBOR Loans, if any payment of principal of or interest on any Loan or any fees payable hereunder falls due on a day which is not a Business Day, then such due date shall be extended to the next following Business Day, and (in the case of principal) additional interest shall accrue and be payable for the period of such extension.

(e) *Application of Payments.* Except as otherwise provided herein (including as set forth in Section 8.4), (i) each payment received from the Borrower shall be applied to such Obligations as the Borrower shall specify by notice to be received by the Administrative Agent on or before the date of such payment; and (ii) in the absence of such notice, payments received from the Borrower shall be applied, first, to payment of that portion of the Obligations then due and owing constituting fees, indemnities, expenses and other amounts, including attorney fees,

payable to the Administrative Agent in its capacity as such; second, to pay fees then due and owing under Section 2.11; third, to pay interest then due and owing with respect to the Obligations; fourth, to pay principal of the Swingline Loans; fifth, to pay principal of the Revolving Loans; and sixth, to the payment of any other Obligations in such order as the Administrative Agent shall determine in its discretion.

Section 2.17 Increased Costs.

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

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

(ii) subject any Recipient to any tax of any kind whatsoever with respect to this Agreement or any Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 2.18 and the imposition of, or any change in the rate of, any Excluded Tax payable by such Lender); or

(iii) impose on any Lender or any Issuing Lender or the London interbank market any other condition, cost or expense affecting this Agreement or LIBOR Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender, the Issuing Lender or such other Recipient of making, converting to, continuing or maintaining any Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Lender, such Issuing Lender or such other Recipient of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender, such Issuing Lender or such other Recipient hereunder (whether of principal, interest or any other amount) then, upon written request of such Lender, such Issuing Lender or other Recipient, the Borrower shall promptly pay to any such Lender, such Issuing Lender or other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender, such Issuing Lender or other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) *Capital Requirements.* If any Lender or any Issuing Lender determines that any Change in Law affecting such Lender or such Issuing Lender or any lending office of such Lender or such Lender's or such Issuing Lender's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Lender's or such Issuing Lender's capital or on the capital of such Lender's or such Issuing Lender's holding company, if any, as a consequence of this Agreement, the Revolving Commitment of such Lender or the Loans made by, or participations in Letters of Credit or Swingline Loans held by, such Lender, or the Letters of Credit issued by such Issuing Lender, to a level below that which such Lender or such Issuing Lender or such Lender's or such Issuing Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such Issuing Lender's policies and the policies of such Lender's or such Issuing Lender's holding company with respect to capital adequacy and liquidity), then from time to time upon written request of such Lender or such Issuing Lender the Borrower shall promptly pay to such Lender or such Issuing Lender, as the case may be, such additional amount

or amounts as will compensate such Lender or such Issuing Lender or such Lender's or such Issuing Lender's holding company for any such reduction suffered.

(c) *Certificates for Reimbursement.* A certificate of a Lender, an Issuing Lender or such other Recipient setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph

(a) or (b) of this Section and delivered to the Borrower shall be conclusive absent demonstrable error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 Business Days after receipt thereof.

(d) *Delay in Requests.* Failure or delay on the part of any Lender, Issuing Lender or other Recipient to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's, Issuing Lender's or other Recipient's right to demand such compensation; provided that the Borrower shall not be required to compensate any Lender, Issuing Lender or other Recipient pursuant to this Section for any increased costs incurred or reductions suffered more than 3 months prior to the date that such Lender, Issuing Lender or other Recipient, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions, and of such Lender's, Issuing Lender's or other Recipient's intention to claim compensation therefor (except that if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 3-month period referred to above shall be extended to include the period of retroactive effect thereof).

#### Section 2.18 Taxes.

(a) *Defined Terms.* For purposes of this Section 2.18, the term "Lender" includes any Issuing Lender.

(b) *Payments Free of Taxes.* Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes, provided that if the Borrower shall be required by Applicable Law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Lender Party entitled thereto receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, and (iii) the Borrower shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with Applicable Law.

(c) *Payment of Other Taxes by the Borrower.* Without limiting the provisions of paragraph (b) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(d) *Indemnification by the Borrower.* The Borrower shall indemnify each Lender Party within 10 Business Days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by such Lender Party, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender Party (with a copy to the Administrative Agent) shall be conclusive absent manifest error.

(e) *Evidence of Payments.* As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(f) *Status of Lenders.* Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by Applicable Law or reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by Applicable Law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender Party, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender Party is subject to backup withholding or information reporting requirements.

(g) *Treatment of Certain Refunds.* If any Lender Party determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of such Lender Party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower, upon the request of a Lender Party will repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to such Lender Party in the event such Lender Party is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require any Lender Party to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

#### Section 2.19 Changed Circumstances.

(a) *Circumstances Affecting LIBOR Rate Availability.* Unless and until a Replacement Rate is implemented in accordance with clause (c) below, in connection with any request for a LIBOR Loan or a conversion to or continuation thereof or otherwise, if for any reason (i) the Administrative Agent shall determine (which determination shall be conclusive and binding absent manifest error) that Dollar deposits are not being offered to banks in the London interbank Eurodollar market for the applicable amount and Interest Period of such Loan, (ii) the Administrative Agent shall determine (which determination shall be conclusive and binding absent manifest error) that reasonable and adequate means do not exist for the ascertaining the LIBO Rate for such Interest Period with respect to a proposed LIBOR Loan or (iii) the Required Lenders shall determine (which determination shall be conclusive and binding absent manifest error) that the LIBO Rate does not adequately and fairly reflect the cost to such Lenders of making or maintaining such Loans during such Interest Period, then the Administrative Agent shall promptly give notice thereof to the Borrower. Thereafter, until the Administrative Agent notifies the Borrower that such circumstances no longer exist, the obligation of the Lenders to make LIBOR Loans and the right of the Borrower to convert any Loan to or continue any Loan as a LIBOR Loan shall be suspended, and the Borrower shall either (A) repay in full (or cause to be

repaid in full) the then outstanding principal amount of each such LIBOR Loan together with accrued interest thereon (subject to Section 2.7(e), on the last day of the then current Interest Period applicable to such LIBOR Loan; or (B) convert the then outstanding principal amount of each such LIBOR Loan to an ABR Loan as of the last day of such Interest Period.

(b) *Laws Affecting LIBO Rate Availability.* If, after the date hereof, the introduction of, or any change in, any Applicable Law or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any of the Lenders (or any of their respective lending offices) with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, shall make it unlawful or impossible for any of the Lenders (or any of their respective lending offices) to honor its obligations hereunder to make or maintain any LIBOR Loan, such Lender shall promptly give notice thereof to the Administrative Agent and the Administrative Agent shall promptly give notice to the Borrower and the other Lenders. Thereafter, until the Administrative Agent notifies the Borrower that such circumstances no longer exist, (i) the obligations of the Lenders to make LIBOR Loans, and the right of the Borrower to convert any Loan to a LIBOR Loan or continue any Loan as a LIBOR Loan shall be suspended and thereafter the Borrower may select only ABR Loans and (ii) if any of the Lenders may not lawfully continue to maintain a LIBOR Loan to the end of the then current Interest Period applicable thereto, the applicable Loan shall immediately be converted to an ABR Loan for the remainder of such Interest Period.

(c) *Alternative Rate of Interest.* Notwithstanding anything to the contrary in Section 2.19(a) above, if the Administrative Agent has made the determination (such determination to be conclusive absent manifest error) that (i) the circumstances described in Section 2.19(a)(i) or 2.19(a)(ii) have arisen and that such circumstances are unlikely to be temporary, (ii) any applicable interest rate specified herein is no longer a widely recognized benchmark rate for newly originated loans in the U.S. syndicated loan market in the applicable currency or (iii) the applicable supervisor or administrator (if any) of any applicable interest rate specified herein or any Governmental Authority having, or purporting to have, jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which any applicable interest rate specified herein shall no longer be used for determining interest rates for loans in the U.S. syndicated loan market in the applicable currency, then the Administrative Agent may, to the extent practicable (in consultation with the Borrower and as determined by the Administrative Agent to be generally in accordance with similar situations in other transactions in which it is serving as administrative agent or otherwise consistent with market practice generally), establish a replacement interest rate (the “**Replacement Rate**”), in which case, the Replacement Rate (including any margin adjustments intended to compensate for differences between the underlying index rate and the rates replaced thereby) shall, subject to the next two sentences, replace such applicable interest rate for all purposes under the Loan Documents unless and until (A) an event described in clause (a)(i), (a)(ii), (c)(i), (c)(ii) or (c)(iii) of this Section 2.19 occurs with respect to the Replacement Rate, or (B) the Administrative Agent (or the Required Lenders through the Administrative Agent) notifies the Borrower that the Replacement Rate does not adequately and fairly reflect the cost to the Lenders of funding the Loans bearing interest at the Replacement Rate. In connection with the establishment and application of the Replacement Rate, this Agreement and the other Loan Documents shall be amended solely with the consent of the Administrative Agent and the Borrower, as may be necessary or appropriate, in the opinion of the Administrative Agent, to effect the provisions of this Section 2.19(c). Notwithstanding anything to the contrary in this Agreement or the other Loan Documents (including Section 10.2), such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within 5 Business

Days of the delivery of such amendment to the Lenders, written notices from such Lenders that in the aggregate constitute Required Lenders, with each such notice stating that such Lender objects to such amendment (which such notice shall note with specificity the particular provisions of the amendment to which such Lender objects). To the extent the Replacement Rate is approved by the Administrative Agent in connection with this clause (c), the Replacement Rate shall be applied in a manner consistent with market practice; provided that, in each case, to the extent such market practice is not administratively feasible for the Administrative Agent, such Replacement Rate shall be applied as otherwise reasonably determined by the Administrative Agent (it being understood that any such modification by the Administrative Agent shall not require the consent of, or consultation with, any of the Lenders).

Section 2.20 Loan Losses. The Borrower hereby agrees that upon demand by any Lender (which demand shall be accompanied by a written statement setting forth the basis for the calculations of the amount being claimed) the Borrower will indemnify such Lender against any loss or expense which such Lender may have sustained or incurred (including any net loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain LIBOR Loans) or which such Lender may be deemed to have sustained or incurred, as reasonably determined by such Lender, (i) as a consequence of any failure by the Borrower to make any payment when due of any amount due hereunder in connection with any LIBOR Loans, (ii) due to any failure of the Borrower to borrow or convert any LIBOR Loans on a date specified therefor in a notice thereof or (iii) due to any payment or prepayment of any LIBOR Loan on a date other than the last day of the applicable Interest Period for such LIBOR Loan. For this purpose, all notices under Sections 2.1, 2.3 and 2.4 shall be deemed to be irrevocable.

Section 2.21 Right of Lenders to Fund through Other Offices. Each Lender, if it so elects, may fulfill its agreements hereunder with respect to any LIBOR Loan by causing a foreign branch or affiliate of such Lender to make such LIBOR Loan; provided, that in such event the obligation of the Borrower to repay such LIBOR Loan shall nevertheless be to such Lender and such LIBOR Loan shall be deemed held by such Lender for the account of such branch or affiliate.

Section 2.22 Discretion of Lenders as to Manner of Loan. Notwithstanding any provision of this Agreement to the contrary, each Lender shall be entitled to fund and maintain all or any part of its LIBOR Loans in any manner it deems fit, it being understood, however, that for the purposes of this Agreement (including Section 2.20 hereof) all determinations hereunder shall be made as if each Lender had actually funded and maintained each LIBOR Loan during each Interest Period for such LIBOR Loan through the purchase of deposits having a maturity corresponding to such Interest Period and bearing an interest rate equal to the appropriate Adjusted LIBO Rate for such Interest Period.

Section 2.23 Conclusiveness of Statements; Survival of Provisions; Limited Time for Claims. Determinations and statements of a Lender pursuant to Section 2.17, 2.18, 2.19 or 2.20 shall be conclusive absent demonstrable error. Each Lender may use reasonable averaging and attribution methods in determining compensation pursuant to such Sections 2.17, 2.18 and 2.20 and the provisions of Sections 2.17, 2.18 and 2.20 shall survive termination of this Agreement.

Section 2.24 Nature of Lender Parties' Obligations. The obligations of each Lender Party hereunder are the several obligations of such Lender Party, and no Lender Party shall be responsible for the obligations of any other Lender Party hereunder, nor will the failure by any Lender Party to perform any of its obligations hereunder relieve any other Lender Party from the performance of its obligations hereunder. Nothing contained in this Agreement, and no action taken by any Lender Party pursuant hereto or in connection herewith or pursuant to or in connection with the Loan Documents shall be deemed to constitute the Lender Parties as a partnership, association, joint venture, or other entity.

Section 2.25 Cash Collateral. At any time that there shall exist a Defaulting Lender, within one Business Day following the written request of the Administrative Agent, any Issuing Lender (with a copy to the Administrative Agent) or the Swingline Lender (with a copy to the Administrative Agent), the Borrower shall Cash Collateralize the Fronting Exposure of such Issuing Lender and/or the Swingline Lender, as applicable, with respect to such Defaulting Lender (determined after giving effect to Section 2.26(a) (iv) and any Cash Collateral provided by such Defaulting Lender) in an amount not less than the Minimum Collateral Amount.

(a) *Grant of Security Interest*. The Borrower, and to the extent provided by any Defaulting Lender, such Defaulting Lender, hereby grants to the Administrative Agent, for the benefit of each Issuing Lender and the Swingline Lender, and agrees to maintain, a first priority security interest in all such Cash Collateral as security for the Defaulting Lender's obligation to fund participations in respect of L/C Obligations and Swingline Loans, to be applied pursuant to paragraph (b) below. If at any time the Administrative Agent determines that Cash Collateral is subject to any right or claim of any Person other than the Administrative Agent, each Issuing Lender and the Swingline Lender as herein provided, or that the total amount of such Cash Collateral is less than the Minimum Collateral Amount, the Borrower will, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional Cash Collateral in an amount sufficient to eliminate such deficiency (after giving effect to any Cash Collateral provided by the Defaulting Lender).

(b) *Application*. Notwithstanding anything to the contrary contained in this Agreement or any other Loan Document, Cash Collateral provided under this Section 2.25 or Section 2.26 in respect of Letters of Credit and Swingline Loans shall be applied to the satisfaction of the Defaulting Lender's obligation to fund participations in respect of L/C Obligations and Swingline Loans (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein.

(c) *Termination of Requirement*. Cash Collateral (or the appropriate portion thereof) provided to reduce the Fronting Exposure of any Issuing Lender and/or the Swingline Lender, as applicable, shall no longer be required to be held as Cash Collateral pursuant to this Section 2.25 following (i) the elimination of the applicable Fronting Exposure (including by the termination of Defaulting Lender status of the applicable Lender), or (ii) the determination by the Administrative Agent, the Issuing Lenders and the Swingline Lender that there exists excess Cash Collateral; provided that, subject to Section 2.26, the Person providing Cash Collateral, the Issuing Lenders and the Swingline Lender may agree that Cash Collateral shall be held to support future anticipated Fronting Exposure or other obligations.

#### Section 2.26 Defaulting Lenders

(a) *Defaulting Lender Adjustments*. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by Applicable Law:

(i) *Waivers and Amendments*. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Required Lenders and Section 10.2.

(ii) *Defaulting Lender Waterfall*. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VIII or

otherwise) shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; *second*, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to the Issuing Lenders or the Swingline Lender hereunder; *third*, to Cash Collateralize the Fronting Exposure of the Issuing Lenders and the Swingline Lender with respect to such Defaulting Lender in accordance with Section 2.25; *fourth*, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan or funded participation in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *fifth*, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to (A) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans and funded participations under this Agreement and (B) Cash Collateralize the Issuing Lenders' future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.25; *sixth*, to the payment of any amounts owing to the Lenders, the Issuing Lenders or the Swingline Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender, any Issuing Lender or the Swingline Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; *seventh*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and *eighth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (1) such payment is a payment of the principal amount of any Loans or funded participations in Letters of Credit, Reimbursement Obligations or Swingline Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (2) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 4.2 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and funded participations in Letters of Credit, Reimbursement Obligations or Swingline Loans owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or funded participations in Letters of Credit, Reimbursement Obligations or Swingline Loans owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in L/C Obligations and Swingline Loans are held by the Lenders pro rata in accordance with their Revolving Commitments without giving effect to Section 2.26(a)(iv). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.26(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) *Certain Fees.*

(A) Each Defaulting Lender shall be entitled to receive a Facility Fee for any period during which such Lender is a Defaulting Lender only to extent allocable to the sum of (1) the outstanding principal amount of the Revolving Loans funded by it, and (2) its Percentage of the stated amount of Letters of Credit and Swingline Loans for which it has provided Cash Collateral pursuant to Section 2.25.

(B) Each Defaulting Lender shall be entitled to receive letter of credit commissions pursuant to Section 3.3 for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Percentage of the stated amount of Letters of Credit for which it has provided Cash Collateral pursuant to Section 2.25.

(C) With respect to any Facility Fee or letter of credit commission not required to be paid to any Defaulting Lender pursuant to clause (A) or (B) above, the Borrower shall (1) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in L/C Obligations or Swingline Loans that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (2) pay to each applicable Issuing Lender and Swingline Lender, as applicable, the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such Issuing Lender's or Swingline Lender's Fronting Exposure to such Defaulting Lender, and (3) not be required to pay the remaining amount of any such fee.

(iv) *Reallocation of Participations to Reduce Fronting Exposure.* All or any part of such Defaulting Lender's participation in L/C Obligations and Swingline Loans shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Percentages (calculated without regard to such Defaulting Lender's Revolving Commitment) but only to the extent that such reallocation does not cause the aggregate Revolving Credit Exposure of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Revolving Commitment. No reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(v) *Cash Collateral, Repayment of Swingline Loans.* If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under law, (x) first, repay Swingline Loans in an amount equal to the Swingline Lenders' Fronting Exposure and (y) second, Cash Collateralize the Issuing Lenders' Fronting Exposure in accordance with the procedures set forth in Section 2.25.

(b) *Defaulting Lender Cure.* If the Borrower, the Administrative Agent, the Issuing Lenders and the Swingline Lender agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans to be held pro rata by the Lenders in accordance with the Commitments under the applicable Facility, whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

Section 2.27 Replacement of Lenders. If any Lender requests compensation under Section 2.17, or if the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.18, and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 2.21, or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.6), all of its interests, rights (other than its existing rights to payments pursuant to Section 2.17 or Section 2.18) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that:

- (a) the Borrower shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 10.6;
- (b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and funded participations in Letters of Credit, Reimbursement Obligations and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 2.20) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);
- (c) in the case of any such assignment resulting from a claim for compensation under Section 2.17 or payments required to be made pursuant to Section 2.18, such assignment will result in a reduction in such compensation or payments thereafter;
- (d) such assignment does not conflict with Applicable Law; and
- (e) in the case of any assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

Section 2.28 Extension of Maturity Date.

(a) *Requests for Extension*. The Borrower may, by notice (an **“Extension Request Notice”**) to the Administrative Agent (who shall promptly notify the Lenders) at any time (but not less than 60 days prior to the latest Maturity Date then in effect hereunder) request that each Revolving Lender extend such Revolving Lender’s Maturity Date then in effect hereunder (the **“Existing Maturity Date”**) for an additional 1-year period from the Existing Maturity Date. As used herein, **“Extension Request Date”** means the date on which the Borrower delivers an Extension Request Notice in accordance with this paragraph.

(b) *Lender Elections to Extend*. Each Revolving Lender, acting in its sole and individual discretion, shall, by notice to the Administrative Agent given not later than the day (the **“Extension Notice Deadline”**) that is 15 days following the Extension Request Date, notify the Administrative Agent as to whether or not such Revolving Lender agrees to the requested extension. Each Revolving Lender that fails to provide such notice on or before the Extension Notice Deadline shall be deemed to have notified the Administrative Agent that it does not agree to the requested extension. As used herein, **“Non-Extending Lender”** means each Revolving

Lender that provides (or is deemed to have provided) notice that it does not agree to the requested extension. The election of any Revolving Lender to agree to such extension shall not obligate any other Revolving Lender to so agree.

(c) *Notification by Administrative Agent.* The Administrative Agent shall notify the Borrower of each Revolving Lender's determination under this Section on a date (the "**Extension Effective Date**") that is not later than the 15th day following the Extension Notice Deadline (or, if such date is not a Business Day, the next preceding Business Day).

(d) *Minimum Extension Requirement.* If (and only if) the total of the Revolving Commitments of the Revolving Lenders that have agreed so to extend their Maturity Date is more than 50% of the aggregate amount of the Revolving Commitments in effect immediately prior to the Existing Maturity Date, then, effective as of the Existing Maturity Date, the Maturity Date of each extending Lender shall be extended to the first anniversary of the Existing Maturity Date (except that, if such date is not a Business Day, such Maturity Date as so extended shall be the next preceding Business Day).

(e) *Limitations.* The Borrower may deliver no more than 1 Extension Request Notice during any 12-month period and no more than 2 Extension Request Notices during the term of this Agreement. No extension pursuant to this Section 2.28 shall extend the Maturity Date with respect to any Revolving Lender to a date that is later than the fifth anniversary of the Extension Effective Date.

(f) *Conditions to Effectiveness of Extensions.* Notwithstanding the foregoing, the extension of the Maturity Date pursuant to this Section shall not be effective with respect to any Revolving Lender unless:

(i) no Default or Event of Default shall have occurred and be continuing on the date of such extension and after giving effect thereto;

(ii) the representations and warranties contained in this Agreement are true and correct on and as of the date of such extension and after giving effect thereto, as though made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date); and

(iii) on or before the Maturity Date of each Non-Extending Lender, (1) the Borrower shall have paid in full the principal of and interest on all of the Revolving Loans made by such Non-Extending Lender to the Borrower hereunder and (2) the Borrower shall have paid in full all other amounts owing to such Non-Extending Lender hereunder.

### **ARTICLE III LETTER OF CREDIT FACILITY**

#### Section 3.1 L/C Facility.

(a) *Availability.* Subject to the terms and conditions hereof, each Issuing Lender, in reliance on the agreements of the Revolving Lenders set forth in Section 3.4(a), agrees to issue Letters of Credit in an aggregate amount not to exceed its L/C Commitment for the account of the Borrower. Letters of Credit may be issued on any Business Day from the date hereof to, but not including the thirtieth (30<sup>th</sup>) Business Day prior to the Maturity Date in such form as may be approved from time to time by the applicable Issuing Lender; provided, that no Issuing Lender shall issue any Letter of Credit if, after giving effect to such issuance, (a) the L/C Obligations

would exceed the L/C Sublimit, (b) the L/C Obligations with respect to Letters of Credit issued by such Issuing Lender would exceed such Issuing Lender's L/C Commitment, or (c) the Aggregate Revolving Credit Exposure would exceed the Aggregate Revolving Commitment Amount.

(b) *Terms of Letters of Credit.* Each Letter of Credit shall (i) be denominated in Dollars in a minimum amount of \$100,000 (or such lesser amount as agreed to by the applicable Issuing Lender and the Administrative Agent), (ii) expire on a date no more than 12 months after the date of issuance or last renewal of such Letter of Credit (subject to automatic renewal for additional 1-year periods (but not to a date later than the date set forth below) pursuant to the terms of the Letter of Credit Application or other documentation acceptable to the applicable Issuing Lender), which date shall be no later than the fifth (5th) Business Day prior to the Maturity Date, and (iii) be subject to the Uniform Customs, in the case of a commercial Letter of Credit, or ISP98, in the case of a standby Letter of Credit, in each case as set forth in the Letter of Credit Application or as determined by the applicable Issuing Lender and, to the extent not inconsistent therewith, the laws of the State of New York. No Issuing Lender shall at any time be obligated to issue any Letter of Credit hereunder if (A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such Issuing Lender from issuing such Letter of Credit, or any Applicable Law applicable to such Issuing Lender or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Issuing Lender shall prohibit, or request that such Issuing Lender refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuing Lender with respect to letters of credit generally or such Letter of Credit in particular any restriction or reserve or capital requirement (for which such Issuing Lender is not otherwise compensated) not in effect on the date hereof, or any unreimbursed loss, cost or expense that was not applicable, in effect or known to such Issuing Lender as of the date hereof and that such Issuing Lender in good faith deems material to it, (B) the conditions set forth in Section 4.2 are not satisfied, (C) the issuance of such Letter of Credit would violate one or more policies of such Issuing Lender applicable to letters of credit generally or (D) the beneficiary of such Letter of Credit is a Sanctioned Person. References herein to "issue" and derivations thereof with respect to Letters of Credit shall also include extensions or modifications of any outstanding Letters of Credit, unless the context otherwise requires.

(c) *Defaulting Lenders.* Notwithstanding anything to the contrary contained in this Agreement, Article III shall be subject to the terms and conditions of Sections 2.25 and 2.26.

Section 3.2 Procedure for Issuance of Letters of Credit. The Borrower may from time to time request that any Issuing Lender issue a Letter of Credit by delivering to such Issuing Lender at its applicable office (with a copy to the Administrative Agent at the Administrative Agent's office) a Letter of Credit Application therefor, completed to the satisfaction of such Issuing Lender, and such other certificates, documents and other papers and information as such Issuing Lender or the Administrative Agent may request. Upon receipt of any Letter of Credit Application, the applicable Issuing Lender shall process such Letter of Credit Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall, subject to Section 3.1 and Article IV, promptly issue the Letter of Credit requested thereby (but in no event shall such Issuing Lender be required to issue any Letter of Credit earlier than 3 Business Days after its receipt of the Letter of Credit Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed by such Issuing Lender and the Borrower. The applicable Issuing Lender shall promptly furnish to the Borrower and the Administrative Agent a copy of such Letter of Credit and the Administrative Agent shall promptly notify each Revolving Lender of the issuance and

upon request by any Lender, furnish to such Revolving Lender a copy of such Letter of Credit and the amount of such Revolving Lender's participation therein.

### Section 3.3 Commissions and Other Charges.

(a) *Letter of Credit Commissions.* Subject to Section 2.26(a)(iii)(B), the Borrower shall pay to the Administrative Agent, for the account of the applicable Issuing Lender and the L/C Participants, a letter of credit commission with respect to each Letter of Credit in the amount equal to the daily amount available to be drawn under such standby Letters of Credit times the Applicable Margin with respect to Revolving Loans that are LIBOR Loans (determined, in each case, on a per annum basis). Such commission shall be payable quarterly in arrears on the last Business Day of each calendar quarter, on the Maturity Date and thereafter on demand of the Administrative Agent. The Administrative Agent shall, promptly following its receipt thereof, distribute to the applicable Issuing Lender and the L/C Participants all commissions received pursuant to this Section 3.3 in accordance with their respective Percentages.

(b) *Issuance Fee.* In addition to the foregoing commission, the Borrower shall pay directly to the applicable Issuing Lender, for its own account, an issuance fee with respect to each Letter of Credit issued by such Issuing Lender as set forth in the Fee Letter executed by such Issuing Lender. Such issuance fee shall be payable quarterly in arrears on the last Business Day of each calendar quarter commencing with the first such date to occur after the issuance of such Letter of Credit, on the Maturity Date and thereafter on demand of the applicable Issuing Lender.

(c) *Other Fees, Costs, Charges and Expenses.* In addition to the foregoing fees and commissions, the Borrower shall pay or reimburse each Issuing Lender for such normal and customary fees, costs, charges and expenses as are incurred or charged by such Issuing Lender in issuing, effecting payment under, amending or otherwise administering any Letter of Credit issued by it.

### Section 3.4 L/C Participations.

(a) Each Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce each Issuing Lender to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from each Issuing Lender, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Percentage in each Issuing Lender's obligations and rights under and in respect of each Letter of Credit issued by it hereunder and the amount of each draft paid by such Issuing Lender thereunder. Each L/C Participant unconditionally and irrevocably agrees with each Issuing Lender that, if a draft is paid under any Letter of Credit issued by such Issuing Lender for which such Issuing Lender is not reimbursed in full by the Borrower through a Revolving Loan or otherwise in accordance with the terms of this Agreement, such L/C Participant shall pay to such Issuing Lender upon demand at such Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's Percentage of the amount of such draft, or any part thereof, which is not so reimbursed.

(b) Upon becoming aware of any amount required to be paid by any L/C Participant to any Issuing Lender pursuant to Section 3.4(a) in respect of any unreimbursed portion of any payment made by such Issuing Lender under any Letter of Credit issued by it, such Issuing Lender shall notify the Administrative Agent of such unreimbursed amount and the Administrative Agent shall notify each L/C Participant (with a copy to the applicable Issuing Lender) of the amount and due date of such required payment and such L/C Participant shall pay

to the Administrative Agent (which, in turn shall pay such Issuing Lender) the amount specified on the applicable due date. If any such amount is paid to such Issuing Lender after the date such payment is due, such L/C Participant shall pay to such Issuing Lender on demand, in addition to such amount, the product of (i) such amount, times (ii) the daily average Federal Funds Rate as determined by the Administrative Agent during the period from and including the date such payment is due to the date on which such payment is immediately available to such Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. A certificate of such Issuing Lender with respect to any amounts owing under this Section shall be conclusive in the absence of manifest error. With respect to payment to such Issuing Lender of the unreimbursed amounts described in this Section, if the L/C Participants receive notice that any such payment is due (A) prior to 1:00 p.m. on any Business Day, such payment shall be due that Business Day, and (B) after 1:00 p.m. on any Business Day, such payment shall be due on the following Business Day.

(c) Whenever, at any time after any Issuing Lender has made payment under any Letter of Credit issued by it and has received from any L/C Participant its Percentage of such payment in accordance with this Section, such Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise), or any payment of interest on account thereof, such Issuing Lender will distribute to such L/C Participant its pro rata share thereof; provided, that in the event that any such payment received by such Issuing Lender shall be required to be returned by such Issuing Lender, such L/C Participant shall return to such Issuing Lender the portion thereof previously distributed by such Issuing Lender to it.

(d) Each L/C Participant's obligation to make the Revolving Loans referred to in Section 3.4(b) and to purchase participating interests pursuant to Section 3.4(a) shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such Revolving Lender or the Borrower may have against the Issuing Lender, the Borrower or any other Person for any reason whatsoever, (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Article IV, (iii) any adverse change in the condition (financial or otherwise) of the Borrower, (iv) any breach of this Agreement or any other Loan Document by the Borrower or any other Revolving Lender or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

Section 3.5 Reimbursement Obligation of the Borrower. In the event of any drawing under any Letter of Credit, the Borrower agrees to reimburse (either with the proceeds of a Revolving Loan as provided for in this Section or with funds from other sources), in same day funds, the applicable Issuing Lender on each date on which such Issuing Lender notifies the Borrower of the date and amount of a draft paid by it under any Letter of Credit for the amount of (a) such draft so paid and (b) any amounts referred to in Section 3.3(c) incurred by such Issuing Lender in connection with such payment. Unless the Borrower shall immediately notify such Issuing Lender that the Borrower intends to reimburse such Issuing Lender for such drawing from other sources or funds, the Borrower shall be deemed to have timely given a notice of borrowing to the Administrative Agent requesting that the Revolving Lenders make a Revolving Loan as an ABR Loan on the applicable repayment date in the amount of (i) such draft so paid and (ii) any amounts referred to in Section 3.3(c) incurred by such Issuing Lender in connection with such payment, and the Revolving Lenders shall make a Revolving Loan as an ABR Loan in such amount, the proceeds of which shall be applied to reimburse such Issuing Lender for the amount of the related drawing and such fees and expenses. Each Revolving Lender acknowledges and agrees that its obligation to fund a Revolving Loan in accordance with this Section to reimburse such Issuing Lender for any draft paid under a Letter of Credit issued by it is absolute and unconditional and shall not be affected by any circumstance whatsoever, including non-satisfaction of the conditions set forth in Section 2.1(b) or

Article IV. If the Borrower has elected to pay the amount of such drawing with funds from other sources and shall fail to reimburse such Issuing Lender as provided above, or if the amount of such drawing is not fully refunded through an ABR Loan as provided above, the unreimbursed amount of such drawing shall bear interest at the rate which would be payable on any outstanding ABR Loans which were then overdue from the date such amounts become payable (whether at stated maturity, by acceleration or otherwise) until payment in full.

Section 3.6 Obligations Absolute. The Borrower's obligations under this Article III (including the Reimbursement Obligation) shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against the applicable Issuing Lender or any beneficiary of a Letter of Credit or any other Person. The Borrower also agrees that the applicable Issuing Lender and the L/C Participants shall not be responsible for, and the Borrower's Reimbursement Obligation under Section 3.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. No Issuing Lender shall be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit issued by it, except for errors or omissions caused by such Issuing Lender's gross negligence or willful misconduct, as determined by a court of competent jurisdiction by final nonappealable judgment. The Borrower agrees that any action taken or omitted by any Issuing Lender under or in connection with any Letter of Credit issued by it or the related drafts or documents, if done in the absence of gross negligence or willful misconduct as determined by a court of competent jurisdiction by final nonappealable judgment shall be binding on the Borrower and shall not result in any liability of such Issuing Lender or any L/C Participant to the Borrower. The responsibility of any Issuing Lender to the Borrower in connection with any draft presented for payment under any Letter of Credit issued to it shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment substantially conforms to the requirements under such Letter of Credit.

Section 3.7 Effect of Letter of Credit Application. To the extent that any provision of any Letter of Credit Application related to any Letter of Credit is inconsistent with the provisions of this Article III, the provisions of this Article III shall apply.

Section 3.8 Resignation of Issuing Lenders.

(a) Any Lender may at any time resign from its role as an Issuing Lender hereunder upon not less than 30 days prior notice to the Borrower and the Administrative Agent (or such shorter period of time as may be acceptable to the Borrower and the Administrative Agent).

(b) Any resigning Issuing Lender shall retain all the rights, powers, privileges and duties of an Issuing Lender hereunder with respect to all Letters of Credit issued by it that are outstanding as of the effective date of its resignation as an Issuing Lender and all L/C Obligations with respect thereto (including the right to require the Revolving Lenders to take such actions as are required under Section 3.4). Without limiting the foregoing, upon the resignation of a Lender as an Issuing Lender hereunder, the Borrower may, or at the request of such resigned Issuing Lender the Borrower shall, use commercially reasonable efforts to arrange for one or more of the other Issuing Lenders to issue Letters of Credit hereunder in substitution for the Letters of Credit, if any, issued by such resigned Issuing Lender and outstanding at the time of such resignation, or make other arrangements satisfactory to the resigned Issuing Lender to effectively cause another

Issuing Lender to assume the obligations of the resigned Issuing Lender with respect to any such Letters of Credit.

Section 3.9 Reporting of Letter of Credit Information and L/C Commitment. At any time that there is an Issuing Lender that is not also the financial institution acting as Administrative Agent, then (a) on the last Business Day of each calendar month, (b) on each date that a Letter of Credit is amended, terminated or otherwise expires, (c) on each date that a Letter of Credit is issued or the expiry date of a Letter of Credit is extended, and (d) upon the request of the Administrative Agent, each Issuing Lender (or, in the case of clauses (b), (c) or (d) of this Section, the applicable Issuing Lender) shall deliver to the Administrative Agent a report setting forth in form and detail reasonably satisfactory to the Administrative Agent information (including any reimbursement, Cash Collateral, or termination in respect of Letters of Credit issued by such Issuing Lender) with respect to each Letter of Credit issued by such Issuing Lender that is outstanding hereunder. In addition, each Issuing Lender shall provide notice to the Administrative Agent of its L/C Commitment, or any change thereto, promptly upon it becoming an Issuing Lender or making any change to its L/C Commitment. No failure on the part of any Issuing Lender to provide such information pursuant to this Section 3.9 shall limit the obligations of the Borrower or any Revolving Lender hereunder with respect to its reimbursement and participation obligations hereunder.

#### **ARTICLE IV Conditions Precedent**

Section 4.1 Initial Conditions Precedent. The obligation of the Lenders to effect any Borrowing, to make or participate in any Letter of Credit (including the obligation of the Issuing Lenders to issue or extend any Letter of Credit), or to convert or continue any Loan is subject to the condition precedent that each Lender shall have received on or before the day of the first Borrowing all of the following, each dated (unless otherwise indicated) as of the date hereof, in form and substance satisfactory to each Lender:

(a) The Notes, properly executed on behalf of the Borrower.

(b) A certificate of the secretary of the Borrower (i) certifying that the execution, delivery and performance of the Loan Documents and other documents contemplated hereunder to which such corporation is a party have been duly approved by all necessary action of the Board of Directors of the Borrower, and attaching true and correct copies of the applicable resolutions granting such approval, (ii) certifying that attached to such certificate are true and correct copies of the articles of incorporation and bylaws of the Borrower and all Authorizing Orders, together with such copies, and (iii) certifying the names of the officers of the Borrower that are authorized to sign the Loan Documents and other documents contemplated hereunder, including requests for Borrowings, together with the true signatures of such officers. The Lenders may conclusively rely on such certificate until they shall receive a further certificate of the Secretary or Assistant Secretary of the Borrower canceling or amending the prior certificate and submitting the signatures of the officers named in such further certificate.

(c) A certificate from an executive officer of the Borrower to the effect that (A) all representations and warranties of the Borrower contained in this Agreement and the other Loan Documents are true, correct and complete; (B) the Borrower is not in violation of any of the covenants contained in this Agreement and the other Loan Documents; (C) after giving effect to the transactions contemplated hereby, no Default or Event of Default has occurred and is continuing; (D) since December 31, 2017, no event has occurred or condition arisen, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect; (E) the Borrower has satisfied each of the conditions set forth in Sections 4.1 and

4.2; and (F) no action, suit, investigation or proceeding is pending or, to the knowledge of the Borrower, threatened in any court or before any arbitrator or Governmental Authority that could reasonably be expected to have a Material Adverse Effect.

(d) Certificates of good standing of the Borrower, dated not more than ten days before such date.

(e) A signed copies of an opinion of Daniel S. Kuntz, general counsel for the Borrower, substantially in the form of Exhibit E-1, and the opinion of Cohen Tauber Spievack & Wagner P.C., special counsel to the Borrower, substantially in the form of Exhibit E-2, each addressed to the Lenders.

(f) Copies of all material governmental, shareholder and third party consents and approvals necessary (or any other material consents as determined in the reasonable discretion of the Administrative Agent) in connection with the transactions contemplated by this Agreement and the other Loan Documents and all applicable waiting periods shall have expired without any action being taken by any Person that could reasonably be expected to restrain, prevent or impose any material adverse conditions on the Borrower or such other transactions or that could seek or threaten any of the foregoing, and no law or regulation shall be applicable which in the reasonable judgment of the Administrative Agent could reasonably be expected to have such effect.

(g) All documentation and other information requested by the Administrative Agent or any Lender in order to comply with requirements of any Anti-Money Laundering Laws, including the PATRIOT Act and any applicable “know your customer” rules and regulations.

(h) All fees required to be paid as of the date hereof pursuant to this Agreement or any Fee Letter.

Section 4.2 Conditions Precedent to All Extensions of Credit. The obligation of the Lenders to effect any Borrowing, to make or participate in any Letter of Credit (including the obligation of the Issuing Lenders to issue or extend any Letter of Credit), or to convert or continue any Loan is subject to the further conditions precedent that on the date thereof:

(a) the representations and warranties contained in Article V (other than Section 5.6) are correct on and as of the date of such Borrowing as though made on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date;

(b) the Borrower has delivered to the Administrative Agent an opinion in the form of Exhibit F hereto, duly executed by the general counsel or associate general counsel of the Borrower; and

(c) no event has occurred and is continuing, or would result from such Borrowing, which constitutes a Default or an Event of Default.

Section 4.3 Fronting Exposure Limitation. So long as any Lender is a Defaulting Lender, (i) the Swingline Lender shall not be required to fund any Swingline Loans unless it is satisfied that it will have no Fronting Exposure after giving effect to such Swingline Loan and (ii) no Issuing Lender shall be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

**ARTICLE V**  
**Representations and Warranties**

The Borrower represents and warrants to the Lenders as follows:

Section 5.1 Existence and Power. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of Delaware, and is duly licensed or qualified to transact business in all jurisdictions where the character of the property owned or leased or the nature of the business transacted by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified (i) will not permanently preclude the Borrower from maintaining any material action in any such jurisdiction even though such action arose in whole or in part during the period of such failure, and (ii) will not result in any other Material Adverse Effect. The Borrower has all requisite power and authority, corporate or otherwise, to conduct its business, to own its properties and to execute and deliver, and to perform all of its obligations under, the Loan Documents.

Section 5.2 Authorization of Credit Extensions; No Conflict as to Law or Agreements. The execution, delivery and performance by the Borrower of the Loan Documents, and the borrowings from time to time hereunder, have been duly authorized by all necessary corporate action and by all necessary public utilities commissions and any other regulatory bodies having jurisdiction over the Borrower (except as noted in Schedule 5.2 to the Agreement with respect to Borrowings made after September 11, 2019), and do not and will not (i) require any consent or approval of the stockholders of the Borrower, or any authorization, consent or approval by any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, other than Authorizing Orders set forth in Schedule 5.2 that (except as noted therein with respect to Borrowings made after September 11, 2019) have been obtained and copies of which have been delivered to the Administrative Agent pursuant to Section 4.1, (ii) violate any provision of any law, rule or regulation (including Regulation T, U or X of the Board of Governors of the Federal Reserve System) or of any order, writ, injunction or decree presently in effect having applicability to the Borrower or of the articles of incorporation or bylaws of the Borrower, (iii) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which the Borrower is a party or by which it or its properties may be bound or affected, or (iv) result in, or require, the creation or imposition of any Lien or other charge or encumbrance of any nature (other than those in favor of the Administrative Agent to secure one or more of the Obligations) upon or with respect to any of the properties now owned or hereafter acquired by the Borrower.

Section 5.3 Legal Agreements. This Agreement and the other Loan Documents constitute the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except to the extent that such enforcement may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or by general equitable principles.

Section 5.4 Subsidiaries. Schedule 5.4 hereto is a complete and correct list of all present Subsidiaries and of the percentage of the ownership of the Borrower or any other Subsidiary in each case as of the date of this Agreement. Except as otherwise indicated in that Schedule, all shares of each Subsidiary owned by the Borrower or by any such other Subsidiary are validly issued and fully paid and nonassessable.

Section 5.5 Financial Condition. The Borrower has furnished to the Lenders its audited consolidated financial statement as of December 31, 2017, and its unaudited interim financial statement as of March 31, 2018. Those financial statements fairly present the financial condition of the Borrower and its Subsidiaries on the dates thereof and the results of their operations and cash flows for the periods then ended, and were prepared in accordance with GAAP, except as expressly noted therein.

Section 5.6 Adverse Change. There has been no material adverse change in the business, properties or condition (financial or otherwise) of the Borrower since December 31, 2017.

Section 5.7 Litigation. Except as set forth in the Borrower's Annual Report on Form 10-K for the year ended December 31, 2017, or in any document subsequently filed pursuant to Section 13, 14 or 15(d) of the Exchange Act, there are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or the properties of the Borrower, before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which, if determined adversely to the Borrower, would have a Material Adverse Effect.

Section 5.8 Anti-Corruption Laws; Anti-Money Laundering Laws and Sanctions.

(a) None of the Borrower, any Subsidiary or, to the knowledge of the Borrower, (i) any of their respective directors, officers, employees or Affiliates, or (ii) any agent or representative of the Borrower or any Subsidiary that will act in any capacity in connection with or benefit from the Facility, (A) is a Sanctioned Person or currently the subject or target of any Sanctions, (B) is controlled by or is acting on behalf of a Sanctioned Person, (C) has its assets located in a Sanctioned Country, (D) is under administrative, civil or criminal investigation for an alleged violation of, or received notice from or made a voluntary disclosure to any governmental entity regarding a possible violation of, Anti-Corruption Laws, Anti-Money Laundering Laws or Sanctions by a governmental authority that enforces Sanctions or any Anti-Corruption Laws or Anti-Money Laundering Laws, or (E) directly or indirectly derives revenues from investments in, or transactions with, Sanctioned Persons.

(b) The Borrower has implemented and maintains in effect policies and procedures designed to promote compliance by the Borrower and its Subsidiaries and their respective directors, officers, employees, agents and Affiliates with all Anti-Corruption Laws, Anti-Money Laundering Laws and Sanctions.

(c) Each of the Borrower, its Subsidiaries and, to the knowledge of Borrower, their respective directors, officers, employees, agents and Affiliates, is in compliance with all Anti-Corruption Laws, Anti-Money Laundering Laws in all respects and Sanctions.

(d) No proceeds of any Loan have, and no Letter of Credit has, been used, directly or indirectly, by the Borrower, any of its Subsidiaries or any of its or their respective directors, officers, employees and agents in violation of Section 7.9.

Section 5.9 Environmental Matters. The Borrower conducts in the ordinary course of business a review of the effect of existing Environmental Laws and existing Environmental Claims on its business, operations and properties and, as a result thereof, the Borrower has reasonably concluded that such Environmental Laws and Environmental Claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, exclusive of Environmental Claims as set forth in the Borrower's Annual Report on Form 10-K for the year ended December 31, 2017, or in any document subsequently filed pursuant to Section 13, 14 or 15(d) of the Exchange Act.

Section 5.10 Margin Regulations; Investment Company Act. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System). No part of the proceeds of any Credit Extension will be used directly or indirectly for any purpose that violates, or that would require any Lender to make any filings in accordance with, the provisions of Regulation T, U or X of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in

effect. Neither the Borrower nor any Subsidiary is an “investment company” or a company “controlled” by an “investment company” (as each such term is defined or used in the Investment Company Act).

Section 5.11 Compliance with Law; Governmental Approvals. The Borrower (a) has all Governmental Approvals required by any Applicable Law for it to conduct its business, each of which is in full force and effect, is final and not subject to review on appeal and is not the subject of any pending or, to its knowledge, threatened challenge by direct or collateral proceeding, (b) is in compliance with each Governmental Approval applicable to it and in compliance with all other Applicable Laws relating to it or any of its respective properties and (c) has timely filed all material reports, documents and other materials required to be filed by it under all Applicable Laws with any Governmental Authority and has retained all material records and documents required to be retained by it under Applicable Law, except, in such instances in which (i) any such requirement is being contested in good faith or the subject of a bona fide dispute or (ii) the failure to so comply, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 5.12 Taxes. The Borrower has filed all federal and other tax returns and reports required to be filed, and has paid all federal and other taxes, assessments, fees and other governmental charges levied or imposed upon it or its properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP and except those the failure to file or pay which would not have a Material Adverse Effect. There is no proposed tax assessment against the Borrower that would, if made, have a Material Adverse Effect.

Section 5.13 Titles and Liens. To the Borrower’s knowledge, without having undertaken any search of real property records for this purpose, the Borrower has good and sufficient title to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, and good title to all other property and assets reflected in the Borrower’s most recent consolidated financial statements provided to the Lenders as owned by the Borrower, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and other than any sold, as permitted by Section 7.4. As of the date of this Agreement, the property of the Borrower is subject to no Liens other than as permitted pursuant to Section 7.1.

Section 5.14 Intellectual Property. The Borrower owns or is licensed or otherwise has the right to use all of the patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations and other rights that are reasonably necessary for the operation of its business, without conflict with the rights of any other Person, except to the extent that noncompliance would not have a Material Adverse Effect. To the knowledge of the Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Borrower infringes upon any rights held by any other Person, except to the extent that noncompliance would not have a Material Adverse Effect. No claim or litigation regarding any of the foregoing is pending or threatened, and no patent, invention, device, application, principle or any statute, law, rule, regulation, standard or code is pending or, to the knowledge of the Borrower, proposed, which, in either case, could reasonably be expected to have a Material Adverse Effect.

Section 5.15 ERISA. Each of the Borrower and its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code and published interpretations thereunder, except for any such failure that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

**ARTICLE VI**  
**Affirmative Covenants**

So long as any Note shall remain unpaid or the Facility shall be outstanding, the Borrower will comply with the following requirements, unless the Required Lenders shall otherwise consent in writing:

Section 6.1 Reporting. The Borrower will deliver to each Lender:

(a) As soon as available, and in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the annual audit report of the Borrower and its Subsidiaries prepared on a consolidated basis with an unqualified opinion of independent certified public accountants selected by the Borrower and acceptable to the Required Lenders, which annual report shall include the consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, common stockholders' equity and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, all in reasonable detail and all prepared in accordance with GAAP.

(b) As soon as available, and in any event within 120 days after the end of each fiscal year of the Borrower:

(i) A copy of the unaudited nonconsolidated balance sheets of the Borrower at the end of such fiscal year and the related unaudited nonconsolidated statements of income, retained earnings and cash flows of the Borrower for such fiscal year, in reasonable detail, all prepared in accordance with GAAP.

(ii) A copy of the annual audit report-regulatory basis of the Borrower with an unqualified opinion of independent certified public accountants selected by the Borrower and acceptable to the Required Lenders, which annual report shall include a copy of the balance sheet-regulatory basis of the Borrower as the end of such fiscal year and the related statements of income-regulatory basis, retained earnings-regulatory basis and cash flows-regulatory basis of the Borrower for the fiscal year then ended, all prepared in accordance with FERC Accounting Principles.

(c) As soon as available and in any event within 45 days after the end of each fiscal quarter of the Borrower, a copy of (A) the unaudited consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such quarter, (B) the related unaudited consolidated statements of income for such quarter, and (C) the related unaudited consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the year to date, all in reasonable detail and prepared in accordance with GAAP, subject to year-end audit adjustments.

(d) As soon as available and in any event within 60 days after the end of each fiscal quarter of the Borrower, a copy of (A) the unaudited nonconsolidated balance sheets of the Borrower at the end of such quarter, (B) the related unaudited nonconsolidated statements of income for such quarter, and (C) the related unaudited nonconsolidated statements of income, retained earnings and cash flows of the Borrower for the year to date, all in reasonable detail and prepared in accordance with GAAP, subject to year-end adjustments.

(e) Concurrently with the delivery of any financial statements under paragraph (a), (b), (c) or (d), a Compliance Certificate, duly executed by the chief financial officer of the Borrower.

(f) Promptly following the issuance thereof, a copy of any Authorizing Order not previously delivered to the Administrative Agent.

(g) Promptly upon their distribution, copies of all financial statements, reports and proxy statements which the Borrower shall have sent to its stockholders.

(h) Promptly after the sending or filing thereof, copies of all regular and periodic financial reports which the Borrower shall file with the Securities and Exchange Commission or any national securities exchange.

(i) Promptly upon becoming available, copies of any reports or applications filed by the Borrower with any governmental body if such reports indicate any material change in the business, operations, affairs or condition of the Borrower, or if copies thereof are requested by any Lender.

(j) Immediately after the commencement thereof, notice in writing of all litigation and of all proceedings before any governmental or regulatory agency affecting the Borrower of the type described in Section 5.7 or which seek a monetary recovery against the Borrower in excess of \$10,000,000.

(k) As promptly as practicable (but in any event not later than 5 Business Days) after an officer of the Borrower obtains knowledge of the occurrence of any Default or Event of Default, notice of such occurrence, together with a detailed statement by a responsible officer of the Borrower of the steps being taken by the Borrower to cure the effect of such event.

(l) Promptly upon becoming aware of an ERISA Event, a written notice specifying the nature thereof, what action the Borrower has taken, is taking or proposes to take with respect thereto, and, when known, any action taken or threatened by the Internal Revenue Service, the PBGC or the Department of Labor with respect thereto.

(m) Promptly upon (i) the adoption of any Pension Plan, or (ii) the adoption of any amendment to a Pension Plan, if such amendment results in a material increase in contributions or Unfunded Pension Liability, written notice specifying the nature thereof.

(n) Upon request of any Lender, copies of the most recent annual report (Form 5500 Series), including any supporting schedules, filed by the Borrower or any ERISA Affiliate with the Internal Revenue Service with respect to any Plan.

(o) Promptly upon the request thereof, such other information and documentation required by bank regulatory authorities under applicable Anti-Money Laundering Laws (including any applicable “know your customer” rules and regulations and the PATRIOT Act), or any policy or procedure implemented by any Lender Party to comply therewith, as from time to time reasonably requested by the Administrative Agent or any Lender.

(p) Such information (in addition to that specified elsewhere in this Section) respecting the financial condition and results of operations of the Borrower as any Lender may from time to time reasonably request.

Section 6.2 Books and Records; Inspection and Examination. The Borrower will keep accurate books of record and account for itself in which true and complete entries will be made in accordance with GAAP and, upon request of any Lender, will give any representative of that Lender access to, and permit such representative to examine, copy or make extracts from, any and all books, records and documents in its possession, to inspect any of its properties and to discuss its affairs, finances and accounts with any of its principal officers, all at such times during normal business hours and as often as any Lender may reasonably request.

Section 6.3 Compliance with Laws. The Borrower will comply with the requirements of applicable laws and regulations, except any law and regulation (i) the compliance with which is contested in good faith or the subject of a bona fide dispute, and (ii) the noncompliance with which would not have a Material Adverse Effect.

Section 6.4 Payment of Taxes and Other Claims. The Borrower will pay or discharge, when due, (a) all taxes, assessments and governmental charges levied or imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, (b) all federal, state and local taxes required to be withheld by it, and (c) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien or charge upon any properties of the Borrower; provided, that the Borrower shall not be required to pay any such tax, assessment, charge or claim so long as (x) the amount, applicability or validity of such tax, assessment, charge or claim is being contested in good faith by appropriate proceedings or is the subject of a bona fide dispute, and (y) the Borrower has provided adequate reserves therefor in accordance with GAAP, except (with respect to any of the foregoing) to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 6.5 Maintenance of Properties. Subject to transactions permitted by Sections 7.4, the Borrower shall maintain and preserve all its property which is used or useful in its business in good working order and condition, ordinary wear and tear excepted, except to the extent that noncompliance would not have a Material Adverse Effect.

Section 6.6 Insurance. The Borrower shall maintain with financially sound and reputable independent insurers, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as are customarily carried under similar circumstances by such other Persons, except to the extent that noncompliance would not have a Material Adverse Effect, and the Borrower will furnish any Lender upon request full information as to the insurance carried within 15 Business Days.

Section 6.7 Preservation of Corporate Existence. Subject to transactions permitted by Section 7.4, the Borrower shall (i) preserve and maintain in full force and effect its corporate existence and good standing under the laws of its state or jurisdiction of incorporation; (ii) preserve and maintain in full force and effect all governmental rights, privileges, qualifications, permits, licenses and franchises necessary or desirable in the normal conduct of its business; and (iii) preserve its business organization and goodwill; and (iv) preserve or renew all of its registered patents, trademarks, trade names and service marks; except, in each case, to the extent that failure to do so does not have a Material Adverse Effect.

Section 6.8 Compliance with Anti-Corruption Laws; Anti-Money Laundering Laws and Sanctions. The Borrower will maintain in effect and enforce policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with all Anti-Corruption Laws, Anti-Money Laundering Laws and Sanctions.

## **ARTICLE VII**

### **Negative Covenants**

So long as any Note shall remain unpaid or the Facility shall be outstanding, the Borrower agrees that, without the prior written consent of the Required Lenders:

Section 7.1 Liens. The Borrower will not create, incur or suffer to exist any Lien in, of or on the property of the Borrower, except:

(a) Liens for taxes, assessments of governmental charges or levies on its property if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings.

(b) Liens imposed by law, such as carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure payment of obligations not yet due and payable or remaining payable without penalty or which are being contested in good faith by appropriate proceedings.

(c) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation.

(d) Utility easements, buildings restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interference with the use thereof in the business of the Borrower.

(e) Purchase money Liens upon or in any property acquired or held by the Borrower in the ordinary course of business, provided that (i) no such Lien is created later than the 90th day following the acquisition or completion of construction of such property by the Borrower, and (ii) no such Lien extends or shall extend to or cover any property of the Borrower other than the property then being acquired, fixed improvements then or thereafter erected thereon and improvements and modifications thereto necessary to maintain such properties in working order.

(f) Liens incurred or deposits made in the ordinary course of business to secure (or to obtain letters of credit that secure) the performance of tenders, statutory obligations, surety bonds, appeal bonds, bids, leases (other than Capitalized Leases), performance bonds, purchase, construction or sales contracts and other similar obligations, in each case not incurred or made in connection with the incurrence of any Obligation.

(g) Liens resulting from judgments, unless such judgments are not bonded or otherwise discharged within 60 days; are not stayed pending appeal or otherwise being appropriately contested in good faith; or are not discharged within 45 days after expiration of any such stay.

(h) Liens created under or in connection with the Indenture as such Indenture exists on the date hereof, without regard to any waiver, amendment, modification or restatement thereof.

(i) Liens permitted under the Indenture as such Indenture exists on the date hereof, without regard to any waiver, amendment, modification or restatement thereof.

(j) Liens on any property of the Borrower (other than those described in subsection (e)) securing any indebtedness for borrowed money in existence on the date hereof and listed in Schedule 7.1 hereto.

Section 7.2 Investments. The Borrower will not purchase or hold beneficially any stock or other securities or evidence of indebtedness of, make or permit to exist any loans or advances to, or make any investment or acquire any interest whatsoever in, any other Person, except:

(a) Investments in Cash Equivalents pursuant to and in accordance with the terms of the Borrower's then-current investment policy duly adopted by the Board of Directors of the Borrower.

(b) Investments in the MDU Resources Group, Inc. Benefits Protection Trust in accordance with the Borrower's historical practices.

(c) Any existing investment by the Borrower in the voting stock, membership interests or other equity interests of any Subsidiary.

(d) Any investment by the Borrower in any Subsidiary after the date hereof, so long as (i) the entire amount of such investment is obtained from (A) the issuance of equity interests by the Borrower and/or (B) dividends or similar distributions paid to the Borrower by any other Subsidiary of the Borrower, in each case concurrent with the Borrower's investment in such Subsidiary, and (ii) no Default or Event of Default has occurred and is continuing when such investment is actually made. In the case of any investment funded as described in clause (i)(B), the applicable dividend or distribution and the corresponding investment shall be accurately and completely reflected on the books and records of the Borrower and the applicable Subsidiaries.

(e) Consolidations, mergers and acquisitions not prohibited by Section 7.6.

(f) Travel, relocation and similar advances made to officers and employees of the Borrower in anticipation of expenses to be incurred by such officers and employees, in each case in the ordinary course of the Borrower's business consistent with the Borrower's past practices.

(g) Advances in the form of progress payments, prepaid rent or security deposits.

(h) Evidences of indebtedness in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business.

(i) Investments made for the purpose of economic development, so long as the aggregate value of the investments permitted by this clause (i) does not exceed \$10,000,000.

Section 7.3 Distributions. The Borrower will not make any Distribution at any time following and during the continuance of any Default or Event of Default arising under paragraph (a), (b), (g) or (h) of Section 8.1.

Section 7.4 Sale of Assets.

(a) The Borrower will not lease, sell or otherwise dispose of all, or a substantial portion of, its property, assets or business (whether in one transaction or in a series of transactions) to any other Person except for sales of inventory in the ordinary course of business. For purposes of this Section, "**substantial portion**" means assets (including other Persons) (i) representing more than 20% of the consolidated assets of the Borrower as reflected in the most recent consolidating financial statement of the Borrower referred to in Section 5.5, or (ii) responsible for more than 15% of the consolidated net sales or the consolidated net income of the Borrower as reflected in the financial statement referred to in clause (i) above.

(b) Notwithstanding the foregoing Section 7.4(a) or Section 7.6, so long as no Default or Event of Default has occurred and is continuing immediately prior thereto or could reasonably be expected to result therefrom, the Borrower may not more than once during the term of this Agreement transfer all or substantially all of the utility assets comprising its divisions known as Montana-Dakota Utilities Co. and Great Plains Natural Gas Co. (the "**Constituent**

**Divisions**”) to, or merge or consolidate with, another Person so long as (1) in the case of a merger or consolidation, the Borrower is the continuing or surviving Person, or (2) the Person formed by or surviving such merger or consolidation or the transferee of all or substantially all of the Borrower’s utility assets of the Constituent Divisions (any such Person, whether under clause (i) or clause (ii), the **“Successor Borrower”**), is a corporation or limited liability company organized or existing solely under the laws of the United States, a single state thereof or the District of Columbia, and has delivered to the Administrative Agent, prior to or concurrently with such merger, consolidation or transfer, each of the following, each in form and substance satisfactory to the Administrative Agent:

(i) all documents giving rise to such merger, consolidation or transfer, including evidence that immediately thereafter the Successor Borrower holds all or substantially all of the utility assets of the Constituent Divisions and has no greater liabilities than those of the Borrower immediately preceding such merger, consolidation or transfer;

(ii) an assumption agreement by which the Successor Borrower expressly assumes all of the Obligations;

(iii) a certificate, duly signed by an executive officer of the Successor Borrower, and an opinion of counsel, each stating that such merger, consolidation or transfer complies with this Agreement and setting forth such other matters and opinions as the Administrative Agent may reasonably require; and

(iv) such other information and documentation required by bank regulatory authorities under applicable Anti-Money Laundering Laws (including any applicable “know your customer” rules and regulations and the PATRIOT Act), as from time to time reasonably requested by the Administrative Agent or any Lender.

Section 7.5 Transactions with Affiliates. The Borrower shall not enter into any material transaction or arrangement or series of related transactions or arrangements that in the aggregate would be material with any Affiliate of the Borrower, except (i) transactions upon terms no less favorable to the Borrower than would obtain, taking into account all facts and circumstances, in a comparable arm’s-length transaction with a Person not an Affiliate of the Borrower, (ii) investments in Subsidiaries to the extent not prohibited by Section 7.2, (iii) Distributions to the extent not prohibited by Section 7.3, and (iv) payments required by regulatory rule or order; in the case of clauses (i), (ii) and (iii), to the extent that such payments are (x) made in the ordinary course of the Borrower’s business, (y) consistent with the Borrower’s past practices, and (z) fair and reasonable.

Section 7.6 Consolidation and Merger. The Borrower will not consolidate with or merge into any Person, or permit any other Person to merge into it, or acquire (in a transaction analogous in purpose or effect to a consolidation or merger) all or substantially all of the assets of any other Person or any existing business (whether existing as a separate entity, subsidiary, division, unit, line of business or otherwise) of any Person; provided, however, that the restrictions contained in this Section shall not apply to or prevent the consolidation or merger of any Person with, or a conveyance or transfer of its assets to, the Borrower so long as (i) no Default or Event of Default exists at the time of, or will be caused by, such consolidation, merger, conveyance or transfer, (ii) the Borrower shall be the continuing or surviving corporation, and (iii) the prior, effective written consent or approval of the board of directors or equivalent governing body of the other party to such consolidation, merger, conveyance or transfer is obtained; provided further that nothing in this Section 7.6 shall prohibit any merger or consolidation permitted under Section 7.4(b).

Section 7.7 Environmental Laws. The Borrower will not cause or permit the conduct of its operations or the maintenance of any of its property to violate any Environmental Law, except to the extent that noncompliance would not have a Material Adverse Effect.

Section 7.8 Restrictions on Nature of Business. The Borrower will not engage in any material line of business that is significantly different from that presently engaged in by the Borrower.

Section 7.9 Use of Proceeds. The Borrower will not request any Loan or Letter of Credit, and the Borrower shall not use, and shall ensure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, any Letter of Credit or the proceeds of any Loan, directly or indirectly, (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, or (iii) in any manner that would result in the violation of any Sanctions or Anti-Money Laundering Laws applicable to any party hereto.

Section 7.10 Consolidated Total Leverage Ratio. The Borrower will not at any time permit its Consolidated Total Leverage Ratio, determined as of any Covenant Compliance Date, to be greater than 0.65 to 1.

Section 7.11 Borrower Leverage Ratio. The Borrower will not at any time permit the Borrower Leverage Ratio, determined as of any Covenant Compliance Date, to be greater than 0.65 to 1.

## **ARTICLE VIII**

### **Events of Default, Rights and Remedies**

Section 8.1 Events of Default. “**Event of Default**”, wherever used herein, means any one of the following events:

(a) Default in the payment of any principal of any Note or any Reimbursement Obligation when it becomes due and payable.

(b) Default in the payment of any interest due hereunder or under any Note when the same becomes due and payable and the continuance of such default for a period of 2 calendar days; or default in the payment of any fees required under Section 2.11 when the same become due and payable and the continuance of such default for a period of 5 calendar days.

(c) Default in the performance, or breach, of any covenant or agreement on the part of the Borrower contained in Article VII.

(d) Default in the performance, or breach, of any covenant or agreement of the Borrower in this Agreement (other than a covenant or agreement a default in whose performance or whose breach is elsewhere in this Section specifically dealt with), and the continuance of such default or breach for a period of 30 days after the Lenders have given notice to the Borrower specifying such default or breach and requiring it to be remedied.

(e) Any representation or warranty made by the Borrower in this Agreement or by the Borrower (or any of its officers) in any certificate, instrument, or statement contemplated by or made or delivered pursuant to or in connection with this Agreement, shall prove to have been incorrect or misleading in any material respect when made.

(f) A default under the Indenture or with respect to any other Funded Debt (other than any default dealt with elsewhere in this Section) and the expiration of the applicable period

of grace, if any, specified in the applicable evidence of indebtedness, indenture or other instrument; provided, however, that no Event of Default shall be deemed to have occurred under this paragraph if the aggregate amount owing as to all such indebtedness as to which such defaults have occurred and are continuing is less than \$15,000,000; provided further that if such default shall be cured by the Borrower, or waived by the holders of such indebtedness, in each case prior to the commencement of any action under Section 8.2 and as may be permitted by such evidence of indebtedness, indenture or other instrument, then the Event of Default hereunder by reason of such default shall be deemed likewise to have been thereupon cured or waived.

(g) The Borrower (i) ceases or fails to be Solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise; (ii) voluntarily ceases to conduct its business in the ordinary course; (iii) commences any proceeding under any Debtor Relief Law with respect to itself; or (iv) takes any action to effectuate or authorize any of the foregoing.

(h) (i) Any involuntary proceeding under any Debtor Relief Law is commenced or filed against the Borrower, or any writ, judgment, warrant of attachment, execution or similar process is issued or levied against a substantial part of the Borrower's properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded within 60 days after commencement, filing or levy; or (ii) the Borrower admits the material allegations of a petition against it in any proceeding under any Debtor Relief Law, or an order for relief (or similar order under non-U.S. law) is ordered in any proceeding under any Debtor Relief Law; or (iii) the Borrower acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or similar Person for itself or a substantial portion of its property or business.

(i) A Change of Control (other than a transaction permitted under Section 7.4(b)) shall occur with respect to the Borrower.

(j) The Borrower shall fail within 60 days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of \$25,000,000, which is not stayed on appeal or otherwise being appropriately contested in good faith.

(k) Any material provision of this Agreement or any provision of any other Loan Document shall for any reason, other than satisfaction in full of all Obligations, cease to be valid and binding on the Borrower, or the Borrower shall so state in writing, in each case other than in accordance with the express terms hereof or thereof.

(l) (i) The occurrence of an ERISA Event or ERISA Termination Event that, in the opinion of the Required Lenders, when taken together with all other ERISA Events and ERISA Termination Events that shall have occurred, could reasonably be expected to result in a Material Adverse Effect; (ii) the commencement or increase of contributions to, or the adoption of or the amendment of, a Pension Plan by the Borrower or an ERISA Affiliate which has resulted or could reasonably be expected to result in a Material Adverse Effect; or (iii) the Borrower's or an ERISA Affiliate's failure to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect.

(m) Any governmental authority or other administrative or legal authority having regulatory jurisdiction over the Borrower takes any action which has a Material Adverse Effect on the Borrower.

Section 8.2 Rights and Remedies. Upon the occurrence of an Event of Default or at any time thereafter until such Event of Default is cured to the written satisfaction of the Required Lenders, the Administrative Agent may, with the consent of the Required Lenders, and shall, at the request of the Required Lenders, exercise any or all of the following rights and remedies:

(a) The Administrative Agent may, by notice to the Borrower, declare the Facility to be terminated, whereupon the same shall forthwith terminate.

(b) The Administrative Agent may, by notice to the Borrower, declare the entire unpaid principal amount of the Loans and all Reimbursement Obligations then outstanding, all interest accrued and unpaid thereon, and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Loans, all Reimbursement Obligations, all such accrued interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower.

(c) With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to the preceding paragraph (b), demand that the Borrower deposit in a Cash Collateral account opened by the Administrative Agent an amount equal to the Minimum Collateral Amount. Amounts held in such Cash Collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay the other Obligations in accordance with 8.4. After all such Letters of Credit shall have expired or been fully drawn upon, the Reimbursement Obligation shall have been satisfied and all other Obligations shall have been paid in full, the balance, if any, in such Cash Collateral account shall be returned to the Borrower.

(d) The Lenders may exercise any other rights and remedies available to them by law or agreement.

Notwithstanding the foregoing, upon the occurrence of an Event of Default described in Section 8.1(g) or 8.1(h) hereof, the entire unpaid principal amount of the Notes then outstanding, all interest accrued and unpaid thereon, and all other amounts payable under this Agreement, including Cash Collateral equal to the Minimum Collateral Amount, shall be immediately due and payable without presentment, demand, protest or notice of any kind.

Section 8.3 Right of Setoff. If an Event of Default shall have occurred and shall be continuing, each Lender Party and each of their Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender Party or any such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any other Loan Document to such Lender Party or any such Affiliate, irrespective of whether or not such Lender Party shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower may be contingent or unmatured or are owed to a branch or office of such Lender Party different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender Party and its

Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender Party or its Affiliates may have.

Section 8.4 Crediting of Payments and Proceeds. If all or any portion of the Obligations have been accelerated or the Administrative Agent has exercised any remedy set forth in this Agreement or any other Loan Document, all payments received by the Lenders upon the Obligations and all net proceeds from the enforcement of the Obligations shall be applied in the following order:

first, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts, including attorney fees, payable to the Administrative Agent in its capacity as such;

second, to payment of that portion of the Obligations constituting fees (other than Facility Fees and Letter of Credit fees payable to the Revolving Lenders in their capacity as such), indemnities and other amounts (other than principal and interest) payable to the Lenders, the Issuing Lender and the Swingline Lender under the Loan Documents, including attorney fees, ratably among the Lenders, the Issuing Lender and the Swingline Lender in proportion to the respective amounts described in this clause second payable to them;

third, to payment of that portion of the Obligations constituting accrued and unpaid Facility Fees, Letter of Credit fees payable to the Revolving Lenders in their capacity as such and interest on the Loans and Reimbursement Obligations, ratably among the Lenders, the Issuing Lender and the Swingline Lender in proportion to the respective amounts described in this clause third payable to them;

fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans and Reimbursement Obligations, ratably among the Lenders and the Issuing Lenders in proportion to the respective amounts described in this clause fourth payable to them;

fifth, to the Administrative Agent for the account of the Issuing Lenders, to Cash Collateralize any L/C Obligations then outstanding; and

last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Applicable Law.

## **ARTICLE IX THE ADMINISTRATIVE AGENT**

Section 9.1 Appointment and Authority. Each of the Lenders hereby irrevocably appoints Wells Fargo to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders, and the Borrower shall have no rights (as a third party beneficiary or otherwise) of any of such provisions. The use of the term “agent” herein or in any other Loan Documents (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any Applicable Law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

Section 9.2 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent. The term “Lender” or “Lenders” shall, unless

otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

Section 9.3 Exculpatory Provisions.

(a) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or Event of Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or Applicable Law, including any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law; and

(iii) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.2 and 8.2) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment. The Administrative Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until notice describing such Default or Event of Default is given to the Administrative Agent by the Borrower or a Lender.

(c) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default or Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any

other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

Section 9.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 9.5 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

Section 9.6 Resignation and Removal of Administrative Agent.

(a) The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor has been so appointed by the Required Lenders and has accepted such appointment within 45 days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the “**Resignation Effective Date**”), then the retiring Administrative Agent may (but shall not be obligated to) on behalf of the Lenders appoint a successor Administrative Agent meeting the qualifications set forth above. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as Administrative Agent is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Required Lenders may, to the extent permitted by Applicable Law, by notice in writing to the Borrower and such Person remove such Person as Administrative Agent and, in consultation with the Borrower, appoint a successor. If no such successor has been so appointed by the Required Lenders and has accepted such appointment within 30 days (or such earlier day as shall be agreed by the Required Lenders) (the “**Removal Effective Date**”), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable), (1) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring or removed Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed), and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring or removed Administrative Agent, and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring or removed Administrative Agent's resignation or removal hereunder and under the other Loan Documents, the provisions of this Article and Section 10.4 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub-agents and their Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent was acting as Administrative Agent.

(d) Any resignation by, or removal of, Wells Fargo as Administrative Agent pursuant to this Section shall also constitute its resignation as an Issuing Lender and Swingline Lender. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, (i) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Issuing Lender, if in its sole discretion it elects to, and Swingline Lender, (ii) the retiring Issuing Lender and Swingline Lender shall be discharged from all of their respective duties and obligations hereunder or under the other Loan Documents, and (iii) the successor Issuing Lender, if in its sole discretion it elects to, shall issue letters of credit in substitution for the Letters of Credit issued by the retiring Issuing Lender, if any, outstanding at the time of such succession or make other arrangements satisfactory to the retiring Issuing Lender to effectively assume the obligations of the retiring Issuing Lender with respect to such Letters of Credit.

Section 9.7 Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Section 9.8 No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the Persons listed on the cover page hereof as "joint lead arranger," "syndication agent" or "joint lead bookrunner" shall have any powers, duties, obligations or responsibilities under this Agreement or any of the other Loan Documents, except in any capacity, as applicable, as the Administrative Agent or a Lender.

Section 9.9 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to the Borrower, the

Administrative Agent (irrespective of whether the principal of any Obligation is then due and payable and irrespective of whether the Administrative Agent has made any demand on the Borrower) shall be entitled and empowered (but not obligated), by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lender Parties (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lender Parties and their respective agents and counsel and all other amounts due the Lender Parties under Sections 2.11 and 10.4) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender Party to make such payments to the Administrative Agent and, in the event that the Administrative Agent consents to the making of such payments directly to the Lender Parties, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.11 and 10.4.

#### Section 9.10 Collateral and Guaranty Matters.

(a) Each Lender Party hereby irrevocably authorizes the Administrative Agent to act as collateral agent of and for such Lender Party for purposes of holding, perfecting and disposing of collateral under the Loan Documents and appoints the Administrative Agent as nominal beneficiary or nominal secured party, as the case may be, under the Loan Documents and all related UCC financing statements. Without limiting the foregoing, the Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion,

(i) to release any Lien on any property granted to or held by the Administrative Agent under any Loan Document (A) upon termination of all Commitments and payment in full of all Obligations (other than contingent indemnification obligations), (B) that is sold or otherwise disposed of or to be sold or otherwise disposed of as part of or in connection with any sale or other disposition permitted under the Loan Documents, or (C) subject to Section 10.2, if approved, authorized or ratified in writing by the Required Lenders;

(ii) to subordinate any Lien on any property granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 7.1(e); and

(iii) to release any guarantor from its obligations under any guaranty of the Obligations if such Person ceases to be a Subsidiary as a result of a transaction permitted under the Loan Documents.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any guarantor from its obligations pursuant to this Section 9.10.

(b) The Administrative Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of

any collateral, the existence, priority or perfection of the Administrative Agent's Lien thereon, or any certificate prepared by the Borrower in connection therewith, nor shall the Administrative Agent be responsible or liable to any Lender Party for any failure to monitor or maintain any portion of the collateral.

## **ARTICLE X Miscellaneous**

Section 10.1 No Waiver; Cumulative Remedies. No failure or delay on the part of any Lender Party in exercising any right, power or remedy under the Loan Documents shall operate as a waiver thereof; nor shall any acceptance of payments while any Default or Event of Default is outstanding operate as a waiver of such Default or Event of Default, or any right, power or remedy under the Loan Documents; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy under the Loan Documents. The remedies provided in the Loan Documents are cumulative and not exclusive of any remedies provided by law.

Section 10.2 Amendments, Etc. No amendment or waiver of any provision of any Loan Document or consent to any departure by the Borrower therefrom shall be effective unless the same shall be in writing and signed by the Required Lenders (or by the Administrative Agent with the consent or at the request of the Required Lenders), and, if the rights or duties of the Administrative Agent are affected thereby, by the Administrative Agent. Notwithstanding the foregoing, no amendment, modification, termination, waiver or consent shall do any of the following unless the same shall be in writing and signed by the Administrative Agent and each Lender affected thereby (and, as to clauses (d) and (f) hereof, all Lenders shall be deemed affected): (a) change the amount of any Commitment (except as permitted in accordance with Section 2.14, 2.15 or 10.6(b)), (b) reduce the amount of any principal, interest, fees or other amounts payable to a Lender under any Loan Document (provided, however, that only the consent of the Required Lenders shall be necessary to waive any obligation of the Borrower to pay interest at the rate set forth in Section 2.7(c) during the continuance of an Event of Default), (c) postpone any date fixed for, or reduce the amount of, any payment of principal, interest, fees or other amounts payable to a Lender under any Loan Document, (d) change the definition of "Required Lenders," (e) amend Section 8.4 in a manner that would alter the ratable sharing of payments provided thereby, or (f) amend this Section 10.2 or any other provision of this Agreement requiring the consent or other action of the Required Lenders or any particular Lender. In addition, (i) no amendment, waiver or consent shall, unless in writing and signed by each affected Issuing Lender in addition to the Lenders required above, affect the rights or duties of such Issuing Lender under this Agreement or any Letter of Credit Application relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swingline Lender in addition to the Lenders required above, affect the rights or duties of the Swingline Lender under this Agreement; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document or modify Section 10.17 hereof; (iv) each Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto, (v) each Letter of Credit Application may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto; provided that a copy of such amended Letter of Credit Application shall be promptly delivered to the Administrative Agent upon such amendment or waiver, (vi) the Administrative Agent and the Borrower may amend any provision of this Agreement (and such amendment shall become effective without any further action or consent of any other party to this Agreement) if the Administrative Agent and the Borrower shall have jointly identified an obvious error or any error, ambiguity, defect or inconsistency or omission of a technical or immaterial nature in any such provision, and (vii) the Administrative Agent and the Borrower may, without the consent of any Lender, enter into amendments or modifications to this

Agreement or enter into additional Loan Documents as the Administrative Agent reasonably deems appropriate in order to implement any Replacement Rate or otherwise effectuate the terms of Section 2.19(c) in accordance with the terms of Section 2.19(c). Notwithstanding anything to the contrary herein, no Lender who is at the time a Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that (y) the Commitment of such Lender may not be increased or extended without the consent of such Lender, and (z) without the consent of all Defaulting Lenders, no amendment may be effected that has an adverse impact on the Defaulting Lenders (as a class) that is materially different than the impact of such amendment on the Non-Defaulting Lenders. Any waiver shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

### Section 10.3 Notices; Distribution of Information Via Electronic Means.

(a) *Use of Platform to Distribute Communications.* The Administrative Agent may make any material delivered by the Borrower to the Administrative Agent, as well as any amendments, waivers, consents, and other written information, documents, instruments and other materials relating to the Borrower, or any of its Subsidiaries, or any other materials or matters relating to any Loan Documents, or any of the transactions contemplated hereby or thereby (collectively, the “**Communications**”) available to the Lender Parties by posting such notices on an electronic delivery system such as IntraLinks or a substantially similar electronic system (the “**Platform**”). The Platform is provided “as is” and “as available,” and neither the Administrative Agent nor any of its Affiliates warrants the accuracy, completeness, timeliness, sufficiency, or sequencing of the Communications posted on the Platform. The Administrative Agent and its Affiliates expressly disclaim with respect to the Platform any liability for errors in transmission, incorrect or incomplete downloading, delays in posting or delivery, or problems accessing the Communications posted on the Platform. No warranty of any kind, express, implied or statutory, including any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Administrative Agent or any of its Affiliates in connection with the Platform.(b) *Notice by Electronic Means.* Each Lender agrees (i) on or before the date it becomes a party to this Agreement, to notify the Administrative Agent in writing of the e-mail addresses to which a notice under this Agreement (herein, a “**Notice**”) may be sent to it and from time to time thereafter to ensure that the Administrative Agent has on record an effective e-mail address for it, and (ii) that any Notice may be sent to such e-mail addresses. Each Lender agrees that an e-mail message notice to it (as provided in the previous sentence) specifying that any Communication has been posted to the Platform shall for purposes of this Agreement constitute effective delivery to such Lender of such information, documents or other materials comprising such Communication. (c)*Notices By Other Means.* Except as otherwise expressly provided herein, all notices, requests, demands and other communications provided for under the Loan Documents shall be in writing (including facsimile transmission or email) and shall be sent to the applicable party at its address, e-mail address or facsimile number set forth on Exhibit A or on any Administrative Questionnaire, or as to each party, at such other address, e-mail address or facsimile number as shall be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section 10.3. All such notices, requests, demands and other communications shall be effective (i) when received, if sent by facsimile, email, hand delivery or overnight courier, or (ii) 3 Business Days after the date when sent by registered or certified mail, postage prepaid; provided, however, that notices or requests to the Administrative Agent or any Lender pursuant to any of the provisions of Article II shall not be effective until received by the Administrative Agent or such Lender.

#### Section 10.4 Expenses; Indemnity; Damage Waiver

(a) *Costs and Expenses.* The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out-of-pocket expenses incurred by any Lender Party (including the fees, charges and disbursements of any counsel for any Lender Party and specifically including allocated costs of in-house counsel if not duplication of the services of outside counsel) in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section 10.4, or (B) in connection with the Obligations, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of the Obligations.

(b) *Indemnification by the Borrower.* The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender and each Issuing Lender, and each Related Party of any of the foregoing Persons (each such Person being called an “**Indemnitee**”) against, and hold each Indemnitee harmless from, and shall pay or reimburse any such Indemnitee for, any and all losses, claims (including any Environmental Claims), penalties, damages, liabilities and related expenses (including the reasonable fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless, each Indemnitee from, and shall pay or reimburse any such Indemnitee for, all reasonable fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the Borrower), arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by any Issuing Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any Subsidiary thereof, or any Environmental Claim related in any way to the Borrower or any Subsidiary, (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any Subsidiary thereof, and regardless of whether any Indemnitee is a party thereto, or (v) any claim (including any Environmental Claims), investigation, litigation or other proceeding (whether or not the Administrative Agent or any Lender is a party thereto) and the prosecution and defense thereof, arising out of or in any way connected with the Loans, this Agreement, any other Loan Document, or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby, including without limitation, reasonable attorneys and consultant’s fees, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (A) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (B) result from a claim brought by the Borrower or any Subsidiary thereof against an Indemnitee for breach in bad faith of such Indemnitee’s obligations hereunder or under any other Loan Document, if the Borrower or such Subsidiary has obtained a final and nonappealable judgment in its favor on such claim as

determined by a court of competent jurisdiction. This Section 10.4(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) *Reimbursement by Lenders.* To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under paragraph (a) or (b) of this Section 10.4 to be paid by it to the Administrative Agent (or any sub-agent thereof), or any Affiliate of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent) or such Affiliate, as the case may be, such Lender's Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) in its capacity as such, or against any Affiliate of any of the foregoing acting for the Administrative Agent (or any such sub-agent) in connection with such capacity. The obligations of the Lenders under this paragraph (c) are subject to the provisions of Section 2.24.

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

(e) *Payments.* All amounts due under this Section 10.4 shall be payable promptly after demand therefor.

(f) *Survival.* The agreements in this Section 10.4 shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination in full of all of the Commitments and the payment, satisfaction or discharge in full of all the other Obligations.

Section 10.5 Execution in Counterparts. This Agreement and the other Loan Documents may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts of this Agreement or such other Loan Document, as the case may be, taken together, shall constitute but one and the same instrument.

Section 10.6 Successors and Assigns; Register.

(a) *Successors and Assigns Generally.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender or as set forth in Section 7.4(b), and no Lender may assign or otherwise transfer any of its rights or obligations hereunder, except (i) to an assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a Lien subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, express or implied, shall be

construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) *Assignments by Lenders.* Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) *Minimum Amounts.*

(A) In the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender, no minimum amount need be assigned.

(B) In any case not described in paragraph (b)(i)(A) of this Section, (i) through the Revolving Commitment Termination Date, the aggregate amount of the Commitment (which for this purpose includes Advances outstanding thereunder) of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "**Trade Date**" is specified in the Assignment and Assumption, as of such Trade Date) shall not be less than 25% of the Aggregate Revolving Commitment Amount then in effect, and (ii) thereafter, the principal outstanding balance of the Advances of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "**Trade Date**" is specified in the Assignment and Assumption, as of such Trade Date) shall not be less than \$5,000,000.

(ii) *Proportionate Amounts.* Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned

(iii) *Required Consents.* No consent shall be required for any assignment except as follows:

(A) The consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (x) a Default or Event of Default has occurred and is continuing at the time of such assignment, or (y) such assignment is to a Lender or an Affiliate of a Lender; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within 10 Business Days after having received notice thereof.

(B) The consent of the Administrative Agent, the Issuing Lenders and the Swingline Lender (such consents not to be unreasonably withheld or delayed) shall be required for any assignment if such assignment is to a Person that is not a Lender.

(iv) *Assignment and Assumption.* The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together

with a processing and recordation fee of \$3,500; provided that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) *No Assignment to Certain Persons.* No such assignment shall be made to (A) the Borrower or any of the Borrower's Affiliates or Subsidiaries, or (B) to any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B).

(vi) *No Assignment to Natural Persons.* No such assignment shall be made to a natural person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person).

(vii) *Certain Additional Payments.* In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, the Issuing Lenders, the Swingline Lender and each other Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full pro rata share of all Loans and participations in Letters of Credit, Reimbursement Obligations and Swingline Loans in accordance with its Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under Applicable Law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.17, 10.4(a) and 10.4(b) with respect to facts and circumstances occurring prior to the effective date of such assignment; provided, that except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section.

(c) *Register.* The Borrower hereby designates the Administrative Agent to serve as the Borrower's agent, solely for purposes of this Section 10.6(c), to maintain a register (the "**Register**") on which it will record the Commitments from time to time of each of the Lenders, the Loans made by each of the Lenders and each repayment in respect of the principal amount of the Loans of each Lender. Failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's obligations in respect of such Loans. With respect to any Lender, the transfer of any Commitment of such Lender and the rights to the principal of, and interest on, any Loan shall not be effective until such transfer is recorded on the Register maintained by the Administrative Agent with respect to ownership of such Commitment and Loans and prior to such recordation all amounts owing to the transferor with respect to such Commitment and Loans shall remain owing to the transferor. The registration of assignment or transfer of all or part of any Commitment or Loan shall be recorded by the Administrative Agent on the Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Assumption Agreement pursuant to Section 10.6(b). Coincident with the delivery of such an Assignment and Assumption Agreement to the Administrative Agent for acceptance and registration of assignment or transfer of all or part of a Loan, or as soon thereafter as practicable, the assigning or transferor Lender shall surrender the Note evidencing such Commitment, and thereupon one or more new Notes in the same aggregate principal amount shall be issued to the assigning or transferor Lender and/or the new Lender. The Borrower agrees to indemnify the Administrative Agent from and against any and all losses, claims, damages and liabilities of whatsoever nature which may be imposed on, asserted against or incurred by the Administrative Agent in performing its duties under this Section 10.6(c).

(d) *Participations.* Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person, the Borrower, or any of the Borrower's Affiliates or Subsidiaries) (each, a "**Participant**") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that would (i) forgive any indebtedness of the Borrower under this Agreement or the Notes, (ii) agree to reduce the rate of interest charged under this Agreement, or (iii) agree to extend the final maturity of any indebtedness evidenced by the Notes, except as expressly provided by the terms of the Loan Documents, in each case to the extent that such amendment, modification or waiver would affect such Participant. Subject to paragraph (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.17 and 2.18 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 8.3 as though it were a Lender, provided such Participant agrees to be subject to Section 10.7 as though it were a Lender.

(e) *Limitations upon Participant Rights.* A Participant shall not be entitled to receive any greater payment under Sections 2.17 and 2.18 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the

participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.18 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.18(f) as though it were a Lender.

(f) *Certain Pledges.* Any Lender may at any time pledge or assign a Lien in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 10.7 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender's receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other such obligations greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, provided that:

(a) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(b) the provisions of this paragraph shall not be construed to apply to (i) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender), (ii) the application of Cash Collateral provided for in Section 2.25, or (iii) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in Letters of Credit or Swingline Loans to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this paragraph shall apply).

The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under Applicable Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

Section 10.8 Disclosure of Information. Each Lender Party shall keep confidential (and cause their respective officers, directors, employees, agents and representatives to keep confidential) all information, materials and documents furnished by the Borrower (the "**Disclosed Information**"). Notwithstanding the foregoing, a Lender Party may disclose Disclosed Information (iv) to any other Lender Party or any Affiliate of any Lender Party; (v) to legal counsel, accountants and other professional advisors to such Lender Party; (vi) to any regulatory body having jurisdiction over such Lender Party; (vii) to the extent required by applicable laws and regulations or by any subpoena or similar legal process, or requested by any governmental agency or authority; (viii) to the extent such Disclosed Information (A) becomes publicly available other than as a result of a breach of this Agreement, (B) becomes available to a Lender Party on a non-confidential basis from a source other than the Borrower or a Subsidiary, or (C) was available to a Lender Party on a non-confidential basis prior to its disclosure to such Lender Party by the Borrower or a Subsidiary; (ix) to the extent the Borrower or such Subsidiary shall have consented to

such disclosure in writing; (x) to the extent reasonably deemed necessary by any Lender Party in the enforcement of the remedies of the Lender Parties provided under the Loan Documents; or (xi) in connection with any potential assignment or participation in the interest granted hereunder, provided that any such potential assignee or participant shall have executed a confidentiality agreement imposing on such potential assignee or participant substantially the same obligations as are imposed on the Lender Parties under this Section 10.8.

Section 10.9 Governing Law; Jurisdiction, Etc.

(a) *Governing Law.* This Agreement and the other Loan Documents and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement or any other Loan Document (except, as to any other Loan Document, as expressly set forth therein) and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the law of the State of New York.

(b) *Submission to Jurisdiction.* Each of the Borrower and each Lender Party irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or in tort or otherwise, against the Administrative Agent, any Lender, any Issuing Lender, the Swingline Lender, the Borrower or any Related Party of the foregoing in any way relating to this Agreement or any other Loan Document or the transactions relating hereto or thereto, in any forum other than the courts of the State of New York sitting in New York County, and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the exclusive jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by Applicable Law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(c) *Waiver of Venue.* Each of the Borrower and each Lender Party irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) *Service of Process.* Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 10.3. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by Applicable Law.

Section 10.10 Waiver of Jury Trial. **THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT AND THE NOTES OR THE RELATIONSHIPS ESTABLISHED HEREUNDER.**

Section 10.11 Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof.

Section 10.12 Prior Agreements. This Agreement and the other Loan Documents and related documents described herein restate and supersede in their entirety any and all prior agreements and understandings, oral or written, between the Lenders and the Borrower.

Section 10.13 Other Financing. If at any time from and after the effective date of this Agreement, the Borrower shall enter into any trust indenture, credit agreement or other agreement for, relating to, or amending any terms or conditions applicable to any unsecured indebtedness in an amount not less than \$15,000,000, the Borrower shall promptly so advise the Administrative Agent. Thereupon, if the Required Lenders shall determine that such trust indenture, credit agreement or other agreement includes covenants reasonably determined by the Required Lenders to be more restrictive than those set forth in Articles VI and VII, or defaults reasonably determined by the Required Lenders to be less favorable to the Borrower than those set forth in Article VIII, and shall request by notice to the Borrower, the Borrower shall enter into an amendment to this Agreement providing for substantially the same such covenants and defaults as those provided for in such trust indenture, credit agreement or other agreement, to the extent required and as may be selected by the Required Lenders, such amendment to remain in effect for the entire duration of the term to maturity of such indebtedness (to and including the date to which the same may be extended); provided, however, that if any such trust indenture, credit agreement or other agreement shall be modified, supplemented, amended or terminated so as to modify, amend or eliminate such trust indenture or other agreement or any such covenant, term, condition or default so made a part of this Agreement, then, the Borrower shall give the Administrative Agent and the Lenders prompt notice thereof and such modification, supplement or amendment shall operate to modify, amend or eliminate such covenants, term, condition or default as so made a part of this Agreement. Notwithstanding the foregoing, in no event shall this Section 10.13 be construed so as to require the Borrower at any time to grant any Lien in favor of the Administrative Agent or the Lenders hereunder.

Section 10.14 Termination of Existing Credit Facility. Upon execution and delivery of this Agreement by each of the parties hereto and satisfaction of the conditions precedent set forth in Section 4.1, (i) the Existing Credit Facility shall be deemed terminated, and (ii) no Lender (as defined in the Existing Credit Agreement) shall have any further obligation with respect to the Existing Credit Facility. Notwithstanding the foregoing, the Borrower shall continue to have the obligation to pay any principal, interest, fees and other amounts remaining unpaid under the Existing Credit Facility, and the Lenders shall have no obligation to effect any Borrowing hereunder until such amounts have been paid in full or unless such amounts are paid in full by the proceeds of the first Borrowing hereunder.

Section 10.15 USA PATRIOT Act; Anti-Money Laundering Laws. The Administrative Agent and each Lender hereby notifies the Borrower that pursuant to the requirements of the PATRIOT Act or any other Anti-Money Laundering Laws, each of them is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the PATRIOT Act or such Anti-Money Laundering Law.

Section 10.16 Headings. Article and Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 10.17 Certain ERISA Matters.

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party

hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, the Arrangers and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, that at least one of the following is and will be true:

(i) such Lender is not using “plan assets” (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of one or more Benefit Plans in connection with the Loans, the Letters of Credit or the Commitments;

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement;

(iii) (A) such Lender is an investment fund managed by a “Qualified Professional Asset Manager” (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement; or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, each Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Credit Party, that:

(i) none of the Administrative Agent, any Arranger nor any of their respective Affiliates is a fiduciary with respect to the assets of such Lender (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto);

(ii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement is independent (within

the meaning of 29 CFR § 2510.3-21) and is a bank, an insurance carrier, an investment adviser, a broker-dealer or other person that holds, or has under management or control, total assets of at least \$50 million, in each case as described in 29 CFR § 2510.3-21(c)(1)(i)(A)-(E),

(iii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies (including in respect of the Obligations);

(iv) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement is a fiduciary under ERISA or the Code, or both, with respect to the Loans, the Letters of Credit, the Commitments and this Agreement and is responsible for exercising independent judgment in evaluating the transactions hereunder, and

(v) no fee or other compensation is being paid directly to the Administrative Agent, any Arranger or their respective Affiliates for investment advice (as opposed to other services) in connection with the Loans, the Letters of Credit, the Commitments or this Agreement.

(c) The Administrative Agent and each Arranger hereby inform the Lenders that each such Person is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Loans, the Letters of Credit, the Commitments and this Agreement, (ii) may recognize a gain if it extended the Loans, the Letters of Credit or the Commitments for an amount less than the amount being paid for an interest in the Loans, the Letters of Credit or the Commitments by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing.

*Signature pages follow.*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

**MDU RESOURCES GROUP, INC.**

By /s/ Jason L. Vollmer

Name: Jason L. Vollmer

Title: Vice President, Chief Financial Officer and Treasurer

*Signature Page to MDU Resources Group, Inc. Credit Agreement*



**MUFG BANK, LTD., as an Issuing Lender and a Lender**

By /s/ Maria Ferradas

Name: Maria Ferradas

Title: Director

*Signature Page to MDU Resources Group, Inc. Credit Agreement*

**PNC BANK, NATIONAL ASSOCIATION, as a Lender**

By /s/ Madeline L. Pleskovic

Madeline L. Pleskovic

Name:

Title: Vice President

*Signature Page to MDU Resources Group, Inc. Credit Agreement*

**U.S. BANK NATIONAL ASSOCIATION, as a Lender**

By /s/ James O'Shaughnessy

Name: James O'Shaughnessy

Title: Vice President

*Signature Page to MDU Resources Group, Inc. Credit Agreement*

**KEYBANK NATIONAL ASSOCIATION, as a Lender**

By /s/ Keven D Smith

Name: Keven D Smith

Title: Senior Vice President

*Signature Page to MDU Resources Group, Inc. Credit Agreement*

**COMMITMENTS AND ADDRESSES**

<b>Name</b>	<b>Revolving Commitment</b>	<b>L/C Commitment</b>	<b>Notice Address</b>
MDU Resources Group, Inc.	N/A	N/A	1200 West Century Avenue Bismarck, ND 58506 Attention: Jason Vollmer Telecopier: 701-530-1734 E-Mail: Jason.vollmer @mduresources.com
Wells Fargo Bank, National Association, as Administrative Agent	N/A	N/A	1525 W WT Harris Boulevard Mail Code: D1109-019 Attention: Syndication Agency Services Charlotte, NC 28262 Telecopier: 704-590-2790 E-Mail: agencyservices.requests@wellsfargo.com <i>with a copy to:</i> N9305-156 90 South Seventh Street Minneapolis, MN 55402 Attention: Keith Luettel Telecopier: 612-316-0506 E-Mail: keith.r.luettel@wellsfargo.com
Wells Fargo Bank, National Association, as a Lender	\$42,500,000	\$10,000,000	N9305-156 90 South Seventh Street Minneapolis, MN 55402 Attention: Keith Luettel Telecopier: 612-316-0506 E-Mail: keith.r.luettel@wellsfargo.com
MUFG Bank, Ltd.	\$42,500,000	\$10,000,000	1251 Avenue of the Americas New York, NY 10020-1104 Attention: Maria Ferradas Telecopier: 201-521-2304 Email: mferradas@us.mufg.jp
PNC Bank, National Association	\$30,000,000	N/A	One North Franklin, 28th Floor Chicago, IL 60606 Attention: Michael Cortese Telecopier: 312-338-8128 E-Mail: Michael.Cortese@pnc.com
U.S. Bank National Association	\$30,000,000	N/A	800 Nicollet Mall Minneapolis, MN 55402 Attention: John Prigge Telecopier: 612-303-2205 E-Mail: John.prigge@usbank.com

KeyBank National Association	\$30,000,000	N/A	726 Exchange St., Suite 900 Buffalo, New York 14210 Attention: Justice Ring Telecopier: 216-370-5997 Email: Justice_Ring@keybank.com
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Ex. A - 2

**REVOLVING NOTE**

\$ \_\_\_\_\_, 20\_\_

For value received, MDU Resources Group, Inc., a Delaware corporation (the “**Borrower**”), promises to pay to the order of \_\_\_\_\_ (the “**Lender**”), at such place as the Administrative Agent under the Credit Agreement defined below may from time to time designate in writing, in lawful money of the United States of America and in immediately available funds, the principal sum of \_\_\_\_\_ (\$ \_\_\_\_\_), or so much thereof as is advanced by the Lender to the Borrower pursuant to Section 2.1 of the Credit Agreement dated June 8, 2018 among the Borrower, Wells Fargo Bank, National Association, as Administrative Agent (in such capacity, the “**Administrative Agent**”), and various Lenders, including the Lender (together with all amendments, modifications and restatements thereof, the “**Credit Agreement**”), and to pay interest on the principal balance of this Note outstanding from time to time at the rate or rates determined pursuant to the Credit Agreement.

This Note is issued pursuant to, and is subject to, the Credit Agreement, which provides (among other things) for the amount and date of payments of principal and interest required hereunder, for the acceleration of the maturity hereof upon the occurrence of an Event of Default (as defined therein) and for the voluntary prepayment hereof. This Note is a Revolving Note, as defined in the Credit Agreement.

The Borrower shall pay all costs of collection, including reasonable attorneys’ fees and legal expenses, if this Note is not paid when due, whether or not legal proceedings are commenced.

Presentment or other demand for payment, notice of dishonor and protest are expressly waived.

**MDU RESOURCES GROUP, INC.**

By \_\_\_\_\_  
Name:  
Title:

**SWINGLINE NOTE**

\$15,000,000

\_\_\_\_\_, 20\_\_

For value received, MDU Resources Group, Inc., a Delaware corporation (the “**Borrower**”), promises to pay to the order of Wells Fargo Bank, National Association, a national banking association (the “**Swingline Lender**”), at such place as the Administrative Agent under the Credit Agreement defined below may from time to time designate in writing, in lawful money of the United States of America and in immediately available funds, the principal sum of Fifteen Million Dollars (\$15,000,000), or so much thereof as is advanced by the Swingline Lender to the Borrower pursuant to Section 2.2 of the Credit Agreement dated June 8, 2018 among the Borrower, Wells Fargo Bank, National Association, as Administrative Agent (in such capacity, the “**Administrative Agent**”), and various Lenders, including the Swingline Lender (together with all amendments, modifications and restatements thereof, the “**Credit Agreement**”), and to pay interest on the principal balance of this Note outstanding from time to time at the rate or rates determined pursuant to the Credit Agreement.

This Note is issued pursuant to, and is subject to, the Credit Agreement, which provides (among other things) for the amount and date of payments of principal and interest required hereunder, for the acceleration of the maturity hereof upon the occurrence of an Event of Default (as defined therein) and for the voluntary prepayment hereof. This Note is the Swingline Note, as defined in the Credit Agreement.

The Borrower shall pay all costs of collection, including reasonable attorneys’ fees and legal expenses, if this Note is not paid when due, whether or not legal proceedings are commenced.

Presentment or other demand for payment, notice of dishonor and protest are expressly waived.

**MDU RESOURCES GROUP, INC.**

By  
Name:  
Title:

**COMPLIANCE CERTIFICATE**

Wells Fargo Bank, National Association  
MAC N9305-031  
Minneapolis, Minnesota 55479

The Lenders, as defined in the Credit Agreement described below

**Compliance Certificate**

Ladies and Gentlemen:

Reference is made to the Credit Agreement (the “**Credit Agreement**”) dated June 8, 2018 entered into among MDU Resources Group, Inc. (the “**Borrower**”), Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders, as defined therein.

All terms defined in the Credit Agreement and not otherwise defined herein shall have the meanings given them in the Credit Agreement.

This is a Compliance Certificate submitted in connection with the Borrower’s financial statements (the “**Statements**”) as of \_\_\_\_\_, \_\_\_\_\_ (the “**Effective Date**”).

I hereby certify to you as follows:

1. I am the chief financial officer of the Borrower, and I am familiar with the financial statements and financial affairs of the Borrower.
2. The Statements have been prepared in accordance with GAAP, except for any portion thereof provided pursuant to Section 6.1(b)(ii), which have been prepared in accordance with FERC Accounting Principles.
3. The computations attached hereto have been prepared in accordance with GAAP and set forth the Borrower’s compliance or non-compliance with the requirements set forth in the Financial Covenants as of the Effective Date. Such computations below have been prepared from, and on a basis consistent with, the Statements. Further attached hereto are all relevant facts in reasonable detail to evidence, and the computations of, the financial covenants referred to above.
4. I have no knowledge of the occurrence of any Default or Event of Default under the Credit Agreement, except as set forth in the attachments, if any, hereto.

Very truly yours,

\_\_\_\_\_

**Attachment to Compliance Certificate  
MDU Resources Group, Inc.**

**Effective Date:** \_\_\_\_\_

<b><i>Section 7.10 Consolidated Total Leverage Ratio</i></b>	<b><u>Actual</u></b>	<b><u>Required</u></b>
Funded Debt of Borrower and all Subsidiaries (consolidated):		
(i) indebtedness for borrowed money	\$ _____	
(ii) other indebtedness evidenced by notes, etc.	\$ _____	
(iii) capitalized lease obligations	\$ _____	
(iv) non-recourse secured obligations	\$ _____	
(v) letters of credit, etc.	\$ _____	
(vi) sale-and-leaseback arrangements	\$ _____	
(vii) interest rate/currency agreements	\$ _____	
(viii) guaranty obligations	\$ _____	
<i>Total</i>	\$ _____	
Capitalization of Borrower and Subsidiaries (consolidated)	\$ _____	
<b>Total Funded Debt : Capitalization</b>		____: 1      ≤ 0.65 : 1
<b><i>Section 7.11 Borrower Leverage Ratio</i></b>		
Funded Debt of Borrower alone (including divisions but excluding Subsidiaries)		
(i) indebtedness for borrowed money	\$ _____	
(ii) other indebtedness evidenced by notes, etc.	\$ _____	
(iii) capitalized lease obligations	\$ _____	
(iv) non-recourse secured obligations	\$ _____	
(v) letters of credit, etc.	\$ _____	
(vi) sale-and-leaseback arrangements	\$ _____	
(vii) interest rate/currency agreements	\$ _____	
(viii) guaranty obligations	\$ _____	
<i>Total</i>	\$ _____	
Capitalization of Borrower alone (including divisions but excluding Subsidiaries)	\$ _____	
<b>Borrower Funded Debt : Capitalization</b>		____: 1      ≤ 0.65 : 1

**Assignment and Assumption**

This Assignment and Assumption (the “**Assignment and Assumption**”) is dated as of the Effective Date set forth below and is entered into by and between [the][each] <sup>1</sup> Assignor identified in item 1 below ([the][each, an] “**Assignor**”) and [the] [each] <sup>2</sup> Assignee identified in item 2 below ([the][each, an] “**Assignee**”). [It is understood and agreed that the rights and obligations of [the Assignors][the Assignees] <sup>3</sup> hereunder are several and not joint.]<sup>4</sup> Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the “**Credit Agreement**”), receipt of a copy of which is hereby acknowledged by [the][each] Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, [the][each] Assignor hereby irrevocably sells and assigns to [the Assignee][the respective Assignees], and [the][each] Assignee hereby irrevocably purchases and assumes from [the Assignor][the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of [the Assignor’s][the respective Assignors’] rights and obligations in [its capacity as a Lender][their respective capacities as Lenders] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor][the respective Assignors] under the respective facilities identified below (including without limitation any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)][the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by [the][any] Assignor to [the][any] Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as [the][an] “**Assigned Interest**”). Each such sale and assignment is without recourse to [the][any] Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by [the][any] Assignor.

1. Assignor[s]: \_\_\_\_\_  
\_\_\_\_\_

2. Assignee[s]: \_\_\_\_\_  
\_\_\_\_\_

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<sup>1</sup> For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.

<sup>2</sup> For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.

<sup>3</sup> Select as appropriate.

<sup>4</sup> Include bracketed language if there are either multiple Assignors or multiple Assignees.

3. Borrower(s): \_\_\_\_\_
4. Administrative Agent: \_\_\_\_\_, as the administrative agent under the Credit Agreement
5. Credit Agreement: Credit Agreement dated as of June 8, 2018 among MDU Resources Group, Inc., the Lenders parties thereto, Wells Fargo Bank, National Association, as Administrative Agent, and the other agents parties thereto
6. Assigned Interest[s]:

Assignor[s] <sup>5</sup>	Assignee[s] <sup>6</sup>	Facility Assigned <sup>7</sup>	Aggregate Amount of Commitment/ Loans for all Lenders <sup>8</sup>	Amount of Commitment/ Loans Assigned <sup>8</sup>	CUSIP Number
			\$	\$	
			\$	\$	
			\$	\$	

[7. Trade Date: \_\_\_\_\_]<sup>9</sup>

<sup>5</sup> List each Assignor, as appropriate.

<sup>6</sup> List each Assignee, as appropriate.

<sup>7</sup> Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Revolving Credit Commitment," "Term Loan Commitment," etc.)

<sup>8</sup> Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

<sup>9</sup> To be completed if the Assignor(s) and the Assignee(s) intend that the minimum assignment amount is to be determined as of the Trade Date.

Effective Date: \_\_\_\_\_, 20\_\_ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR[S]<sup>10</sup>

[NAME OF ASSIGNOR]

By: \_\_\_\_\_

Name:

Title:

[NAME OF ASSIGNOR]

By: \_\_\_\_\_

Name:

Title:

ASSIGNEE[S]<sup>11</sup>

[NAME OF ASSIGNEE]

By: \_\_\_\_\_

Name:

Title:

[NAME OF ASSIGNEE]

By: \_\_\_\_\_

Name:

Title:

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<sup>10</sup> Add additional signature blocks as needed.

<sup>11</sup> Add additional signature blocks as needed.

[Consented to and] Accepted:<sup>12</sup>

[NAME OF ADMINISTRATIVE AGENT], as  
Administrative Agent

By: \_\_\_\_\_

Name:

Title:

[Consented to:]<sup>13</sup>

[NAME OF RELEVANT PARTY]

By: \_\_\_\_\_

Name:

Title:

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<sup>12</sup> To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

<sup>13</sup> To be added only if the consent of the Borrower and/or other parties (e.g. Swingline Lender, Letter of Credit Issuer) is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR  
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor[s]. [The][Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the][the relevant] Assigned Interest, (ii) [the][such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee[s]. [The][Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all the requirements to be an assignee under Section 10.6 (b)(v) and (vi) of the Credit Agreement (subject to such consents, if any, as may be required under Section 10.6(b)(iii) of the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of [the][the relevant] Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 6.1 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the] [such] Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, and (vii) if it is a Foreign Lender, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by [the][such] Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, [the][any] Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of [the][each] Assigned Interest (including payments of principal, interest, fees and other amounts) to [the][the relevant] Assignor for amounts which have accrued to but excluding the Effective Date and to [the][the relevant] Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

Ex. D - 6

**Opinion of General Counsel to the Borrower**

\_\_\_\_\_, 2018

Wells Fargo Bank, National Association, as Administrative Agent and as a Lender,  
and the Other Financial Institutions Listed on Schedule A Hereto

Ladies and Gentlemen:

I am the General Counsel of MDU Resources Group, Inc., a Delaware corporation (the “**Company**”), and in such capacity, I am familiar with (a) the negotiation, preparation, execution and delivery of that certain Credit Agreement, dated as of June 8, 2018 (the “**Agreement**”), by and among the Company, the several financial institutions from time to time party thereto, and Wells Fargo Bank, National Association, as Administrative Agent, and (b) the negotiation, preparation, execution and delivery of the other Loan Documents listed on Schedule B hereto (together with the Agreement, the “**Loan Documents**”). This opinion is furnished to you pursuant to Section 4.1(e) of the Agreement and at the instruction of the Company. All capitalized terms used but not otherwise defined herein have the meanings ascribed thereto in the Agreement.

For the purpose of rendering the opinions contained herein, I have examined and reviewed the Agreement and the other Loan Documents. I have also examined the originals, or copies certified to my satisfaction, of the Restated Certificate of Incorporation and By-Laws of the Company, resolutions adopted by the Board of Directors of the Company authorizing the execution, delivery and performance by the Company of the Agreement and the other Loan Documents, and such other corporate records of the Company and agreements, instruments and other documents as I have deemed necessary as a basis for the opinions expressed below. In my examination, I have assumed the genuineness of all signatures, other than the signatures of the Company on the Loan Documents to which it is a party, the legal capacity of natural persons, the authenticity of all documents submitted to me as originals and the conformity with original documents of all documents submitted to me as certified or photostatic copies. I have also assumed, with your consent, the due execution and delivery, pursuant to due authorization, of the Agreement by all parties thereto other than the Company and the validity and binding effect of the Agreement upon such parties.

As to any facts that I did not independently establish or verify, I have relied without independent investigation upon statements, representations and certificates of officers of the Company and as to the matters addressed therein, upon certificates or communications from public officials. As used herein, the phrase “to my knowledge” with respect to the existence or absence of facts is intended to signify that, while I have made no specific inquiry or other independent examination to determine the existence or absence of such facts, no factual information has come to my attention which causes me to believe that such facts are not accurate.

Based on and subject to the foregoing and upon such investigation as I have deemed necessary, and subject to the qualifications set forth below, it is my opinion that:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of Delaware.

2. The Company is duly qualified as a foreign corporation to transact business and is in good standing in Idaho, Iowa, Minnesota, Montana, Nebraska, North Dakota, South Dakota, Texas, and Wyoming and is not required, whether by reason of ownership or leasing of property or the conduct of its business, to be qualified in any other jurisdiction, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

3. The Company has the corporate power and authority to execute, deliver and perform its obligations under the Agreement and the other Loan Documents applicable to it, and has all requisite corporate power and authority, licenses and permits to own its assets and to carry on its business as currently conducted and as contemplated to be conducted by the Agreement.

4. The execution, delivery and performance by the Company of the Agreement and each of the other Loan Documents to which it is a party have been duly authorized by all necessary corporate action and by all necessary public utility commissions and other regulatory bodies having jurisdiction over the Company (except as noted in Schedule 5.2 of the Agreement with respect to Borrowings made after September 11, 2019), and each of the Agreement and the other Loan Documents has been duly executed and delivered by the Company.

5. The execution, delivery and performance by the Company of the Agreement and of the other Loan Documents to which it is a party do not and will not (a) require any consent or approval of the stockholders of the Company or any authorization, consent or approval by any governmental department, commission, board, bureau, agency or instrumentality, other than Authorizing Orders set forth in Schedule 5.2 to the Agreement that (except as noted therein with respect to Borrowings made after September 11, 2019) have been obtained and are in full force and effect, (b) violate any provision of any law, rule or regulation or any order, writ, injunction or decree presently in effect having applicability to the Company or the Restated Certificate of Incorporation or By-Laws of the Company, (c) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which the Company is a party or by which its properties may be bound or affected, or (d) except as provided therein, result in, or require, the creation or imposition of any Lien or other charge or encumbrance of any nature upon or with respect to any of its properties.

6. Except as set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, or in any document subsequently filed by the Company pursuant to Section 13, 14 or 15(d) of the Exchange Act, there are no actions, suits or proceedings pending or, to my knowledge, threatened against or affecting the Company or the properties of the Company before any court or governmental department, commission, board, bureau, agency or instrumentality, which, if determined adversely to the Company, would have a Material Adverse Effect.

The opinions expressed herein are limited to the laws of the State of North Dakota and the General Corporation Law of the State of Delaware. I am a member of the North Dakota Bar and do not hold myself out as an expert on the laws of the States of Idaho, Iowa, Minnesota, Montana, Nebraska, South Dakota, Texas, or Wyoming, but have made a study through counsel located in such jurisdictions or otherwise of the laws of such jurisdictions insofar as such laws are involved in the conclusions expressed in this opinion. Insofar as the opinions expressed herein relate to the General Corporation Law of the State of Delaware, or the federal laws of the United States of America, I have relied with your consent on the opinion, of even date herewith, of Cohen Tauber Spievack & Wagner P.C.

This opinion is intended solely for your use and is rendered solely in connection with the Agreement and the other Loan Documents, and without my written consent may not be (a) relied upon by you for any other purpose, or (b) relied upon by any other person or entity for any purpose, except that Cohen Tauber Spievack & Wagner P.C., special counsel to the Company, may rely on the opinions expressed herein in rendering to you their opinion of even date herewith. The opinions expressed above

are limited to the law and facts in effect on the date hereof. I disclaim any obligation to advise you of facts, circumstances, events or developments which hereafter may be brought to my attention and which might alter, affect or modify the opinions expressed herein.

I hereby consent to reliance by the Administrative Agent and the Lenders now or hereafter parties to the Agreement on the opinions expressed herein.

Very truly yours,

Ex. E-1 - 3

Opinion of Cohen Tauber Spievack & Wagner P.C.

June 8, 2018

Wells Fargo Bank, National Association, as Administrative Agent and as a Lender,  
and the Other Financial Institutions Listed on Schedule A Hereto

Ladies and Gentlemen:

We have acted as special counsel for MDU Resources Group, Inc., a Delaware corporation (the “**Company**”), in connection with (a) the negotiation, preparation, execution and delivery of that certain Credit Agreement, dated as of June 8, 2018 (the “**Agreement**”), by and among the Company, the several financial institutions from time to time party thereto, and Wells Fargo Bank, National Association, as Administrative Agent, and (b) the negotiation, preparation, execution and delivery of the other Loan Documents listed on Schedule B hereto (together with the Agreement, the “**Loan Documents**”). This opinion is furnished to you pursuant to Section 4.1(e) of the Agreement and at the instruction of the Company. All capitalized terms used but not otherwise defined herein have the meanings ascribed thereto in the Agreement.

For the purpose of rendering the opinions contained herein, we have examined and reviewed the Agreement and the other Loan Documents. We have also examined the originals, or copies certified to our satisfaction, of the Restated Certificate of Incorporation and By-Laws of the Company, resolutions adopted by the Board of Directors of the Company authorizing the execution, delivery and performance by the Company of the Agreement and the other Loan Documents, and such other corporate records of the Company and agreements, instruments and other documents as we have deemed necessary as a basis for the opinions expressed below. In our examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals and the conformity with original documents of all documents submitted to us as certified or photostatic copies. We have also assumed, with your consent, the due execution and delivery, pursuant to due authorization, of the Agreement and the other Loan Documents by all parties thereto other than the Company and the validity and binding effect of the Agreement and the other Loan Documents upon such parties. As to any facts that we did not independently establish or verify, we have relied without independent investigation upon statements, representations and certificates of officers of the Company and as to the matters addressed therein, upon certificates or communications from public officials.

Based on and subject to the foregoing and upon such investigation as we have deemed necessary, and subject to the qualifications set forth below, it is our opinion that:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of Delaware.
2. The Company has the corporate power and authority to execute, deliver and perform its obligations under the Agreement and the other Loan Documents applicable to it.
3. The execution, delivery and performance by the Company of the Agreement and the other Loan Documents to which it is a party have been duly authorized by all necessary corporate action, and each of the Agreement and the other Loan Documents has been duly executed and delivered by the Company.

4. The execution, delivery and performance by the Company of the Agreement and the other Loan Documents to which it is a party do not and will not (a) require any consent or approval of the stockholders of the Company or any authorization, consent or approval by any governmental department, commission, board, bureau, agency or instrumentality, other than Authorizing Orders set forth in Schedule 5.2 to the Agreement that (except as noted therein with respect to Borrowings made after September 11, 2019) have been obtained and are in full force and effect, or (b) violate any provision of any law, rule or regulation or any order, writ, injunction or decree presently in effect having applicability to the Company or the Restated Certificate of Incorporation or By-Laws of the Company.

5. Each of the Agreement and each of the other Loan Documents to which the Company is a party constitutes a legal, valid and binding obligation of the Company enforceable in accordance with its respective terms, subject to the effect of any applicable bankruptcy, insolvency, moratorium or other similar laws affecting creditors' rights generally and of general principles of equity (regardless of whether applied in a proceeding in equity or at law), except that we express no opinion as to (a) Section 8.3 of the Agreement, (b) the enforceability of rights to indemnify under federal or state securities laws, or (c) the enforceability of waivers of the parties of their respective rights and remedies under law.

This opinion is limited to the laws of the State of New York, the General Corporation Law of the State of Delaware, and the federal laws of the United States of America. We express no opinion as to the laws of any other jurisdiction.

In rendering this opinion, we have relied as to all matters of Minnesota, Montana, North Dakota and South Dakota law, as to matters addressed herein, with your consent, upon the opinion of Daniel S. Kuntz, Bismarck, North Dakota, the General Counsel of the Company.

This opinion is intended solely for your use and is rendered solely in connection with the Agreement and the other Loan Documents, and without our written consent may not be (a) relied upon by you for any other purpose, or (b) relied upon by any other person or entity for any purpose, except that Daniel S. Kuntz may rely on the opinions expressed herein in rendering to you his opinion of even date herewith.

The opinions expressed above are limited to the law and facts in effect on the date hereof. We disclaim any obligation to advise you of facts, circumstances, events or developments which hereafter may be brought to our attention and which might alter, affect or modify the opinions expressed herein.

We hereby consent to reliance by the Administrative Agent and the Lenders now or hereafter parties to the Agreement on the opinions expressed herein.

Very truly yours,

Ex. E-2 - 2

## **SCHEDULE A**

### **Lenders**

Wells Fargo Bank, National Association

MUFG Bank, Ltd.

PNC Bank National Association

U.S. Bank National Association

KeyBank National Association

## **SCHEDULE B**

### **Other Loan Documents**

\$42,500,000 Note in favor of Wells Fargo Bank, National Association

\$42,500,000 Note in favor of MUFG Bank, Ltd.

\$30,000,000 Note in favor of KeyBank National Association

\$30,000,000 Note in favor of PNC Bank, National Association

\$30,000,000 Note in favor of U.S. Bank National Association

Fee Letter to Wells Fargo Bank, National Association and Wells Fargo Securities, LLC, dated May 15, 2018

Fee Letter to MUFG Bank, Ltd., dated May 15, 2018

**BORROWING OPINION**

\_\_\_\_\_, 200\_\_

Wells Fargo Bank, National Association, as Administrative Agent

Ladies and Gentlemen:

I am [Associate] General Counsel to MDU Resources Group, Inc., a Delaware corporation (the “**Borrower**”), and have represented the Borrower in connection with its execution and delivery of the Credit Agreement among the Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and the other financial institutions party thereto, dated as of June 8, 2018 (the “**Agreement**”), and in connection with the request of the Borrower under the Agreement for a borrowing in the principal amount of \$\_\_\_\_\_ to be effected on \_\_\_\_\_, 200\_\_ (the “**Borrowing**”). This opinion is being delivered to the Administrative Agent pursuant to Section 4.2(b) of the Agreement. All capitalized terms used and not otherwise defined herein have the meanings ascribed thereto in the Agreement.

I have examined the Loan Documents and such other matters of fact and law that I have deemed necessary in order to render this opinion. In such examination, I have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified or photostatic copies, and the authenticity of such latter documents.

Based upon the foregoing, it is my opinion that:

1. The Borrowing has been duly authorized by the Borrower’s Board of Directors pursuant to resolutions adopted thereby on \_\_\_\_\_, which authority remains in full force and effect on the date hereof.
2. No authorization, consent or approval by any governmental department, commission, board, bureau, agency or instrumentality, other than the Authorizing Orders which have been obtained and are in full force and effect and copies of which Authorizing Orders have been delivered to the Administrative Agent, is required in connection with the Borrowing.
3. Without limiting the generality of the foregoing, the Borrowing complies with all applicable requirements of each applicable resolution of the Borrower’s Board of Directors and each applicable Authorizing Order, including but not limited to any applicable limitation on the aggregate amount of short-term or long-term debt that the Borrower may have outstanding at any one time and any limitation on the rate of interest that may be applicable thereto.

I am a member of the North Dakota Bar and do not hold myself out as an expert on the laws of any other state, but I have made a study of the laws of such states insofar as such laws are involved in the conclusions stated in this opinion.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by or furnished to any other person, firm or corporation without my prior written consent.

Very truly yours,

Ex. F - 2

**Authorizing Orders**

**MDU Resources Group, Inc.** MDU Resources Group, Inc. (“MDU”) received authorization to issue up to \$250,000,000 of short-term promissory notes representing bank borrowings and/or in the form of commercial paper from the following regulatory commissions:

- a. By an order dated September 11, 2017, MDU received authorization from the Federal Energy Regulatory Commission (FERC) in Docket No. ES17-40-000. This FERC authorization is effective from September 12, 2017 through September 11, 2019.
- b. By an order dated August 8, 2017, MDU received authorization from the Montana Public Service Commission in Docket No. D2017.7.59, Order No. 7561. This Montana authorization is effective from August 8, 2017 to December 31, 2019.

No further consent, approval, waiver, order or authorization of, or registration, qualification, declaration, or filings with, or notice to, any governmental department, commission, board, bureau, agency or instrumentality is required.

**SUBSIDIARIES**

1. 1250 Gladding Road, LLC, a Delaware limited liability company, 100%
2. Alaska Basic Industries, Inc., an Alaska corporation, 100%
3. Ames Sand & Gravel, Inc., a North Dakota corporation, 100%
4. Anchorage Sand and Gravel Company, Inc., an Alaska corporation, 100%
5. Baldwin Contracting Company, Inc., a California corporation, 100%
6. Bell Electrical Contractors, Inc., a Missouri corporation, 100%
7. Bombard Electric, LLC, a Nevada limited liability company, 100%
8. Bombard Mechanical, LLC, a Nevada limited liability company, 100%
9. Capital Electric Construction Company, Inc., a Kansas corporation, 100%
10. Capital Electric Line Builders, Inc., a Kansas corporation, 100%
11. Cascade Natural Gas Corporation, a Washington corporation, 100%
12. Centennial Energy Holdings, Inc., a Delaware corporation, 100%
13. Centennial Energy Resources International, Inc., a Delaware corporation, 100%
14. Centennial Energy Resources LLC, a Delaware limited liability company, 100%
15. Centennial Holdings Capital LLC, a Delaware limited liability company, 100%
16. Central Oregon Redi-Mix, L.L.C., an Oregon limited liability company, 78%
17. Concrete, Inc., a California corporation, 100%
18. Connolly-Pacific Co., a California corporation, 100%
19. Desert Fire Holdings, Inc., a Nevada corporation, 100%
20. Desert Fire Protection, a Nevada Limited Partnership, 100%
21. Desert Fire Protection, Inc., a Nevada corporation, 100%
22. Desert Fire Protection, LLC, a Nevada limited liability company, 100%
23. D S S Company, a California corporation, 100%
24. Duro Electric Company, a Colorado corporation, 100%
25. E.S.I., Inc., an Ohio corporation, 100%
26. Fairbanks Materials, Inc., an Alaska corporation, 100%
27. Fidelity Exploration & Production Company, a Delaware corporation, 100%
28. Fidelity Oil Co., a Delaware corporation, 100%
29. Frebco, Inc., an Ohio corporation, 100%
30. FutureSource Capital Corp., a Delaware corporation, 100%
31. Granite City Ready Mix, Inc., a Minnesota corporation, 100%
32. Hawaiian Cement, a Hawaii partnership, 100%
33. Independent Fire Fabricators, LLC, a Nevada limited liability company, 100%
34. Intermountain Gas Company, an Idaho corporation, 100%
35. International Line Builders, Inc., a Delaware corporation, 100%
36. InterSource Insurance Company, a Vermont corporation, 100%
37. Jebro Incorporated, an Iowa corporation, 100%
38. JTL Group, Inc., a Montana corporation, 100%
39. JTL Group, Inc., a Wyoming corporation, 100%
40. Kent's Oil Service, a California corporation, 100%
41. Knife River Corporation, a Delaware corporation, 100%
42. Knife River Corporation – Mountain West, a Delaware corporation, 100%
43. Knife River Corporation – North Central, a Minnesota corporation, 100%
44. Knife River Corporation – Northwest, an Oregon corporation, 100%
45. Knife River Corporation – South, a Texas corporation, 100%
46. Knife River Dakota, Inc., a Delaware corporation, 100%
47. Knife River Hawaii, Inc., a Delaware corporation, 100%
48. Knife River Marine, Inc., a Delaware corporation, 100%

49. Knife River Midwest, LLC, a Delaware limited liability company, 100%
50. KRC Holdings, Inc., a Delaware corporation, 100%
51. Lone Mountain Excavation & Utilities, LLC, a Nevada limited liability company, 100%
52. Loy Clark Pipeline Co., an Oregon corporation, 100%
53. LTM, Incorporated, an Oregon corporation, 100%
54. MAAK Holdings, Inc., a Nevada corporation, 100%
55. MDU Brasil Ltda., a Brazil limited liability company, 100%
56. MDU Construction Services Group, Inc., a Delaware corporation, 100%
57. MDU Energy Capital, LLC, a Delaware limited liability company, 100%
58. MDU Holdings, LLC, a Delaware limited liability company, 100%
59. MDU Industrial Services, Inc., a Delaware corporation, 100%
60. MDU Resources International LLC, a Delaware limited liability company, 100%
61. MDU Resources Luxembourg I LLC S.a.r.l., a Luxembourg limited liability company, 100%
62. MDU Resources Luxembourg II LLC S.a.r.l., a Luxembourg limited liability company, 100%
63. MDU United Construction Solutions, Inc., a Delaware corporation, 100%
64. Nevada Solar Solutions, LLC, a Delaware limited liability company, 100%
65. Nevada Valley Solar Solutions I, LLC, a Delaware limited liability company, 100%
66. Northstar Materials, Inc., a Minnesota corporation, 100%
67. OEG, Inc., an Oregon corporation, 100%
68. Prairie Cascade Energy Holdings, LLC, a Delaware limited liability company, 100%
69. Prairie Intermountain Energy Holdings, LLC, a Delaware limited liability company, 100%
70. Rocky Mountain Contractors, Inc., a Montana corporation, 100%
71. USI Industrial Services, Inc., a Delaware corporation, 100%
72. The Wagner Group, Inc., a Delaware corporation, 100%
73. Wagner Industrial Electric, Inc., a Delaware corporation, 100%
74. The Wagner-Smith Company, an Ohio corporation, 100%
75. Wagner-Smith Equipment Co., a Delaware corporation, 100%
76. WBI Canadian Pipeline, Ltd., a Canadian corporation, 100%
77. WBI Energy, Inc., a Delaware corporation, 100%
78. WBI Energy Midstream, LLC, a Colorado limited liability company, 100%
79. WBI Energy Transmission, Inc., a Delaware corporation, 100%
80. WBI Energy Wind Ridge Pipeline, LLC, a Delaware limited liability company, 100%
81. WBI Holdings, Inc., a Delaware corporation, 100%
82. WHC, Ltd., a Hawaii corporation, 100%

## LIENS

None.

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## Section 3: EX-12 (MDU RESOURCES COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES)

**MDU RESOURCES GROUP, INC.**  
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**  
**AND COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**

	Twelve Months Ended <u>June</u> <u>30, 2018</u>	Year Ended <u>December 31, 2017</u>
<i>(In thousands of dollars)</i>		
Earnings Available for Fixed Charges:		
Net Income (a)	\$ 290,854	\$ 284,982
Income Taxes	55,831	65,041
	346,685	350,023
Rents (b)	24,739	24,576
Interest (c)	84,031	83,091
Total Earnings Available for Fixed Charges	\$ 455,455	\$ 457,690
Preferred Dividend Requirements	\$ —	\$ 171
Ratio of Income Before Income Taxes to Net Income	119%	123%
Preferred Dividend Factor on Pretax Basis	—	210
Fixed Charges (d)	108,731	107,619
Combined Fixed Charges and Preferred Stock Dividends	\$ 108,731	\$ 107,829
Ratio of Earnings to Fixed Charges	4.2x	4.3x
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	4.2x	4.2x

- (a) Net income excludes undistributed income for equity investees.
- (b) Represents interest portion of rents estimated at 33 1/3%.
- (c) Represents interest, amortization of debt discount and expense on all indebtedness and amortization of interest capitalized, and excludes amortization of gains or losses on reacquired debt (which, under the Federal Energy Regulatory Commission Uniform System of Accounts, is classified as a reduction of, or increase in, interest expense in the Consolidated Statements of Income) and interest capitalized.
- (d) Represents rents (as defined above), interest, amortization of debt discount and expense on all indebtedness, and excludes amortization of gains or losses on reacquired debt (which, under the Federal Energy Regulatory Commission Uniform System of Accounts, is classified as a reduction of, or increase in, interest expense in the Consolidated Statements of Income).

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## Section 4: EX-31.A (MDU RESOURCES CERTIFICATION OF CHIEF

# EXECUTIVE OFFICER)

## CERTIFICATION

I, David L. Goodin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MDU Resources Group, Inc.;
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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2018

/s/ David L. Goodin  
David L. Goodin  
President and Chief Executive Officer

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## Section 5: EX-31.B (MDU RESOURCES CERTIFICATION OF CHIEF FINANCIAL OFFICER)

### CERTIFICATION

I, Jason L. Vollmer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MDU Resources Group, Inc.;
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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2018

/s/ Jason L. Vollmer

Jason L. Vollmer

Vice President, Chief Financial Officer and Treasurer

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## **Section 6: EX-32 (MDU RESOURCES CERTIFICATION OF CEO AND CFO)**

### **CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned, David L. Goodin, the President and Chief Executive Officer, and Jason L. Vollmer, the Vice President, Chief Financial Officer and Treasurer of MDU Resources Group, Inc. (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the

Company.

IN WITNESS WHERE OF, each of the undersigned has executed this statement this 3rd day of August, 2018.

/s/ David L. Goodin  
David L. Goodin  
President and Chief Executive Officer

/s/ Jason L. Vollmer  
Jason L. Vollmer  
Vice President, Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906 has been provided to MDU Resources Group, Inc. and will be retained by MDU Resources Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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## **Section 7: EX-95 (MDU RESOURCES MINE SAFETY DISCLOSURES)**

### **MDU RESOURCES GROUP, INC. MINE SAFETY INFORMATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires issuers to include in periodic reports filed with the SEC certain information relating to citations or orders for violations of standards under the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement and New Emergency Response Act of 2006 (Mine Safety Act). The Dodd-Frank Act requires reporting of the following types of citations or orders:

1. Citations issued under Section 104 of the Mine Safety Act for violations that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard.
2. Orders issued under Section 104(b) of the Mine Safety Act. Orders are issued under this section when citations issued under Section 104 have not been totally abated within the time period allowed by the citation or subsequent extensions.
3. Citations or orders issued under Section 104(d) of the Mine Safety Act. Citations or orders are issued under this section when it has been determined that the violation is caused by an unwarrantable failure of the mine operator to comply with the standards. An unwarrantable failure occurs when the mine operator is deemed to have engaged in aggravated conduct constituting more than ordinary negligence.
4. Citations issued under Section 110(b)(2) of the Mine Safety Act for flagrant violations. Violations are considered flagrant for repeat or reckless failures to make reasonable efforts to eliminate a known violation of a mandatory health and safety standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury.
5. Imminent danger orders issued under Section 107(a) of the Mine Safety Act. An imminent danger is defined as the existence of any condition or practice in a coal or other mine which could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated.
6. Notice received under Section 104(e) of the Mine Safety Act of a pattern of violations or the potential to have such a pattern of violations that could significantly and substantially contribute to the cause and effect of mine health and safety standards.

During the three months ended June 30, 2018, none of the Company's operating subsidiaries received citations or orders under the following sections of the Mine Safety Act: 104(b), 107(a), 110(b)(2) or 104(e). The Company did not have any mining-related fatalities during this period.

<b>MSHA Identification Number/Contractor ID</b>	<b>Section 104 S&amp;S Citations (#)</b>	<b>Total Dollar Value of MSHA Assessments Proposed (\$)</b>	<b>Legal Actions Pending as of Last Day of Period (#)</b>	<b>Legal Actions Initiated During Period (#)</b>	<b>Legal Actions Resolved During Period (#)</b>
04-01698	—	\$ 118	—	—	—
04-05459	—	2	—	—	—
10-02089	—	118	—	—	—
10-02170	—	413	—	—	—
21-02614	—	118	—	—	—
21-03248	—	—	1	—	—
24-00462	—	6	—	—	—
24-01935	—	236	—	—	—
24-02022	—	4	—	—	—
35-00426	—	118	—	—	—
35-00512	—	118	—	—	—
35-02906	—	236	—	—	—
35-03022	—	118	—	—	—
35-03581	2	—	—	—	—
35-03590	—	118	—	—	—
35-03595	1	225	—	—	—
35-03605	—	354	—	—	—
35-03667	1	1,806	—	—	—
35-03678	—	118	—	—	—
35-03752	—	118	—	—	—
41-02639	1	354	—	—	—
	5	\$ 4,698	1	—	—

Legal actions pending before the Federal Mine Safety and Health Review Commission (the Commission) may involve, among other questions, challenges by operators to citations, orders and penalties they have received from the Federal Mine Safety and Health Administration (MSHA) or complaints of discrimination by miners under section 105 of the Mine Act. The following is a brief description of the types of legal actions that may be brought before the Commission.

- Contests of Citations and Orders - A contest proceeding may be filed with the Commission by operators, miners or miners' representatives to challenge the issuance of a citation or order issued by MSHA.
- Contests of Proposed Penalties (Petitions for Assessment of Penalties) - A contest of a proposed penalty is an administrative proceeding before the Commission challenging a civil penalty that MSHA has proposed for the alleged violation contained in a citation or order.
- Complaints for Compensation - A complaint for compensation may be filed with the Commission by miners entitled to compensation when a mine is closed by certain withdrawal orders issued by MSHA. The purpose of the proceeding is to determine the amount of compensation, if any, due miners idled by the orders.
- Complaints of Discharge, Discrimination or Interference - A discrimination proceeding is a case that involves a miner's allegation that he or she has suffered a wrong by the operator because he or she engaged in some type of activity protected under the Mine Act, such as making a safety complaint.
- Applications for Temporary Relief - Applications for temporary relief from any modification or termination of any order or from any order issued under section 104 of the Mine Act.
- Appeals of Judges' Decisions or Orders to the Commission - A filing with the Commission for discretionary review of a judge's decision or order by a person who has been adversely affected or aggrieved by such decision or order.

The following table reflects the types of legal actions pending before the Commission as of June 30, 2018:

<b>MSHA Identification Number</b>	<b>Contests of Citations and Orders</b>	<b>Contests of Proposed Penalties</b>	<b>Complaints for Compensation</b>	<b>Complaints of Discharge, Discrimination or Interference</b>	<b>Applications for Temporary Relief</b>	<b>Appeals of Judges' Decisions or Orders to the Commission</b>
21-03248	1	—	—	—	—	—
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