

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTIONS 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017  
Commission file number 1-11071

UGI CORPORATION  
(Exact name of registrant as specified in its charter)

Pennsylvania  
(State or Other Jurisdiction of  
Incorporation or Organization)

23-2668356  
(I.R.S. Employer Identification No.)

460 North Gulph Road, King of Prussia, PA 19406  
(Address of Principal Executive Offices) (Zip Code)  
(610) 337-1000  
(Registrant’s telephone number, including area code)  
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each Exchange on Which Registered
Common Stock, without par value	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 (§232.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐  
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 Act). Yes ☐ No ☒

The aggregate market value of UGI Corporation Common Stock held by non-affiliates of the registrant on March 31, 2017 was \$8,491,215,725.

At November 14, 2017, there were 173,152,120 shares of UGI Corporation Common Stock issued and outstanding.

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on January 25, 2018 are incorporated by reference into Part III of this Form 10-K.

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## FORWARD-LOOKING INFORMATION

Information contained in this Annual Report on Form 10-K may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such statements use forward-looking words such as “believe,” “plan,” “anticipate,” “continue,” “estimate,” “expect,” “may,” or other similar words. These statements discuss plans, strategies, events or developments that we expect or anticipate will or may occur in the future.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. However, we caution you that actual results almost always vary from assumed facts or bases, and the differences between actual results and assumed facts or bases can be material, depending on the circumstances. When considering forward-looking statements, you should keep in mind our Risk Factors included in Item 1A herein and the following important factors which could affect our future results and could cause those results to differ materially from those expressed in our forward-looking statements: (1) adverse weather conditions resulting in reduced demand; (2) cost volatility and availability of propane and other liquefied petroleum gases (“LPG”), oil, electricity, and natural gas and the capacity to transport product to our customers; (3) changes in domestic and foreign laws and regulations, including safety, tax, consumer protection, environmental, and accounting matters; (4) inability to timely recover costs through utility rate proceedings; (5) the impact of pending and future legal proceedings; (6) competitive pressures from the same and alternative energy sources; (7) failure to acquire new customers or retain current customers thereby reducing or limiting any increase in revenues; (8) liability for environmental claims; (9) increased customer conservation measures due to high energy prices and improvements in energy efficiency and technology resulting in reduced demand; (10) adverse labor relations; (11) customer, counterparty, supplier, or vendor defaults; (12) liability for uninsured claims and for claims in excess of insurance coverage, including those for personal injury and property damage arising from explosions, terrorism, and other catastrophic events that may result from operating hazards and risks incidental to generating and distributing electricity and transporting, storing and distributing natural gas and LPG; (13) transmission or distribution system service interruptions; (14) political, regulatory and economic conditions in the United States and in foreign countries, including the current conflicts in the Middle East, and foreign currency exchange rate fluctuations, particularly the euro; (15) capital market conditions, including reduced access to capital markets and interest rate fluctuations; (16) changes in commodity market prices resulting in significantly higher cash collateral requirements; (17) reduced distributions from subsidiaries impacting the ability to pay dividends; (18) changes in Marcellus Shale gas production; (19) the availability, timing and success of our acquisitions, commercial initiatives and investments to grow our businesses; (20) our ability to successfully integrate acquired businesses and achieve anticipated synergies; and (21) the interruption, disruption, failure or malfunction of our information technology systems, including due to cyber attack.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results. We undertake no obligation to update publicly any forward-looking statement whether as a result of new information or future events except as required by the federal securities laws.

## PART I:

### ITEMS 1. AND 2. BUSINESS AND PROPERTIES

#### CORPORATE OVERVIEW

UGI Corporation (the “Company”) is a holding company that, through subsidiaries and affiliates, distributes, stores, transports and markets energy products and related services. In the United States, we (1) are the general partner and own limited partner interests in a retail propane marketing and distribution business, (2) own and operate natural gas and electric distribution utilities, and (3) own and operate an energy marketing, midstream infrastructure, storage, natural gas gathering, natural gas production, electricity generation and energy services business. Internationally, we distribute LPG and market other energy products and services in Europe. Our subsidiaries and affiliates operate principally in the following four business segments:

- AmeriGas Propane
- UGI International
- Midstream & Marketing
- UGI Utilities

The AmeriGas Propane segment consists of the propane distribution business of AmeriGas Partners, L.P. (“AmeriGas Partners” or the “Partnership”). In addition to distributing propane, the Partnership also sells, installs, and services propane appliances, including heating systems, and operates a residential heating, ventilation, air conditioning, plumbing, and related services business in certain counties of Pennsylvania, Delaware, and Maryland. The Partnership conducts its propane distribution business through its principal operating subsidiary, AmeriGas Propane, L.P., and is the nation’s largest retail propane distributor. The Partnership’s sole general partner is our subsidiary, AmeriGas Propane, Inc. (“AmeriGas Propane” or the “General Partner”). The common units of AmeriGas Partners represent limited partner interests in a Delaware limited partnership and trade on the New York Stock Exchange under the symbol “APU.” We have an effective 26% ownership interest in the Partnership and the remaining interest is publicly held. See Note 1 to Consolidated Financial Statements.

The UGI International segment consists of LPG distribution businesses conducted by our subsidiaries and affiliates in France, Poland, Austria, Hungary, the Czech Republic, Slovakia, Switzerland, Romania, Belgium, the Netherlands, Luxembourg, the United Kingdom, Italy, Finland, Denmark, Norway and Sweden. In addition, UGI International conducts an energy marketing business in France, Belgium, the Netherlands and the United Kingdom. UGI International is the largest distributor of LPG in France, Austria, Belgium, Denmark, Luxembourg and Hungary and one of the largest distributors of LPG in Poland, the Czech Republic, Slovakia, Norway, the Netherlands and Sweden. These businesses are conducted principally through our subsidiaries, UGI France SAS, Flaga GmbH, and AvantiGas Limited.

The Midstream & Marketing segment consists of energy-related businesses conducted by our wholly-owned subsidiary, UGI Energy Services, LLC (“Energy Services”), a subsidiary of UGI Enterprises, LLC (“Enterprises”). These businesses (i) conduct energy marketing in the Mid-Atlantic region of the United States, (ii) operate and own a natural gas liquefaction, storage and vaporization facility and propane-air mixing assets, (iii) manage natural gas pipeline and storage contracts, and (iv) develop, own and operate pipelines, gathering infrastructure and gas storage facilities primarily in the Marcellus Shale region of Pennsylvania and own all or a portion of an electricity generation facility. The Midstream & Marketing segment also includes a subsidiary of Enterprises that conducts a heating, ventilation, air conditioning, refrigeration, mechanical and electrical contracting, and project management service business in portions of eastern and central Pennsylvania.

The UGI Utilities segment consists of the regulated natural gas distribution businesses (“Gas Utility”) of our subsidiary, UGI Utilities, Inc. (“UGI Utilities”), UGI Utilities’ subsidiaries, UGI Penn Natural Gas, Inc. (“PNG”) and UGI Central Penn Gas, Inc. (“CPG”), and UGI Utilities’ regulated electric distribution business in Pennsylvania (“Electric Utility”). Gas Utility serves over 635,000 customers in eastern and central Pennsylvania and more than 500 customers in portions of one Maryland county. UGI Utilities’ natural gas distribution utility is referred to as “UGI Gas.” Electric Utility serves approximately 62,000 customers in portions of Luzerne and Wyoming counties in northeastern Pennsylvania. Gas Utility is regulated by the Pennsylvania Public Utility Commission (“PUC”) and, with respect to its several hundred customers in Maryland, the Maryland Public Service Commission. Electric Utility is regulated by the PUC.

## **Business Strategy**

Our business strategy is to grow the Company by focusing on our core competencies of distributing, storing, transporting and marketing energy products and services. We are utilizing our core competencies from our existing businesses and our national scope, international experience, extensive asset base and access to customers to accelerate both internal growth and growth through acquisitions in our existing businesses, as well as in related and complementary businesses. During Fiscal 2017, we completed a number of transactions in pursuit of this strategy and made progress on larger internally generated capital projects, including infrastructure projects to further support the development of natural gas in the Marcellus Shale region of Pennsylvania. A few of these transactions and projects are described below.

In Fiscal 2017, Energy Services’ Sunbury Pipeline, a federally-regulated 35-mile, 20-inch pipeline, was placed into service. The Sunbury Pipeline is an interstate natural gas pipeline in central Pennsylvania that serves the Panda Hummel Station combined-cycle 1,100 megawatt power generation facility near the Shamokin Dam in Snyder County, Pennsylvania. Energy Services also completed construction and placed into service the Manning LNG liquefaction plant, which is designed to produce 10,000 dekatherms of liquefied natural gas (“LNG”) per day and provide 500,000 gallons of storage and truck-loading capability.

In Fiscal 2017, Energy Services also continued development of the Steelton LNG peak shaving facility, which is designed to provide 65,000 dekatherms per day of peaking capacity and two million gallons of LNG storage and is expected to be completed in Fiscal 2018. In addition, Energy Services made progress on the PennEast Pipeline project, the development of an approximately 118-mile pipeline from Luzerne County, Pennsylvania to the Trenton-Woodbury interconnection in New Jersey. Energy Services owns a 20% interest in the PennEast Pipeline project. When completed, the PennEast Pipeline will transport approximately 1 billion cubic feet of lower cost natural gas to residential and commercial customers each day. In April 2017, the Federal Energy Regulatory Commission (“FERC”) issued a Final Environmental Impact Statement with respect to the PennEast Pipeline project

and we expect to receive a FERC Certificate for the PennEast Pipeline project in Fiscal 2018. In October 2017, our Midstream & Marketing business also enhanced the buildout of its natural gas infrastructure assets with the acquisition of approximately 60 miles of natural gas gathering lines in northern Pennsylvania.

In Fiscal 2017, UGI International, through subsidiaries, acquired Preem Gas AB (now Kosan Gas AB), an LPG marketing and distribution company in Sweden, and Dutch energy marketer DVEP Investeringen B.V., a marketer of natural gas and electricity to small and medium enterprises in the Netherlands. In addition, in October 2017, UGI International, through a subsidiary, acquired Totalgaz Italia S.r.l. (now UniverGas Italia S.r.l.), the LPG distribution business of TotalErg S.p.A., serving customers in the northern and central regions of Italy.

UGI Utilities continued to execute on its infrastructure replacement and system betterment program, with record capital expenditures in Fiscal 2017. For example, UGI Utilities made progress toward its goal of replacing the cast iron portions of its gas mains by March 2027 and the bare steel portion of its gas mains by September 2041. UGI Utilities also implemented a new customer information management system that will unify all four of its utilities and streamline operations. Effective October 19, 2016, new base rates went into effect for UGI Gas resulting in an approximate \$27.0 million increase in annual base rate revenues. In addition, in January 2017, PNG filed a request with the PUC to increase PNG's base operating revenues for residential, commercial, and industrial customers and, in August 2017, the PUC approved a settlement that permitted PNG to increase its annual base distribution rates by \$11.3 million, and the increase became effective October 20, 2017.

## **Corporate Information**

UGI Corporation was incorporated in Pennsylvania in 1991. The Company is not subject to regulation by the PUC and it is a "holding company" under the Public Utility Holding Company Act of 2005 ("PUHCA 2005"). PUHCA 2005 and the implementing regulations of the FERC give FERC access to certain holding company books and records and impose certain accounting, record-keeping, and reporting requirements on holding companies. PUHCA 2005 also provides state utility regulatory commissions with access to holding company books and records in certain circumstances. Pursuant to a waiver granted in accordance with FERC's regulations on the basis of UGI Corporation's status as a single-state holding company system, UGI Corporation is not subject to certain of the accounting, record-keeping, and reporting requirements prescribed by FERC's regulations.

Our executive offices are located at 460 North Gulph Road, King of Prussia, Pennsylvania 19406, and our telephone number is (610) 337-1000. In this report, the terms "Company" and "UGI," as well as the terms "our," "we," "us," and "its," are sometimes used as abbreviated references to UGI Corporation or, collectively, UGI Corporation and its consolidated subsidiaries. Similarly, the terms "AmeriGas Partners" and the "Partnership" are sometimes used as abbreviated references to AmeriGas Partners, L.P. or, collectively, AmeriGas Partners, L.P. and its subsidiaries, and the term "UGI Utilities" is sometimes used as an abbreviated reference to UGI Utilities, Inc. or, collectively, UGI Utilities, Inc. and its subsidiaries. The terms "Fiscal 2018", "Fiscal 2017", and "Fiscal 2016" refer to the fiscal years ended September 30, 2018, September 30, 2017, and September 30, 2016, respectively.

The Company's corporate website can be found at [www.ugicorp.com](http://www.ugicorp.com). Information on our website is not intended to be incorporated into this report. The Company makes available free of charge at this website (under the "Investor Relations - Financial Reports - SEC Filings and Proxy" caption) copies of its reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, including its Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q and its Current Reports on Form 8-K. The Company's Principles of Corporate Governance, Code of Ethics for the Chief Executive Officer and Senior Financial Officers, Code of Business Conduct and Ethics for Directors, Officers and Employees, and charters of the Corporate Governance, Audit, Compensation and Management Development, and Safety, Environmental and Regulatory Compliance Committees of the Board of Directors are also available on the Company's website, under the captions "Investor Relations - Corporate Governance - Committees." All of these documents are also available free of charge by writing to Treasurer, UGI Corporation, P.O. Box 858, Valley Forge, PA 19482.

## AMERIGAS PROPANE

### ***Products, Services and Marketing***

Our domestic propane distribution business is conducted through AmeriGas Partners. AmeriGas Propane is responsible for managing the Partnership. The Partnership serves over 1.8 million customers in all 50 states from approximately 1,900 propane distribution locations. In addition to distributing propane, the Partnership also sells, installs and services propane appliances, including heating systems, and operates a residential heating, ventilation, air conditioning, plumbing, and related services business in certain counties of Pennsylvania, Delaware, and Maryland. Typically, the Partnership's propane distribution locations are in suburban and rural areas where natural gas is not readily available. Our local offices generally consist of a business office and propane storage. As part of its overall transportation and distribution infrastructure, the Partnership operates as an interstate carrier in all states throughout the continental U.S.

The Partnership sells propane primarily to residential, commercial/industrial, motor fuel, agricultural and wholesale customers. The Partnership distributed approximately 1.1 billion gallons of propane in Fiscal 2017. Approximately 96% of the Partnership's Fiscal 2017 sales (based on gallons sold) were to retail accounts and approximately 4% were to wholesale and supply customers. Sales to residential customers in Fiscal 2017 represented approximately 37% of retail gallons sold; commercial/industrial customers 38%; motor fuel customers 17%; and agricultural customers 4%. Transport gallons, which are large-scale deliveries to retail customers other than residential, accounted for 4% of Fiscal 2017 retail gallons. No single customer represents, or is anticipated to represent, more than 5% of the Partnership's consolidated revenues.

The Partnership continues to expand its AmeriGas Cylinder Exchange ("ACE") program. At September 30, 2017, ACE cylinders were available at over 50,000 retail locations throughout the U.S. Sales of our ACE cylinders to retailers are included in commercial/industrial sales. The ACE program enables consumers to purchase or exchange propane cylinders at various retail locations such as home centers, gas stations, mass merchandisers and grocery and convenience stores. We also supply retailers with large propane tanks to enable retailers to replenish customers' propane cylinders directly at the retailer's location.

Residential and commercial customers use propane primarily for home heating, water heating and cooking purposes. Commercial users include hotels, restaurants, churches, warehouses, and retail stores. Industrial customers use propane to fire furnaces, as a cutting gas and in other process applications. Other industrial customers are large-scale heating accounts and local gas utility customers who use propane as a supplemental fuel to meet peak load deliverability requirements. As a motor fuel, propane is burned in internal combustion engines that power school buses and other over-the-road vehicles, forklifts, and stationary engines. Agricultural uses include tobacco curing, chicken brooding, crop drying, and orchard heating. In its wholesale operations, the Partnership principally sells propane to large industrial end-users and other propane distributors.

Retail deliveries of propane are usually made to customers by means of bobtail and rack trucks. Propane is pumped from the bobtail truck, which generally holds 2,400 to 3,000 gallons of propane, into a stationary storage tank on the customer's premises. The Partnership owns most of these storage tanks and leases them to its customers. The capacity of these tanks ranges from approximately 120 gallons to approximately 1,200 gallons. The Partnership also delivers propane in portable cylinders, including ACE and motor fuel cylinders. Some of these deliveries are made to the customer's location, where cylinders are either picked up or replenished in place.

During Fiscal 2017, we continued to make significant investments in technology to reduce operational costs while improving our customers' experience. For example, (i) we rolled out the AmeriMobile distribution platform to all district locations, increasing the use of technology to more efficiently deploy our drivers in making deliveries to customers, and (ii) we continue to promote a customer service culture through the development of our on-line customer experience, which enables customers to transact with us after hours, to seek customer support through live on-line chat, and to receive delivery confirmations by text.

### ***Propane Supply and Storage***

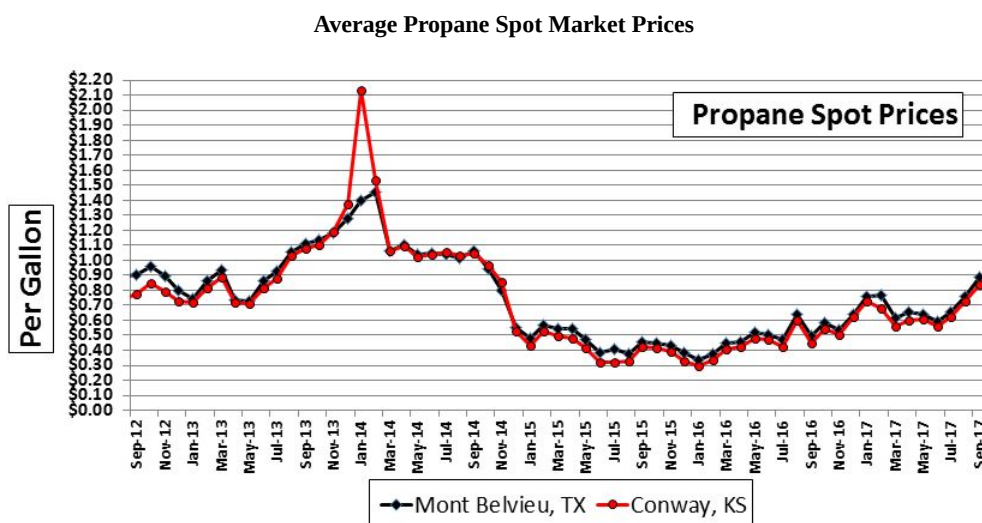
The United States propane market has over 250 domestic and international sources of supply, including the spot market. Supplies of propane from the Partnership's sources historically have been readily available. Volatility in the U.S. propane market stabilized in Fiscal 2017 and the propane industry experienced normal inventory levels, following record high levels reached in the fiscal year ended September 30, 2015 and Fiscal 2016. The availability and pricing of propane supply is dependent upon, among other things, the severity of winter weather, the price and availability of competing fuels such as natural gas and crude oil, and the amount and availability of exported supply and, to a much lesser extent, imported supply. In recent years, there has been an increase in overseas demand for U.S. propane exports as the U.S. continues to have low cost reliable sources of propane. We utilized our extensive distribution and logistics channels to minimize disruption to our customers due to supply chain interruptions resulting from natural disasters in Fiscal 2017, including Hurricanes Harvey and Irma and the wildfires in California.

During Fiscal 2017, approximately 95% of the Partnership's propane supply was purchased under supply agreements with terms of 1 to 3 years. Although no assurance can be given that supplies of propane will be readily available in the future, management currently expects to be able to secure adequate supplies during Fiscal 2018. If supply from major sources were interrupted, however, the cost of procuring replacement supplies and transporting those supplies from alternative locations might be materially higher and, at least on a short-term basis, margins could be adversely affected. Plains Marketing, L.P. and Targa Liquids Marketing & Trade LLC supplied approximately 28% of the Partnership's Fiscal 2017 propane supply. No other single supplier provided more than 10% of the Partnership's total propane supply in Fiscal 2017. In certain geographic areas, however, a single supplier provides more than 50% of the Partnership's requirements. Disruptions in supply in these areas could also have an adverse impact on the Partnership's margins.

The Partnership's supply contracts typically provide for pricing based upon (i) index formulas using the current prices established at a major storage point such as Mont Belvieu, Texas, or Conway, Kansas, or (ii) posted prices at the time of delivery. In addition, some agreements provide maximum and minimum seasonal purchase volume guidelines. The percentage of contract purchases, and the amount of supply contracted for at fixed prices, will vary from year to year as determined by the General Partner. The Partnership uses a number of interstate pipelines, as well as railroad tank cars, delivery trucks and barges, to transport propane from suppliers to storage and distribution facilities. The Partnership stores propane at various storage facilities and terminals located in strategic areas across the U.S.

Because the Partnership's profitability is sensitive to changes in wholesale propane costs, the Partnership generally seeks to pass on increases in the cost of propane to customers. There is no assurance, however, that the Partnership will always be able to pass on product cost increases fully, or keep pace with such increases, particularly when product costs rise rapidly. Product cost increases can be triggered by periods of severe cold weather, supply interruptions, increases in the prices of base commodities such as crude oil and natural gas, or other unforeseen events. The General Partner has adopted supply acquisition and product cost risk management practices to reduce the effect of volatility on selling prices. These practices currently include the use of summer storage, forward purchases and derivative commodity instruments, such as options and propane price swaps. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Disclosures."

The following graph shows the average prices of propane on the propane spot market during the last five fiscal years at Mont Belvieu, Texas, and Conway, Kansas, both major storage areas.



### General Industry Information

Propane is separated from crude oil during the refining process and also extracted from natural gas or oil wellhead gas at processing plants. Propane is normally transported and stored in a liquid state under moderate pressure or refrigeration for economy and ease of handling in shipping and distribution. When the pressure is released or the temperature is increased, it is usable as a flammable gas. Propane is colorless and odorless; an odorant is added to allow for its detection. Propane is considered a clean alternative fuel under the Clean Air Act Amendments of 1990, producing negligible amounts of pollutants when properly consumed.



## Competition

Propane competes with other sources of energy, some of which are less costly for equivalent energy value. Propane distributors compete for customers with suppliers of electricity, fuel oil and natural gas, principally on the basis of price, service, availability and portability. Electricity is generally more expensive than propane on a British thermal unit (“Btu”) equivalent basis, but the convenience and efficiency of electricity make it an attractive energy source for consumers and developers of new homes. Fuel oil is also a major competitor of propane but is currently more expensive than propane as well as a less environmentally attractive energy source. Historically, however, fuel oil has been less expensive than propane. Furnaces and appliances that burn propane will not operate on fuel oil, and vice versa, and, therefore, a conversion from one fuel to the other requires the installation of new equipment. Propane serves as an alternative to natural gas in rural and suburban areas where natural gas is unavailable or portability of product is required. Natural gas is generally a significantly less expensive source of energy than propane, although in areas where natural gas is available, propane is used for certain industrial and commercial applications and as a standby fuel during interruptions in natural gas service. The gradual expansion of the nation’s natural gas distribution systems has resulted in the availability of natural gas in some areas that previously depended upon propane. However, natural gas pipelines are not present in many areas of the country where propane is sold for heating and cooking purposes.

For motor fuel customers, propane competes with gasoline, diesel fuel, electric batteries, fuel cells and, in certain applications, LNG and compressed natural gas. Wholesale propane distribution is a highly competitive, low margin business. Propane sales to other retail distributors and large-volume, direct-shipment industrial end-users are price sensitive and frequently involve a competitive bidding process.

Retail propane industry volumes have been declining for several years and no or modest growth in total demand is foreseen in the next several years. Therefore, the Partnership’s ability to grow within the industry is dependent on its ability to acquire other retail distributors and to achieve internal growth, which includes expansion of the ACE program and the National Accounts program (through which the Partnership encourages multi-location propane users to enter into a single AmeriGas Propane supply agreement rather than agreements with multiple suppliers), as well as the success of its sales and marketing programs designed to attract and retain customers. The failure of the Partnership to retain and grow its customer base would have an adverse effect on its long-term results.

The domestic propane retail distribution business is highly competitive. The Partnership competes in this business with other large propane marketers, including other full-service marketers, and thousands of small independent operators. Some farm cooperatives, rural electric cooperatives and fuel oil distributors include propane distribution in their businesses and the Partnership competes with them as well. The ability to compete effectively depends on providing high quality customer service, maintaining competitive retail prices and controlling operating expenses. The Partnership also offers customers various payment and service options, including guaranteed price programs, fixed price arrangements and pricing arrangements based on published propane prices at specified terminals.

In Fiscal 2017, the Partnership’s retail propane sales totaled more than 1.0 billion gallons. Based on the most recent annual survey by the American Petroleum Institute, 2015 domestic retail propane sales (annual sales for other than chemical uses) in the U.S. totaled approximately 8.5 billion gallons. Based on LP-GAS magazine rankings, 2015 sales volume of the ten largest propane distribution companies (including AmeriGas Partners) represented approximately 40% of domestic retail sales.

## Properties

As of September 30, 2017, the Partnership owned approximately 84% of its nearly 675 local offices throughout the country. The transportation of propane requires specialized equipment. The trucks and railroad tank cars utilized for this purpose carry specialized steel tanks that maintain the propane in a liquefied state. As of September 30, 2017, the Partnership operated a transportation fleet with the following assets:

	<u>Approximate Quantity &amp; Equipment Type</u>	<u>% Owned</u>	<u>% Leased</u>
940	Trailers	78%	22%
350	Tractors	7%	93%
510	Railroad tank cars	0	100%
3,100	Bobtail trucks	32%	68%
400	Rack trucks	34%	66%
3,800	Service and delivery trucks	38%	62%

Other assets owned at September 30, 2017 included approximately 1.7 million stationary storage tanks with typical capacities of



more than 120 gallons, approximately 4.7 million portable propane cylinders with typical capacities of 1 to 120 gallons, 21 terminals and 10 transflow units.

### ***Trade Names, Trade and Service Marks***

The Partnership markets propane and other services principally under the “AmeriGas®,” “America’s Propane Company®,” “Heritage Propane®,” “Relationships Matter®,” “Metro Lawn®” and “ServiceMark®” trade names and related service marks. The Partnership also markets propane under various other trade names throughout the United States. UGI owns, directly or indirectly, all the right, title and interest in the “AmeriGas” name and related trade and service marks. The General Partner owns all right, title and interest in the “America’s Propane Company” trade name and related service marks. The Partnership has an exclusive (except for use by UGI, AmeriGas, Inc., AmeriGas Polska Sp. z o.o. and the General Partner), royalty-free license to use these trade names and related service marks. UGI and the General Partner each have the option to terminate its respective license agreement (except its licenses with permitted transferees and on 12 months prior notice in the case of UGI), without penalty, if the General Partner is removed as general partner of the Partnership for cause. If the General Partner ceases to serve as the general partner of the Partnership other than for cause, the General Partner has the option to terminate its license agreement upon payment of a fee to AmeriGas Propane, L.P. equal to the fair market value of the licensed trade names. UGI has a similar termination option; however, UGI must provide 12 months’ prior notice in addition to paying the fee to AmeriGas Propane, L.P. UGI and the General Partner each also have the right to terminate its respective license agreement in order to settle any claim of infringement, unfair competition or similar claim or if the agreement has been materially breached without appropriate cure.

### ***Seasonality***

Because many customers use propane for heating purposes, the Partnership’s retail sales volume is seasonal. During Fiscal 2017, approximately 64% of the Partnership’s retail sales volume occurred, and substantially all of the Partnership’s operating income was earned, during the peak heating season from October through March. As a result of this seasonality, sales are typically higher in the Partnership’s first and second fiscal quarters (October 1 through March 31). Cash receipts are generally greatest during the second and third fiscal quarters when customers pay for propane purchased during the winter heating season.

Sales volume for the Partnership traditionally fluctuates from year-to-year in response to variations in weather, prices, competition, customer mix and other factors, such as conservation efforts and general economic conditions. For information on national weather statistics, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

### ***Government Regulation***

The Partnership is subject to various federal, state and local environmental, health, safety and transportation laws and regulations governing the storage, distribution and transportation of propane and the operation of bulk storage propane terminals. Generally, these laws impose limitations on the discharge of pollutants, establish standards for the handling of solid and hazardous substances and require the investigation and cleanup of environmental contamination. These laws include, among others, the federal Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), the Clean Air Act, the Occupational Safety and Health Act (“OSHA”), the Homeland Security Act of 2002, the Emergency Planning and Community Right-to-Know Act, the Clean Water Act and comparable state statutes. We incur expenses associated with compliance with our obligations under federal and state environmental laws and regulations, and we believe that we are in material compliance with all of our obligations. We maintain various permits that are necessary to operate our facilities, some of which may be material to our operations. We continually monitor our operations with respect to potential environmental issues, including changes in legal requirements.

### **Hazardous Substances and Wastes**

The Partnership is investigating and remediating contamination at a number of present and former operating sites in the United States, including former sites where it or its former subsidiaries operated manufactured gas plants. CERCLA and similar state laws impose joint and several liability on certain classes of persons considered to have contributed to the release or threatened release of a “hazardous substance” into the environment without regard to fault or the legality of the original conduct. Propane is not a hazardous substance within the meaning of CERCLA.

## Health and Safety

The Partnership is subject to the requirements of OSHA and comparable state laws that regulate the protection of the health and safety of our workers. These laws require the Partnership, among other things, to maintain information about materials, some of which may be hazardous or toxic, that are used, released, or produced in the course of our operations. Certain portions of this information must be provided to employees, state and local governmental authorities and responders, commercial and industrial customers and local citizens in accordance with applicable federal and state Emergency Planning and Community Right-to-Know Act requirements. The Partnership's operations are also subject to the safety hazard communication requirements and reporting obligations set forth in federal workplace standards.

All states in which the Partnership operates have adopted fire safety codes that regulate the storage, distribution, and use of propane. In some states, these laws are administered by state agencies, and in others they are administered on a municipal level. The Partnership conducts training programs to help ensure that its operations are in compliance with applicable governmental regulations. With respect to general operations, the Partnership is subject in all jurisdictions in which it operates to rules and procedures governing the safe handling of propane, including those established by National Fire Protection Association Pamphlets No. 54 and No. 58 and various state, local and international codes (including international fire, building and fuel gas codes). Management believes that the policies and procedures currently in effect at all of its facilities for the handling, storage, distribution and use of propane are consistent with industry standards and are in compliance, in all material respects, with applicable environmental, health and safety laws.

With respect to the transportation of propane by truck, the Partnership is subject to regulations promulgated under federal legislation, including the Federal Motor Carrier Safety Act, the Hazardous Materials & Transportation Act and the Homeland Security Act of 2002. Regulations under these statutes cover the security and transportation of hazardous materials, including propane for purposes of these regulations, and are administered by the Pipeline and Hazardous Materials Safety Administration of the U.S. Department of Transportation ("DOT"). The Natural Gas Safety Act of 1968 required the DOT to develop and enforce minimum safety regulations for the transportation of gases by pipeline. The DOT's pipeline safety regulations apply, among other things, to a propane gas system that supplies 10 or more residential customers or two or more commercial customers from a single source and to a propane gas system any portion of which is located in a public place. The DOT's pipeline safety regulations require operators of all gas systems to provide operator qualification standards and training and written instructions for employees and third party contractors working on covered pipelines and facilities, establish written procedures to minimize the hazards resulting from gas pipeline emergencies, and conduct and keep records of inspections and testing. Operators are subject to the Pipeline Safety Improvement Act of 2002. Management believes that the procedures currently in effect at all of the Partnership's facilities for the handling, storage, transportation and distribution of propane are consistent with industry standards and are in compliance, in all material respects, with applicable laws and regulations.

## Climate Change

There continues to be concern, both nationally and internationally, about climate change and the contribution of greenhouse gas ("GHG") emissions, most notably carbon dioxide, to global warming. Because propane is considered a clean alternative fuel under the federal Clean Air Act Amendments of 1990, we anticipate that this will provide us with a competitive advantage over other sources of energy, such as fuel oil and coal, to the extent new climate change regulations become effective. At the same time, increased regulation of GHG emissions, especially in the transportation sector, could impose significant additional costs on the Partnership, suppliers and customers. In recent years, there has been an increase in state initiatives aimed at regulating GHG emissions. For example, the California Environmental Protection Agency established a Cap & Trade program that requires certain covered entities, including propane distribution companies, to purchase allowances to compensate for the GHG emissions created by their business operations. The impact of new legislation and regulations will depend on a number of factors, including (i) which industry sectors would be impacted, (ii) the timing of required compliance, (iii) the overall GHG emissions cap level, (iv) the allocation of emission allowances to specific sources, and (v) the costs and opportunities associated with compliance.

## ***Employees***

The Partnership does not directly employ any persons responsible for managing or operating the Partnership. The General Partner provides these services and is reimbursed for its direct and indirect costs and expenses, including all compensation and benefit costs. At September 30, 2017, the General Partner had approximately 8,100 employees, including over 350 part-time, seasonal and temporary employees, working on behalf of the Partnership. UGI also performs certain financial and administrative services for the General Partner on behalf of the Partnership and is reimbursed by the Partnership.

## UGI INTERNATIONAL

UGI International, through subsidiaries and affiliates, conducts (i) an LPG distribution business in 17 countries throughout Europe (France, Poland, Austria, Hungary, the Czech Republic, Slovakia, Switzerland, Romania, Belgium, the Netherlands, Luxembourg, the United Kingdom, Italy, Finland, Denmark, Norway and Sweden), and (ii) an energy marketing business in France, Belgium, the Netherlands and the United Kingdom. UGI International is the largest distributor of LPG in France, Austria, Belgium, Denmark, Luxembourg and Hungary and one of the largest distributors of LPG in Poland, the Czech Republic, Slovakia, Norway, the Netherlands and Sweden.

### *Products, Services and Marketing*

During Fiscal 2017, UGI International sold approximately 930 million gallons of LPG throughout Europe. UGI International's customer base primarily consists of residential, commercial, industrial, agricultural, wholesale and autogas customers that use LPG for space heating, cooking, water heating, motor fuel, leisure activities, crop drying, irrigation, construction, power generation, manufacturing and aerosol propellant. UGI International sells LPG in cylinders and in small, medium and large bulk tanks. UGI International sells LPG in cylinders through retail outlets, such as supermarkets, individually owned stores and gas stations. Sales of LPG are also made to service stations to fuel vehicles that run on LPG. In addition to LPG sales, UGI International sold approximately 17 million dekatherms of natural gas during Fiscal 2017.

At September 30, 2017, UGI International had over 460,000 bulk LPG customers, approximately 31,500 energy marketing customers and over 18.5 million cylinders in circulation. Approximately 19% of UGI International's Fiscal 2017 sales (based on volumes) were attributed to cylinder, 42% to small bulk, 9% to medium bulk, 16% to large bulk, 11% to wholesale and 3% to service stations for automobiles. UGI International also provides logistics, storage and other services to third-party LPG distributors. No single customer represents, or is anticipated to represent, more than 5% of total revenues for UGI International.

Sales to small bulk customers represent the largest customer segment of UGI International's business in terms of volume, revenue and total margin. Small bulk customers are primarily residential and small business users, such as restaurants, that use LPG mainly for heating and cooking. Small bulk customers also include municipalities, which use LPG for heating certain sports facilities and swimming pools.

Medium bulk customers consist mainly of large residential housing developments, hospitals, hotels, municipalities, medium-sized industrial enterprises and poultry brooders. Large bulk customers include agricultural and companies that use LPG in their industrial processes.

The principal end-users of cylinders are residential customers who use LPG supplied in this form for domestic applications such as cooking and heating. Additionally, LPG cylinders are used to supply fuel for forklift trucks. The market demand for cylinders continues to slowly decline, due primarily to customers gradually converting to other household energy sources for cooking and heating, such as natural gas and electricity.

### *LPG Supply and Storage*

In Fiscal 2017, UGI International centralized its European supply function. Supplies of LPG from UGI International's sources have historically been readily available. Although no assurance can be given that supplies of propane will be readily available in the future, management currently expects to be able to secure adequate LPG supplies during Fiscal 2018.

During Fiscal 2017, UGI International contracted with more than 50 international oil and gas trading companies (including Total Raffinage France, SHV, GUNVOR, SIBUR and TCO/Chevron) and refineries (including Stanlow and Mossmorran) to meet its LPG supply requirements throughout Europe. UGI International's LPG supply is transported via rail and sea. Agreements are generally annual term agreements with pricing based on internationally quoted market prices or the spot market. Additionally, UGI International purchased LPG on the international market and on the domestic spot market. In certain geographic areas, however, a single supplier provides more than 50% of UGI International's requirements. Disruptions in supply in these areas could have an adverse impact on UGI International's margins. Because UGI International's profitability is sensitive to changes in wholesale LPG costs, UGI International generally seeks to pass on increases in the cost of LPG to its customers. There is no assurance, however, that UGI International will always be able to pass on product cost increases fully, or keep pace with such increases, particularly when product costs rise rapidly. Product cost increases can be triggered by periods of severe cold weather, supply interruptions, increases in the prices of base commodities such as crude oil and natural gas, or other unforeseen events.

UGI International stores LPG at various storage facilities and terminals located across Europe. UGI International has interests in 19 primary storage facilities and over 60 secondary storage facilities. It also manages an extensive logistics and transportation

network. Access to seaborne facilities allows UGI International to diversify its LPG supplies through imports. LPG stored in primary storage facilities is transported to smaller storage facilities by rail, sea and road. At secondary storage facilities, LPG is loaded into cylinders or trucks equipped with tanks and then delivered to customers.

### ***Competition and Seasonality***

The LPG markets in Western and Northern Europe are mature, with modest declines in total demand due to competition with other fuels and other energy sources, conservation and the economic climate. In the Eastern European countries in which UGI International operates, the demand for LPG is expected to grow in certain segments. Sales volumes are affected principally by the severity of the weather and customer migration to alternative energy forms, including natural gas, electricity, heating oil and wood. High LPG prices also may result in slower than expected growth due to customer conservation and customers seeking less expensive alternative energy sources. France derives a significant portion of its electricity from nuclear power plants. Due to nuclear power plants, as well as the regulation of electricity prices by the French government, electricity prices in France are generally less expensive than LPG. As a result, electricity has increasingly become a more significant competitor to LPG in France than in other European countries where we operate. In addition, government policies and incentives that favor alternative energy sources can result in customers migrating to energy sources other than LPG. In addition to price, UGI International also competes for customers in its various markets based on contract terms.

UGI International competes locally as well as regionally in many of its service territories. Additionally, UGI International, particularly in France, competes with supermarket chains that affiliate with LPG distributors to offer their own brands of cylinders. UGI International seeks to increase demand for its LPG cylinders through marketing and product innovations.

Because many of UGI International’s customers use LPG for heating, sales volume is affected principally by the severity of the temperatures during the heating season months and traditionally fluctuates from year-to-year in response to variations in weather, prices and other factors, such as conservation efforts and the economic environment. Demand for LPG is higher during the colder months of the year. For historical information on weather statistics for UGI International, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

### ***Government Regulation***

UGI International’s business is subject to various laws and regulations at the country and local levels, as well as at the European Union (“EU”) level, with respect to matters such as protection of the environment, the storage and handling of hazardous materials and flammable substances, data privacy and protection, competition, pricing, regulation of contract terms, anti-corruption (including the U.S. Foreign Corrupt Practices Act, Sapin II and the U.K. Bribery Act), and the safety of persons and property.

With respect to data privacy, the EU adopted the General Data Protection Regulation (“GDPR”), which will become enforceable in May of 2018. The GDPR expands the current EU data protection laws to all companies processing data of EU residents. It primarily focuses on unifying and strengthening the regulations dealing with the collection, processing, use and security of personal and sensitive data.

### ***Properties***

In addition to regional headquarter locations and sales offices throughout its service territory, UGI International also has interests in 19 primary storage facilities and over 60 secondary storage facilities.

### ***Employees***

At September 30, 2017, UGI International had approximately 2,500 employees.

## **MIDSTREAM & MARKETING**

### ***Retail Energy Marketing***

Our retail energy marketing business is conducted through Energy Services and sells natural gas, liquid fuels and electricity to over 14,000 residential, commercial and industrial customers at approximately 37,000 locations. Energy Services serves customers in all or portions of Pennsylvania, New Jersey, Delaware, New York, Ohio, Maryland, Massachusetts, Virginia, North Carolina, South Carolina and the District of Columbia. Energy Services distributes natural gas through the use of the distribution systems of 39 local gas utilities. It supplies power to customers through the use of the transmission lines of 20 utility systems.

Historically, a majority of Energy Services' commodity sales have been made under fixed-price agreements, which typically contain a take-or-pay arrangement that permits customers to purchase a fixed amount of product for a fixed price during a specified period, and requires payment even if the customer does not take delivery of the product. However, a growing number of Energy Services' commodity sales are currently being made under requirements contracts, under which Energy Services is typically an exclusive supplier and will supply as much product at a fixed price as the customer requires. Energy Services manages supply cost volatility related to these agreements by (i) entering into fixed-price supply arrangements with a diverse group of suppliers, (ii) holding its own interstate pipeline transportation and storage contracts to efficiently utilize gas supplies, (iii) entering into exchange-traded futures contracts on the New York Mercantile Exchange ("NYMEX") and Intercontinental Exchange ("ICE"), (iv) entering into over-the-counter derivative arrangements with major international banks and major suppliers, (v) utilizing supply assets that it owns or manages, and (vi) utilizing financial transmission rights to hedge price risk against certain transmission costs. Energy Services also bears the risk for balancing and delivering natural gas and power to its customers under various gas pipeline and utility company tariffs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Disclosures."

### **Midstream Assets**

Our Midstream assets, which are owned by Energy Services and its subsidiaries, comprise a natural gas liquefaction, storage and vaporization facility in Temple, Pennsylvania, and propane storage and propane-air mixing stations in Bethlehem, Reading, Hunlock Creek, and White Deer, Pennsylvania. Energy Services and its subsidiaries also operate propane storage, rail transshipment terminals and propane-air mixing stations in Steelton and Williamsport, Pennsylvania. These assets are used in Midstream & Marketing's energy peaking business that provides supplemental energy, primarily LNG and propane-air mixtures, to gas utilities on interstate pipelines at times of high demand (generally during periods of coldest winter weather). In addition, Energy Services sells LNG to customers for use by trucks, drilling rigs, other motor vehicles and facilities located off the gas grid. Our Midstream & Marketing segment also manages natural gas pipeline and storage contracts for UGI Utilities and Frontier Natural Gas.

In Fiscal 2017, our Midstream & Marketing segment continued making investments to expand its energy peaking and LNG fuels business by completing construction and placing into service the Manning LNG liquefaction plant and making progress on the construction of the Steelton LNG peak shaving facility. The Manning LNG liquefaction plant can produce 10,000 dekatherms of LNG per day with 500,000 gallons of storage and truck-loading capability. The Steelton LNG peak shaving facility has been designed to provide 65,000 dekatherms per day of peaking capacity and two million gallons of LNG storage and is expected to be completed in Fiscal 2018.

A wholly-owned subsidiary of Energy Services owns and operates underground natural gas storage and related high pressure pipeline facilities, which have FERC approval to sell storage services at market-based rates. The storage facilities are located in the Marcellus Shale region of north-central Pennsylvania and have a total storage capacity of 15 million dekatherms and a maximum daily withdrawal quantity of 224,000 dekatherms. In Fiscal 2017, Energy Services leased more than 85% of the firm capacity at its underground natural gas facilities to third parties.

Energy Services also operates a gathering system in the Marcellus Shale region of northeastern Pennsylvania that is capable of delivering up to 120,000 dekatherms of capacity per day to the Tennessee Gas Pipeline and 470,000 dekatherms per day to the Transcontinental Gas Pipeline.

In Fiscal 2017, our Midstream & Marketing segment also made progress on its participation in the PennEast Pipeline project to develop an approximately 118-mile pipeline from Luzerne County, Pennsylvania to the Transco pipeline interconnection in Mercer County, New Jersey. When completed, the pipeline will transport approximately 1 billion cubic feet of lower cost natural gas to residential and commercial customers each day. In April 2017, FERC issued a Final Environmental Impact Statement with respect to the PennEast Pipeline project and we expect to receive a FERC Certificate and commence construction on the project in Fiscal 2018.

On January 1, 2017, the Sunbury Pipeline, a federally-regulated 35-mile, 20-inch pipeline, was placed into service. The Sunbury Pipeline is an interstate natural gas pipeline in central Pennsylvania that serves the Panda Hummel Station combined-cycle 1,100 megawatt power generation facility near the Shamokin Dam in Snyder County, Pennsylvania.

Future planned investments are expected to cover a range of midstream asset opportunities, including interstate pipelines, local gathering systems and gas storage facilities and complementary and related investments.

## ***Electricity Generation Assets***

Midstream & Marketing's electricity generation assets consist of electric generation facilities conducted by Energy Services' wholly-owned subsidiary, UGI Development Company ("UGID"). UGID has an approximate 5.97% (approximately 102 megawatt) ownership interest in the Conemaugh generation station ("Conemaugh"), a 1,711-megawatt, coal-fired electricity generation station located near Johnstown, Pennsylvania. Conemaugh is owned by a consortium of energy companies and operated by a unit of NRG Energy. UGID also owns and operates the Hunlock Station located near Wilkes-Barre, Pennsylvania, a 130-megawatt natural gas-fueled electricity generating station, and owns and operates a landfill gas-fueled generation plant near Hegins, Pennsylvania, with gross generating capacity of 11 megawatts. The plant qualifies for renewable energy credits. Additionally, UGID owns and operates 13.5 megawatts of solar-powered generation capacity in Pennsylvania, Maryland and New Jersey.

## ***HVAC Business***

Our Midstream & Marketing segment also conducts a heating, ventilation, air conditioning, mechanical & electrical contracting, and project management service business through its HVAC business unit, which serves portions of eastern and central Pennsylvania. This business serves customers in residential, commercial, industrial and new construction markets.

## ***Competition***

Our Midstream & Marketing segment competes with other midstream operators to sell gathering, compression, storage and pipeline transportation services. Our Midstream & Marketing segment competes in both the regulated and non-regulated environment against interstate and intrastate pipelines that gather, compress, process, transport and market natural gas. Our Midstream & Marketing segment sells midstream services primarily to producers, marketers and utilities on the basis of price, customer service, flexibility, reliability and operational experience. The competition in the midstream segment is significant and has grown recently in the northeast U.S. as more competitors seek opportunities offered by the development of the Marcellus and Utica Shales.

Our Midstream & Marketing segment also competes with other marketers, consultants and local utilities to sell natural gas, liquid fuels, electric power and related services to customers in its service area principally on the basis of price, customer service and reliability. Midstream & Marketing's midstream asset business has faced an increase in competition in recent years with the consolidation of companies that have resulted in large, national competitors that can offer a suite of services across all customer segments.

Our electricity generation assets compete with other generation stations on the interface of PJM Interconnection, LLC ("PJM"), a regional transmission organization that coordinates the movement of wholesale electricity in certain states, including the states in which we operate, and bases sales on bid pricing. Generally, each power generator has a small share of the total market on PJM.

## ***Government Regulation***

FERC has jurisdiction over the rates and terms and conditions of service of wholesale sales of electric capacity and energy, as well as the sales for resale of natural gas and related storage and transportation services. Energy Services has a tariff on file with FERC pursuant to which it may make power sales to wholesale customers at market-based rates. In Fiscal 2017, FERC extended Energy Services' market-based rate authority through 2019. Energy Services also has market-based rate authority for power sales to wholesale customers, to the extent that Energy Services purchases power in excess of its retail customer needs. Two subsidiaries of Energy Services currently operate natural gas storage facilities under FERC certificate approvals and offer services to wholesale customers at FERC-approved market-based rates. Two other Energy Services subsidiaries operate natural gas pipelines that are subject to FERC regulation. UGI Mt. Bethel Pipeline Company, LLC operates a 12.5-mile, 12-inch pipeline located in Northampton County, Pennsylvania, and UGI Sunbury, LLC operates the Sunbury Pipeline, a 35-mile, 20-inch diameter pipeline located in central Pennsylvania that was placed into service on January 1, 2017. Energy Services and its subsidiaries undertake various activities to maintain compliance with the FERC Standards of Conduct with respect to pipeline operations. Energy Services is also subject to FERC reporting requirements, market manipulation rules and other FERC enforcement and regulatory powers with respect to its wholesale commodity business.

Midstream & Marketing's midstream assets include natural gas gathering pipelines and compression in northeastern Pennsylvania that are regulated under the Pipeline Safety Improvement Act of 2002 and subject to operational oversight by both the Pipeline and Hazardous Materials Safety Administration and the PUC.

Certain of our Midstream & Marketing businesses are subject to various federal, state and local environmental, safety and transportation laws and regulations governing the storage, distribution and transportation of propane and the operation of bulk

storage LPG terminals. These laws include, among others, the Resource Conservation and Recovery Act, CERCLA, the Clean Air Act, OSHA, the Homeland Security Act of 2002, the Emergency Planning and Community Right-to-Know Act, the Clean Water Act and comparable state statutes. CERCLA imposes joint and several liability on certain classes of persons considered to have contributed to the release or threatened release of a “hazardous substance” into the environment without regard to fault or the legality of the original conduct. With respect to the operation of natural gas gathering and transportation pipelines, Energy Services also is required to comply with the provisions of the Pipeline Safety Improvement Act of 2002 and the regulations of the U.S. DOT.

Our Midstream & Marketing’s electricity generation assets own electric generation facilities that are within the control area of PJM and are dispatched in accordance with a FERC-approved open access tariff and associated agreements administered by PJM. UGID receives certain revenues collected by PJM, determined under an approved rate schedule. Like Energy Services, UGID has a tariff on file with FERC pursuant to which it may make power sales to wholesale customers at market-based rates, and FERC recently extended UGID’s market-based rate authority through 2019. UGID is also subject to FERC reporting requirements, market manipulation rules and other FERC enforcement and regulatory powers.

### ***Employees***

At September 30, 2017, Midstream & Marketing had over 600 employees, including nearly 300 employees in its HVAC business and approximately 25 employees at UGID.

## **UGI UTILITIES**

### ***GAS UTILITY***

Gas Utility consists of the regulated natural gas distribution businesses of our subsidiary, UGI Utilities, and UGI Utilities’ subsidiaries, PNG and CPG. Gas Utility serves over 635,000 customers in eastern and central Pennsylvania and more than 500 customers in portions of one Maryland county. Gas Utility is regulated by the PUC and, with respect to its customers in Maryland, the Maryland Public Service Commission.

### ***Service Area; Revenue Analysis***

Gas Utility provides natural gas distribution services to over 635,000 customers in certificated portions of 44 eastern and central Pennsylvania counties through its distribution system. Contemporary materials, such as plastic or coated steel, comprise approximately 90% of Gas Utility’s 12,300 miles of gas mains, with bare steel pipe comprising approximately 8% and cast iron pipe comprising approximately 2% of Gas Utility’s gas mains. In accordance with Gas Utility’s agreement with the PUC, Gas Utility will replace the cast iron portion of its gas mains by March 2027 and the bare steel portion of its gas mains by September 2041. The service area includes the cities of Allentown, Bethlehem, Easton, Harrisburg, Hazleton, Lancaster, Lebanon, Reading, Scranton, Wilkes-Barre, Lock Haven, Pittston, Pottsville and Williamsport, Pennsylvania, and the boroughs of Honesdale and Milford, Pennsylvania. Located in Gas Utility’s service area are major production centers for basic industries such as specialty metals, aluminum, glass and paper product manufacturing. Gas Utility also distributes natural gas to more than 500 customers in portions of one Maryland county.

System throughput (the total volume of gas sold to or transported for customers within Gas Utility’s distribution system) for Fiscal 2017 was approximately 243 billion cubic feet (“bcf”). System sales of gas accounted for approximately 23% of system throughput, while gas transported for residential, commercial and industrial customers who bought their gas from others accounted for approximately 77% of system throughput.

### ***Sources of Supply and Pipeline Capacity***

Gas Utility is permitted to recover prudently incurred costs of natural gas it sells to its customers. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Disclosures” and Note 8 to Consolidated Financial Statements. Gas Utility meets its service requirements by utilizing a diverse mix of natural gas purchase contracts with marketers and producers, along with storage and transportation service contracts. These arrangements enable Gas Utility to purchase gas from Marcellus, Gulf Coast, Mid-Continent, and Appalachian sources. For its transportation and storage functions, Gas Utility has long-term agreements with a number of pipeline companies, including Texas Eastern Transmission, LP, Columbia Gas Transmission, LLC, Transcontinental Gas Pipeline Company, LLC, Dominion Transmission, Inc., ANR Pipeline Company and Tennessee Gas Pipeline Company, L.L.C.



## ***Gas Supply Contracts***

During Fiscal 2017, Gas Utility purchased approximately 77.2 bcf of natural gas for sale to retail core-market customers (principally comprised of firm-residential, commercial and industrial customers that purchase their gas from Gas Utility (“retail core-market”)) and off-system sales customers. Eighty-five percent (85%) of the volumes purchased were supplied under agreements with 10 suppliers. The remaining 15% of gas purchased by Gas Utility was supplied by approximately 35 producers and marketers. Gas supply contracts for Gas Utility are generally no longer than 12 months. Gas Utility also has long-term contracts with suppliers for natural gas peaking supply during the months of November through March.

## ***Seasonality***

Because many of its customers use gas for heating purposes, Gas Utility’s sales are seasonal. For Fiscal 2017, approximately 60% of Gas Utility’s sales volume was supplied, and approximately 90% of Gas Utility’s operating income was earned, during the peak heating season from October through March.

## ***Competition***

Natural gas is a fuel that competes with electricity and oil and, to a lesser extent, with propane and coal. Competition among these fuels is primarily a function of their comparative price and the relative cost and efficiency of the equipment. Natural gas generally benefits from a competitive price advantage over oil, electricity and propane, although the price gap between natural gas and oil narrowed in recent years due to a reduction in the price of oil. Fuel oil dealers compete for customers in all categories, including industrial customers. Gas Utility responds to this competition with marketing and sales efforts designed to retain, expand, and grow its customer base.

In substantially all of its service territories, Gas Utility is the only regulated gas distribution utility having the right, granted by the PUC or by law, to provide gas distribution services. All of Gas Utility’s customers, including core-market customers, have the right to purchase gas supplies from entities other than natural gas distribution utility companies.

A number of Gas Utility’s commercial and industrial customers have the ability to switch to an alternate fuel at any time and, therefore, are served on an interruptible basis under rates that are competitively priced with respect to the alternate fuel. Margin from these customers, therefore, is affected by the difference or “spread” between the customers’ delivered cost of gas and the customers’ delivered cost of the alternate fuel, the frequency and duration of interruptions, and alternative firm service options. See “Gas Utility Regulation and Rates - Pennsylvania Public Utility Commission Jurisdiction and Gas Utility Rates.”

Approximately 40% of Gas Utility’s annual throughput volume for commercial and industrial customers includes non-interruptible customers with firm rates with locations that afford them the opportunity of seeking transportation service directly from interstate pipelines, thereby bypassing Gas Utility. In addition, more than 20% of Gas Utility’s annual throughput volume for commercial and industrial customers is from customers who are served under interruptible rates and are also in a location near an interstate pipeline. Gas Utility has 38 such customers, 34 of which have transportation contracts extending beyond Fiscal 2018. The majority of these customers are served under transportation contracts having 3- to 10-year terms and all are among the largest customers for Gas Utility in terms of annual volumes. No single customer represents, or is anticipated to represent, more than 5% of Gas Utility’s total revenues.

## ***Outlook for Gas Service and Supply***

Gas Utility anticipates having adequate pipeline capacity, peaking services and other sources of supply available to it to meet the full requirements of all firm customers on its system through Fiscal 2018. Supply mix is diversified, market priced and delivered pursuant to a number of long-term and short-term primary firm transportation and storage arrangements, including transportation contracts held by some of Gas Utility’s larger customers.

During Fiscal 2017, Gas Utility supplied transportation service to nine electric generation facilities and installed new service to one co-generation facility. Gas Utility continues to seek new residential, commercial, and industrial customers for both firm and interruptible service. In Fiscal 2017, Gas Utility connected approximately 2,000 new commercial and industrial customers. In the residential market sector, Gas Utility added over 12,000 residential heating customers during Fiscal 2017. Approximately 65% of these customers converted to natural gas heating from other energy sources, mainly oil and electricity. New home construction and existing non-heating gas customers who added gas heating systems to replace other energy sources primarily accounted for the other residential heating connections in Fiscal 2017.

UGI Utilities continues to monitor and participate, where appropriate, in rulemaking and individual rate and tariff proceedings before FERC affecting the rates and the terms and conditions under which Gas Utility transports and stores natural gas. Among these proceedings are those arising out of certain FERC orders and/or pipeline filings that relate to (i) the pricing of pipeline services in a competitive energy marketplace, (ii) the flexibility of the terms and conditions of pipeline service tariffs and contracts, and (iii) pipelines' requests to increase their base rates, or change the terms and conditions of their storage and transportation services.

UGI Utilities' objective in negotiations with interstate pipeline and natural gas suppliers, and in proceedings before regulatory agencies, is to ensure availability of supply, transportation and storage alternatives to serve market requirements at the lowest cost possible, taking into account the need for security with guaranteed deliverability and reliability of supply. Consistent with that objective, UGI Utilities negotiates the terms of firm transportation capacity on all pipelines serving it, arranges for appropriate storage and peak-shaving resources, negotiates with producers for competitively priced gas purchases and aggressively participates in regulatory proceedings related to transportation rights and costs of service.

### **Gas Utility Regulation and Rates**

#### ***Pennsylvania Public Utility Commission Jurisdiction and Gas Utility Rates***

Gas Utility is subject to regulation by the PUC as to rates, terms and conditions of service, accounting matters, issuance of securities, contracts and other arrangements with affiliated entities, gas safety and various other matters. Rates that Gas Utility may charge for gas service come in two forms: (i) rates designed to recover purchased gas costs ("PGCs"); and (ii) rates designed to recover costs other than PGCs. Rates designed to recover PGCs are reviewed in PGC proceedings. Rates designed to recover costs other than PGCs are primarily established in general base rate proceedings.

In January 2016, UGI Gas filed a request with the PUC for its first base rate increase in over 21 years. On October 14, 2016, the PUC approved a settlement that was effective October 19, 2016 and resulted in a \$27.0 million increase in annual base rate revenues. The settlement permitted UGI Gas to establish new reconcilable surcharges to permit the timely recovery of the costs of universal service programs designed to assist low income customers, and costs associated with a new energy efficiency and conservation program. UGI Gas was also permitted to implement a new Technology and Economic Development Rider to provide additional flexibility in establishing the rates of smaller volume commercial and industrial customers to encourage cost-effective load growth.

On January 19, 2017, PNG filed a rate request with the PUC to increase PNG's base operating revenues for residential, commercial, and industrial customers by \$21.7 million annually. On August 31, 2017, the PUC approved a settlement that permitted PNG to increase its annual base distribution rates by \$11.3 million, effective October 20, 2017. The settlement also permitted PNG to recover costs associated with a new energy efficiency and conservation program and, similar to UGI Gas, also permitted PNG to implement a new Technology and Economic Development Rider to provide additional flexibility in establishing the rates of smaller volume commercial and industrial customers to encourage cost-effective load growth.

On February 20, 2014, the PUC entered an order approving a Growth Extension Tariff ("GET Gas") program under which UGI Gas, PNG, and CPG may invest up to \$5 million per year for five years, or \$75 million in the aggregate for all three utilities, to extend natural gas utility pipelines to provide service to unserved and underserved areas within their respective territories. Under the GET Gas program, customers utilizing the extended pipeline to receive natural gas will pay a monthly surcharge over a 10-year period to cover the cost of the extension. Gas Utility began connecting customers under the GET Gas program in October 2014.

In February 2012, Act 11 of 2012 ("Act 11") became effective. Among other things, Act 11 authorized the PUC to permit electric and gas distribution companies, between base rate cases and subject to certain conditions, to recover reasonable and prudent costs incurred to repair, improve or replace eligible property through a Distribution System Improvement Charge ("DSIC") assessed to customers. DSICs are subject to quarterly adjustment, are capped at five percent of total customer charges absent a PUC-granted exception, may only be sought if a base rate case has been filed within the last five years, and are subject to certain earnings tests. In addition, Act 11 requires affected utilities to obtain approval of long-term infrastructure improvement plans ("LTIIP") from the PUC. Act 11 also authorized electric and gas distribution companies to utilize a fully forecasted future test year when establishing rates in base rate cases before the PUC.

The PUC approved LTIIPs for UGI Gas, PNG, and CPG in 2014, and on June 30, 2016, approved a revised LTIIP for these entities that increases the projected spend on DSIC-eligible property for the 2016-2018 period from approximately \$266.3 million to \$402.8 million. The PUC also approved DSIC mechanisms for PNG and CPG in September 2014 and July 2015, respectively; both PNG and CPG are collecting revenues under their respective DSICs. On March 31, 2016, PNG and CPG filed petitions with the PUC seeking to increase the cap on their DSIC rate mechanisms from five percent to ten percent of billed distribution revenues.

On May 10, 2017, the PUC issued a final Order to approve an increase of the maximum allowable DSIC to 7.5% of billed distribution revenues effective July 1, 2017, for PNG and CPG, pending reconsideration of an LTIP filing in 2018.

On November 9, 2016, UGI Gas received PUC approval to establish a DSIC tariff mechanism effective January 1, 2017. Revenues collected pursuant to the mechanism will be subject to refund and recoupment based on the PUC's final resolution of certain matters set aside for hearing before an Administrative Law Judge. To commence recovery of revenue under the mechanism, UGI Gas must first place into service a threshold level of DSIC-eligible plant agreed upon in the settlement of its recent base rate case. Achievement of that threshold is likely to occur in Fiscal 2018.

The gas service tariffs for UGI Gas, PNG and CPG contain PGC rates applicable to firm retail rate schedules for customers who do not obtain natural gas supply service from an alternative supplier. These PGC rates permit recovery of substantially all of the prudently incurred costs of natural gas that UGI Gas, PNG and CPG sell to their customers. PGC rates are reviewed and approved annually by the PUC. UGI Gas, PNG and CPG may request quarterly or, under certain conditions, monthly adjustments to reflect the actual cost of gas. Quarterly adjustments become effective on one day's notice to the PUC and are subject to review during the next annual PGC filing. Each proposed annual PGC rate is required to be filed with the PUC six months prior to its effective date. During this period, the PUC holds hearings to determine whether the proposed rate reflects a least-cost fuel procurement policy consistent with the obligation to provide safe, adequate and reliable service. After completion of these hearings, the PUC issues an order permitting the collection of gas costs at levels that meet such standard. The PGC mechanism also provides for an annual reconciliation and for the payment or collection of interest on over and under collections. UGI Gas, PNG and CPG may assign to and recover from alternative natural gas suppliers the costs of gas supply contracts and transportation capacity acquired to serve the needs of smaller volume customers who elect to receive their natural gas supply service from an alternative supplier.

On April 28, 2017, UGI Gas, PNG and CPG filed the Gas Delivery Enhancement Rider ("GDE") with the PUC. The GDE provides a tariff mechanism to recover from certain non-choice transportation customers a portion of the costs associated with temporary mobile sources of gas supply and interstate pipeline demand charge enhancements (collectively, "GDE Charges") that are incurred to achieve least-cost timely solutions to system reinforcement needs or for pipeline integrity management activities. GDE Charges exclude costs that are recovered through existing PGC rate mechanisms as established in each company's annual 66 Pa.C.S. § 1307(f) PGC proceeding. On August 31, 2017, the PUC entered an order approving the GDE Rider for all three companies.

On June 23, 2016, Act 47 of 2016 was enacted. Act 47 revised the interest rates that are applied to PGC over and under collections, removed the requirement that over and under collections be assessed to customers who leave default service to obtain natural gas from an alternative supplier by way of a so-called migration rider, provided additional assurance of cost recovery for PGC costs, and granted natural gas distribution companies the right to recover the reasonable costs incurred to implement customer choice on a full and current basis through a reconcilable rate mechanism. Gas Utility implemented the interest rate revision and migration rider provisions of Act 47 in December 2016.

#### ***FERC Market Manipulation Rules and Other FERC Enforcement and Regulatory Powers***

UGI Utilities is subject to Section 4A of the Natural Gas Act, which prohibits the use or employment of any manipulative or deceptive devices or contrivances in connection with the purchase or sale of natural gas or natural gas transportation subject to the jurisdiction of FERC, and FERC regulations that are designed to promote the transparency, efficiency, and integrity of gas markets. UGI Utilities is also subject to Section 222 of the Federal Power Act, which prohibits the use or employment of any manipulative or deceptive devices or contrivances in connection with the purchase or sale of electric energy or transmission service subject to the jurisdiction of FERC, and FERC regulations that are designed to promote the transparency, efficiency, and integrity of electric markets.

#### ***State Tax Surcharge Clauses***

UGI Utilities' gas service tariffs contain state tax surcharge clauses. The surcharges are recomputed whenever any of the tax rates included in their calculation are changed. These clauses protect UGI Utilities from the effects of increases in most of the Pennsylvania taxes to which it is subject.

#### ***Utility Franchises***

UGI Utilities, PNG and CPG each hold certificates of public convenience issued by the PUC and certain "grandfather rights" predating the adoption of the Pennsylvania Public Utility Code and its predecessor statutes, which each of them believes are adequate to authorize them to carry on their business in substantially all of the territories to which they now render gas service. Under applicable Pennsylvania law, UGI Utilities, PNG and CPG also have certain rights of eminent domain as well as the right to maintain their facilities in streets and highways in their territories.

## ***Other Government Regulation***

In addition to regulation by the PUC and FERC, Gas Utility is subject to various federal, state and local laws governing environmental matters, occupational health and safety, pipeline safety and other matters. Gas Utility is subject to the requirements of the Resource Conservation and Recovery Act, CERCLA, and comparable state statutes with respect to the release of hazardous substances on property owned or operated by Gas Utility. See Note 15 to Consolidated Financial Statements.

## ***Employees***

At September 30, 2017, Gas Utility had more than 1,560 employees.

## ***ELECTRIC UTILITY***

Electric Utility supplies electric service to approximately 62,000 customers in portions of Luzerne and Wyoming counties in northeastern Pennsylvania through a system consisting of over 2,200 miles of transmission and distribution lines and 13 substations. At September 30, 2017, UGI Utilities' electric utility operations had nearly 70 employees.

Electric Utility is permitted to recover prudently incurred electricity costs, including costs to obtain supply to meet its customers' energy requirements, pursuant to a supply plan filed with the PUC. UGI Utilities' electric utility operations are subject to regulation by the PUC as to rates, terms and conditions of service, accounting matters, issuance of securities, contracts and other arrangements with affiliated entities, electric safety and various other matters. The most recent general base rate increase for Electric Utility became effective in 1996. PUC default service regulations became applicable to Electric Utility's provision of default service effective January 1, 2010 and Electric Utility, consistent with these regulations, has received PUC approval through May 31, 2021 of (i) default service tariff rules, (ii) a reconcilable default service cost rate recovery mechanism to recover the cost of acquiring default service supplies, (iii) a plan for meeting the post-2009 requirements of the Alternative Energy Portfolio Standards Act ("AEPS Act"), which requires Electric Utility to directly or indirectly acquire certain percentages of its supplies from designated alternative energy sources, and (iv) a reconcilable AEPS Act cost recovery rate mechanism to recover the costs of complying with AEPS Act requirements applicable to default service supplies for service rendered through May 31, 2021. Under these rules, default service rates for most customers are adjusted quarterly. On August 16, 2017, Electric Utility filed a Petition for Approval of its initial LTIP with the PUC for the 2018-2022 time period. Electric Utility's projected annual investment in distribution infrastructure replacement will be approximately \$7.6 million beginning in Fiscal 2018, increasing to \$8.3 million by the fiscal year ending September 30, 2022.

FERC has jurisdiction over the rates and terms and conditions of service of electric transmission facilities used for wholesale or retail choice transactions. Electric Utility owns electric transmission facilities that are within the control area of PJM and are dispatched in accordance with a FERC-approved open access tariff and associated agreements administered by PJM. PJM is a regional transmission organization that regulates and coordinates generation supply and the wholesale delivery of electricity. Electric Utility receives certain revenues collected by PJM, determined under a formulary rate schedule that is adjusted in June of each year to reflect annual changes in Electric Utility's electric transmission revenue requirements, when its transmission facilities are used by third parties. FERC has jurisdiction over the rates and terms and conditions of service of wholesale sales of electric capacity and energy. Electric Utility has a tariff on file with FERC pursuant to which it may make power sales to wholesale customers at market-based rates.

Under provisions of the Energy Policy Act of 2005 ("EPACT 2005"), Electric Utility is subject to certain electric reliability standards established by FERC and administered by an Electric Reliability Organization ("ERO"). Electric Utility anticipates that substantially all the costs of complying with the ERO standards will be recoverable through its PJM formulary electric transmission rate schedule.

EPACT 2005 also granted FERC authority to impose substantial civil penalties for the violation of any regulations, orders or provisions under the Federal Power Act and Natural Gas Act and clarified FERC's authority over certain utility or holding company mergers or acquisitions of electric utilities or electric transmitting utility property valued at \$10 million or more.

## **BUSINESS SEGMENT INFORMATION**

The table stating the amounts of revenues, operating income and identifiable assets attributable to each of UGI's reportable business segments, and to the geographic areas in which we operate, for the 2017, 2016 and 2015 fiscal years appears in Note 21 to Consolidated Financial Statements included in Item 8 of this Report and is incorporated herein by reference.

## EMPLOYEES

At September 30, 2017, UGI and its subsidiaries had approximately 13,000 employees.

### ITEM 1A. RISK FACTORS

There are many factors that may affect our business and results of operations. Additional discussion regarding factors that may affect our business and operating results is included elsewhere in this Report.

***Our holding company structure could limit our ability to pay dividends or debt service.***

We are a holding company whose material assets are the stock of our subsidiaries. Our ability to pay dividends on our common stock and to pay principal and accrued interest on our debt, if any, depends on the payment of dividends to us by our principal subsidiaries, AmeriGas, Inc., UGI Utilities, and Enterprises (including UGI International). Payments to us by those subsidiaries, in turn, depend upon their consolidated results of operations and cash flows. The operations of our subsidiaries are affected by conditions beyond our control, including weather, local regulations, competition in national and international markets we serve, the costs and availability of propane, butane, natural gas, electricity, and other energy sources and capital market conditions. The ability of our subsidiaries to make payments to us is also affected by the level of indebtedness of our subsidiaries, which is substantial, and the restrictions on payments to us imposed under the terms of such indebtedness.

***Supplier defaults may have a negative effect on our operating results.***

When the Company's subsidiaries enter into fixed-price sales contracts with customers, they typically enter into fixed-price purchase contracts with suppliers. Depending on changes in the market prices of products compared to the prices secured in our contracts with suppliers of LPG, natural gas and electricity, a default of one or more of our suppliers under such contracts could cause us to purchase those commodities at higher prices, which would have a negative impact on our operating results.

***We are dependent on our principal propane suppliers, which increases the risks from an interruption in supply and transportation.***

During Fiscal 2017, AmeriGas Propane purchased over 88% of its propane needs from twenty suppliers. If supplies from these sources were interrupted, the cost of procuring replacement supplies and transporting those supplies from alternative locations might be materially higher and, at least on a short-term basis, our earnings could be affected. Additionally, in certain geographic areas, a single supplier may provide more than 50% of AmeriGas Propane's propane requirements. Disruptions in supply in these geographic areas could also have an adverse impact on our earnings. Our international businesses are similarly dependent upon their suppliers. For example, during Fiscal 2017, UGI International's business in the United Kingdom purchased over 90% of its propane needs from two suppliers. There is no assurance that our international businesses will be able to continue to acquire sufficient supplies of LPG to meet demand at prices or within time periods that would allow them to remain competitive.

***Our ability to grow our businesses will be adversely affected if we are not successful in making acquisitions or integrating the acquisitions we have made.***

One of our strategies is to grow through acquisitions in the U.S. and in international markets. We may choose to finance future acquisitions with debt, equity, cash or a combination of the three. We can give no assurances that we will find attractive acquisition candidates in the future, that we will be able to acquire such candidates on economically acceptable terms, that we will be able to finance acquisitions on economically acceptable terms, that any acquisitions will not be dilutive to earnings or that any additional debt incurred to finance an acquisition will not affect our ability to pay dividends.

In addition, the restructuring of the energy markets in the U.S. and internationally, including the privatization of government-owned utilities and the sale of utility-owned assets, is creating opportunities for, and competition from, well-capitalized competitors, which may affect our ability to achieve our business strategy.

To the extent we are successful in making acquisitions, such acquisitions involve a number of risks. These risks include, but are not limited to, the assumption of material liabilities, environmental liabilities, the diversion of management's attention from the management of daily operations to the integration of operations, difficulties in the assimilation and retention of employees and difficulties in the assimilation of different cultures and practices and internal controls, as well as in the assimilation of broad and geographically dispersed personnel and operations. The failure to successfully integrate acquisitions could have an adverse effect on our business, financial condition and results of operations.

***Regulators may not approve the rates we request and existing rates may be challenged, which may adversely affect our results of operations.***

In our UGI Utilities segment, our distribution operations are subject to regulation by the PUC. The PUC, among other things, approves the rates that UGI Utilities and its subsidiaries, PNG and CPG, may charge their utility customers, thus impacting the returns that UGI Utilities and its subsidiaries may earn on the assets that are dedicated to those operations. We expect that UGI Utilities and its subsidiaries will periodically file requests with the PUC to increase base rates that each company charges customers. If UGI Utilities or its applicable subsidiary is required in a rate proceeding to reduce the rates it charges its utility customers, or is unable to obtain approval for timely rate increases from the PUC, particularly when necessary to cover increased costs, UGI Utilities' or such subsidiary's revenue growth will be limited and earnings may decrease.

***We are subject to operating and litigation risks that may not be covered by insurance.***

Our business operations in the U.S. and other countries are subject to all of the operating hazards and risks normally incidental to the handling, storage and distribution of combustible products, such as LPG, propane and natural gas, and the generation of electricity. These risks could result in substantial losses due to personal injury and/or loss of life, and severe damage to and destruction of property and equipment arising from explosions and other catastrophic events, including acts of terrorism. As a result, we are sometimes a defendant in legal proceedings and litigation arising in the ordinary course of business. Additionally, environmental contamination could result in future legal proceedings. There can be no assurance that our insurance coverage will be adequate to protect us from all material expenses related to pending and future claims or that such levels of insurance would be available in the future at economical prices.

***Our operations, capital expenditures and financial results may be affected by regulatory changes and/or market responses to global climate change.***

Increased regulation of GHG emissions, such as propane and methane, could impose significant additional costs on us, our suppliers and our customers. Some states have adopted laws and regulations regulating the emission of GHGs for some industry sectors. For example, the California Environmental Protection Agency established a Cap & Trade program that requires certain covered entities, including propane companies, to purchase allowances to compensate for the GHG emissions created by their business operations. In September 2009, the EPA issued a final rule establishing a system for mandatory reporting of GHG emissions. In November 2010, the EPA expanded the reach of its GHG reporting requirements to include the petroleum and natural gas industries, which include certain facilities of our natural gas distribution business. These subject facilities have been required to monitor emissions since January 2011 and to submit detailed annual reports beginning in March 2012. In October 2015, the EPA promulgated the Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units (the "Clean Power Plan"), which provides standards and guidelines for reducing existing power plants' GHG emissions and related pollutants by 2030. However, in October 2017, the EPA announced its proposal to repeal the Clean Power Plan in its entirety on the grounds that it exceeds the EPA's delegated authority under the Clean Air Act. At this time, we cannot predict the effect that climate change regulation may have on our business, financial condition or operations in the future.

***Our international operations could be subject to increased risks, which may negatively affect our business results.***

We currently operate LPG distribution and energy marketing businesses in Europe through our subsidiaries and we continue to explore the expansion of our international businesses. As a result, we face risks in doing business abroad that we do not face domestically. Certain aspects inherent in transacting business internationally could negatively impact our operating results, including:

- costs and difficulties in staffing and managing international operations;
- tariffs and other trade barriers;
- difficulties in enforcing contractual rights;
- longer payment cycles;
- local political and economic conditions;
- potentially adverse tax consequences, including restrictions on repatriating earnings, potential increases to corporate income taxes and the threat of "double taxation";
- fluctuations in currency exchange rates, which can affect demand and increase our costs;
- internal control and risk management practices and policies;
- potential violations of federal regulatory requirements, including the Foreign Corrupt Practices Act of 1977, as amended, and European Union regulatory requirements;
- regulatory requirements and changes in regulatory requirements, including Norwegian, Swiss and EU competition laws that may adversely affect the terms of contracts with customers, including with respect to exclusive supply rights, and



stricter regulations applicable to the storage and handling of LPG; and

- new and inconsistently enforced LPG industry regulatory requirements, which can have an adverse effect on our competitive position.

***Changes in data privacy and protection laws and regulations, particularly in Europe, or any failure to comply with such laws and regulations, could adversely affect our business and financial results.***

There has been increased public attention regarding the use of personal information and data transfer, accompanied by legislation and regulations intended to strengthen data protection, information security and consumer and personal privacy. The law in these areas continues to develop and the changing nature of privacy laws in the U.S., the European Union and elsewhere could impact our processing of personal and sensitive information of our employees, vendors and customers. The European Union adopted a comprehensive General Data Privacy Regulation (the “GDPR”) in May 2016 that will replace the current EU Data Protection Directive and related country-specific legislation. The GDPR will become fully effective in May 2018.

The GDPR requires companies to satisfy new requirements regarding the handling of personal and sensitive data, including its use, protection and the ability of persons whose data is stored to correct or delete such data about themselves. Failure to comply with GDPR requirements could result in penalties of up to 4% of worldwide revenue. The GDPR and other similar laws and regulations, as well as any associated inquiries or investigations or any other government actions, may be costly to comply with, result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to remedies that may harm our business, including fines or demands or orders that we modify or cease existing business practices.

***Expanding our midstream asset business by constructing new facilities subjects us to risks.***

We seek to grow our midstream asset business by constructing new pipelines and gathering systems. These construction projects involve numerous regulatory, environmental, political and legal uncertainties beyond our control and require the expenditure of significant amounts of capital. These projects may not be completed on schedule, or at all, or at the anticipated costs. Moreover, our revenues may not increase immediately upon the expenditure of funds on a particular project. We may construct facilities to capture anticipated future growth in production and demand in an area in which anticipated growth and demand does not materialize. As a result, there is the risk that new and expanded facilities may not be able to attract enough customers to achieve our expected investment returns, which could have a material adverse effect on our business, financial condition and results of operations.

***Decreases in the demand for our energy products and services because of warmer-than-normal heating season weather or unfavorable weather may adversely affect our results of operations.***

Because many of our customers rely on our energy products and services to heat their homes and businesses, our results of operations are adversely affected by warmer-than-normal heating season weather. Weather conditions have a significant impact on the demand for our energy products and services for both heating and agricultural purposes. Accordingly, the volume of our energy products sold is at its highest during the peak heating season of October through March and is directly affected by the severity of the winter weather. For example, historically, approximately 60% to 70% of AmeriGas Partners’ annual retail propane volume, 60% to 70% of the annual retail LPG volume of UGI International’s operations in France, and 60% to 70% of Gas Utility’s natural gas throughput (the total volume of gas sold to or transported for customers within our distribution system) has been sold during these months. There can be no assurance that normal winter weather in our market areas will occur in the future.

***Energy efficiency and technology advances, as well as price induced customer conservation, may result in reduced demand for our energy products and services.***

The trend toward increased conservation and technological advances, including installation of improved insulation and the development of more efficient furnaces and other heating devices, may reduce the demand for energy products. Prices for LPG and natural gas are subject to volatile fluctuations in response to changes in supply and other market conditions. During periods of high energy commodity costs, our prices generally increase, which may lead to customer conservation and attrition. A reduction in demand could lower our revenues and, therefore, lower our net income and adversely affect our cash flows. State and/or federal regulation may require mandatory conservation measures, which would reduce the demand for our energy products. We cannot predict the materiality of the effect of future conservation measures or the effect that any technological advances in heating, conservation, energy generation or other devices might have on our operations.

***Changes in commodity market prices may have a significant negative effect on our liquidity.***

Depending on the terms of our contracts with suppliers as well as our use of financial instruments to reduce volatility in the cost of propane, changes in the market price of propane can create margin payment obligations for us and expose us to an increased



liquidity risk. In addition, increased demand for domestically produced propane overseas may, depending on production volumes in the U.S., result in higher domestic propane prices and expose us to additional liquidity risks.

***Our potential to increase revenues may be affected by the decline of the retail propane industry and our ability to retain and grow our customer base.***

The retail LPG distribution industry in the U.S. and each of the Western European countries in which we operate is mature and has been declining over the past several years, with no or modest growth in total demand foreseen in the next several years. Accordingly, we expect that year-to-year industry volumes will be principally affected by weather patterns. Therefore, our ability to grow within the LPG industry is dependent on our ability to acquire other retail distributors and to achieve internal growth, which includes expansion of the domestic ACE and National Accounts programs in the U.S., as well as the success of our sales and marketing programs designed to attract and retain customers. A failure to retain and grow our customer base would have an adverse effect on our results.

***UGI Utilities' transmission and distribution systems may not operate as planned, which may increase expenses or decrease UGI Utilities' revenues and, thus, have an adverse effect on our financial results.***

Our ability to manage operational risk with respect to UGI Utilities' transmission and distribution systems is critical to our financial results. The business also faces several risks, including the breakdown or failure of or damage to equipment or processes (especially due to severe weather or natural disasters), accidents and other factors. Operation of UGI Utilities' transmission and distribution systems below our expectations may result in lost revenues or increased expenses, including higher maintenance costs.

***The risk of terrorism may adversely affect the economy and the price and availability of LPG, other refined fuels and natural gas.***

Terrorist attacks and political unrest may adversely impact the price and availability of LPG (including propane), other refined fuels, and natural gas, as well as our results of operations, our ability to raise capital, and our future growth. The impact that the foregoing may have on our industries in general, and on us in particular, is not known at this time. An act of terror could result in disruptions of crude oil or natural gas supplies and markets (the sources of LPG), cause price volatility in the cost of propane, fuel oil, and natural gas, and our infrastructure facilities could be direct or indirect targets. Terrorist activity may also hinder our ability to transport LPG and other refined fuels if our means of supply transportation, such as rail or pipeline, become damaged as a result of an attack. A lower level of economic activity could result in a decline in energy consumption, which could adversely affect our revenues or restrict our future growth. Instability in the financial markets as a result of terrorism could also affect our ability to raise capital. We have opted to purchase insurance coverage for terrorist acts within our property and casualty insurance programs, but we can give no assurance that our insurance coverage would be adequate to fully compensate us for any losses to our business or property resulting from terrorist acts.

***If we are unable to protect our information technology systems against service interruption, misappropriation of data, or breaches of security resulting from cyber security attacks or other events, or we encounter other unforeseen difficulties in the operation of our information technology systems, our operations could be disrupted, our business and reputation may suffer, and our internal controls could be adversely affected.***

In the ordinary course of business, we rely on information technology systems, including the Internet and third-party hosted services, to support a variety of business processes and activities and to store sensitive data, including (i) intellectual property, (ii) our proprietary business information and that of our suppliers and business partners, (iii) personally identifiable information of our customers and employees, and (iv) data with respect to invoicing and the collection of payments, accounting, procurement, and supply chain activities. In addition, we rely on our information technology systems to process financial information and results of operations for internal reporting purposes and to comply with financial reporting, legal, and tax requirements. Despite our security measures, our information technology systems may be vulnerable to attacks by hackers or breached due to employee error, malfeasance, sabotage, or other disruptions. A loss of our information technology systems, or temporary interruptions in the operation of our information technology systems, misappropriation of data, and breaches of security could have a material adverse effect on our business, financial condition, results of operations, and reputation. In addition, a cyber security attack could provide a cyber intruder with the ability to control or alter our pipeline operations. Such an act could result in critical pipeline failures.

Moreover, the efficient execution of the Company's businesses is dependent upon the proper functioning of its internal systems, such as the information technology systems that support the Company's underlying business processes. Any significant failure or malfunction of such information technology systems may result in disruptions of our operations. In addition, the effectiveness of our internal controls could be adversely affected if we encounter unforeseen problems with respect to the operation of our

information technology systems. While we have purchased cyber security insurance, there are no assurances that the coverage would be adequate in relation to any incurred losses.

***Our operations may be adversely affected by competition from other energy sources.***

Our energy products and services face competition from other energy sources, some of which are less costly for equivalent energy value. In addition, we cannot predict the effect that the development of alternative energy sources might have on our operations.

Our propane businesses compete for customers against suppliers of electricity, fuel oil and natural gas. Electricity is a major competitor of propane but, except in France, is generally more expensive than propane on a Btu equivalent basis for space heating, water heating and cooking. Notwithstanding cost, the convenience and efficiency of electricity make it an attractive energy source for consumers and developers of new homes. In addition, due to the prevalence of nuclear electric generation in France, the cost of electricity is generally less expensive than that of LPG, particularly when the cost to install new equipment to convert to LPG is considered. Fuel oil is also a major competitor of propane but is currently more expensive than propane as well as a less environmentally attractive energy source. Historically, however, fuel oil has been less expensive than propane. Furnaces and appliances that burn propane will not operate on fuel oil and vice versa, and, therefore, a conversion from one fuel to the other requires the installation of new equipment. Our customers generally have an incentive to switch to fuel oil only if fuel oil becomes significantly less expensive than propane. Except for certain industrial and commercial applications, propane is generally not competitive with natural gas in areas where natural gas pipelines already exist because natural gas is generally a significantly less expensive source of energy than propane. The gradual expansion of natural gas distribution systems in our service areas has resulted, and may continue to result, in the availability of natural gas in some areas that previously depended upon propane. As long as natural gas remains a less expensive energy source than propane, our propane business will lose customers in each region into which natural gas distribution systems are expanded.

Our natural gas businesses compete primarily with electricity and fuel oil, and, to a lesser extent, with propane and coal. Competition among these fuels is primarily a function of their comparative price and the relative cost and efficiency of fuel utilization equipment. There can be no assurance that our natural gas revenues will not be adversely affected by this competition.

***Our need to comply with, and respond to industry-wide changes resulting from, comprehensive, complex, and sometimes unpredictable governmental regulations, including regulatory initiatives aimed at increasing competition within our industry, may increase our costs and limit our revenue growth, which may adversely affect our operating results.***

While we generally refer to our UGI Utilities segment as our “regulated segment,” there are many governmental regulations that have an impact on all of our businesses. Currently, we are subject to extensive and changing international, federal, state, and local safety, health, transportation, tax, and environmental laws and regulations governing the storage, distribution, and transportation of our energy products. Moreover, existing statutes and regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to the Company that may affect our businesses in ways that we cannot predict.

New regulations, or a change in the interpretation of existing regulations, could result in increased expenditures. In addition, for many of our operations, we are required to obtain permits from regulatory authorities and, in some cases, such regulatory permits could subject our operations to additional regulations and standards of conduct. Failure to obtain or comply with these permits or applicable regulations and standards of conduct could result in civil and criminal fines or the cessation of the operations in violation. Governmental regulations and policies in the U.S. and Europe may provide for subsidies or incentives to customers who use alternative fuels instead of carbon fuels. These subsidies and incentives may result in reduced demand for our energy products and services.

We are investigating and remediating contamination at a number of present and former operating sites in the U.S., including former sites where we or our former subsidiaries operated manufactured gas plants. We have also received claims from third parties that allege that we are responsible for costs to clean up properties where we or our former subsidiaries operated a manufactured gas plant or conducted other operations. Costs we incur to remediate sites outside of Pennsylvania cannot currently be recovered in PUC rate proceedings, and insurance may not cover all or even part of these costs. Our actual costs to clean up these sites may exceed our current estimates due to factors beyond our control, such as:

- the discovery of presently unknown conditions;
- changes in environmental laws and regulations;
- judicial rejection of our legal defenses to third-party claims; or
- the insolvency of other responsible parties at the sites at which we are involved.

Moreover, if we discover additional contaminated sites, we could be required to incur material costs, which would reduce our net

income.

We also may be unable to timely respond to changes within the energy and utility sectors that may result from regulatory initiatives to further increase competition within our industry. Such regulatory initiatives may create opportunities for additional competitors to enter our markets and, as a result, we may be unable to maintain our revenues or continue to pursue our current business strategy.

***Our profitability is subject to LPG pricing and inventory risk.***

The retail LPG business is a “margin-based” business in which gross profits are dependent upon the excess of the sales price over LPG supply costs. LPG is a commodity, and, as such, its unit price is subject to volatile fluctuations in response to changes in supply or other market conditions. We have no control over these market conditions. Consequently, the unit price of the LPG that our subsidiaries and other marketers purchase can change rapidly over a short period of time. Most of our domestic LPG product supply contracts permit suppliers to charge posted prices at the time of delivery or the current prices established at major U.S. storage points such as Mont Belvieu, Texas or Conway, Kansas. Most of our international LPG supply contracts are based on internationally quoted market prices. Because our subsidiaries’ profitability is sensitive to changes in wholesale propane supply costs, it will be adversely affected if we cannot pass on increases in the cost of propane to our customers. Due to competitive pricing in the industry, our subsidiaries may not fully be able to pass on product cost increases to our customers when product costs rise, or when our competitors do not raise their product prices in a timely manner. Finally, market volatility may cause our subsidiaries to sell LPG at less than the price at which they purchased it, which would adversely affect our operating results.

***Economic recession, volatility in the stock market and the low interest rate environment may negatively impact our pension liability.***

Economic recession, volatility in the stock market and the low interest rate environment have had a significant impact on our pension liability and funded status. Declines in the stock or bond market and valuation of stocks or bonds, combined with continued low interest rates, could further impact our pension liability and funded status and increase the amount of required contributions to our pension plans.

***The adoption of financial reform legislation by the United States Congress and related regulations may have an adverse effect on our ability to use derivative instruments to hedge risks associated with our business.***

Congress adopted the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Act”) in 2010, which contains comprehensive financial reform legislation. Our businesses are subject to Title VII of the Act, which imposes rules aimed at anti-market manipulation, and includes regulation on the over-the-counter derivatives market and entities that participate in that market. The Act requires the Commodity Futures Trading Commission (“CFTC”), the U.S. Securities and Exchange Commission (“SEC”) and other regulators to implement the Act’s provisions. Most rules and regulations required to be issued by the CFTC under the Act have been finalized, but there are some additional rules and regulations that have yet to be adopted. It is possible that the rules and regulations under the Act may increase our cost of using derivative instruments to hedge risks associated with our business or may reduce the availability of such instruments to protect against risks we encounter. While costs imposed directly on us due to regulatory requirements for derivatives under the Act, such as reporting recordkeeping and electing the end-user exception from mandatory clearing, are relatively minor, increased costs may arise from clearing, trade execution, margin, capital, reporting, recordkeeping, compliance and business conduct requirements imposed upon our counterparties to the extent those costs are passed through to us. Position limits also may be imposed that could further limit our ability to hedge risks and may impose compliance and reporting obligations on us. To the extent new rules and regulations impose on our bank counterparties more collateral or margin for individual transactions, our available liquidity also may be adversely affected. Accordingly, our business and operating results may be adversely affected if, as a result of the Act and the rules and regulations promulgated under the Act, we are forced to reduce or modify our current use of derivatives.

*Volatility in credit and capital markets may restrict our ability to grow, increase the likelihood of defaults by our customers and counterparties and adversely affect our operating results.*

The volatility in credit and capital markets may create additional risks to our businesses in the future. We are exposed to financial market risk (including refinancing risk) resulting from, among other things, changes in interest rates and conditions in the credit and capital markets. Developments in the credit markets during the past few years increase our possible exposure to the liquidity, default and credit risks of our suppliers and vendors, counterparties associated with derivative financial instruments and our customers. Although we believe that current financial market conditions, if they were to continue for the foreseeable future, will not have a significant impact on our ability to fund our existing operations, such market conditions could restrict our ability to grow through acquisitions, limit the scope of major capital projects if access to credit and capital markets is limited, or adversely affect our operating results.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 3. LEGAL PROCEEDINGS**

With the exception of those matters set forth in Note 15 to Consolidated Financial Statements included in Item 8 of this Report, no material legal proceedings are pending involving the Company, any of its subsidiaries, or any of their properties, and no such proceedings are known to be contemplated by governmental authorities other than claims arising in the ordinary course of business.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

None.

#### **EXECUTIVE OFFICERS**

Information regarding our executive officers is included in Part III of this Report and is incorporated in Part I by reference.

**PART II:****ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our Common Stock is traded on the New York Stock Exchange under the symbol “UGI.” The following table sets forth the high and low sales prices for the Common Stock on the New York Stock Exchange Composite Transactions tape as reported in *The Wall Street Journal* for each full quarterly period within the two most recent fiscal years.

<b>2017 Fiscal Year</b>	<b>High</b>	<b>Low</b>
4th Quarter	\$ 51.11	\$ 46.59
3rd Quarter	\$ 52.00	\$ 45.91
2nd Quarter	\$ 50.38	\$ 45.03
1st Quarter	\$ 46.66	\$ 41.79

<b>2016 Fiscal Year</b>	<b>High</b>	<b>Low</b>
4th Quarter	\$ 48.13	\$ 43.83
3rd Quarter	\$ 45.25	\$ 39.20
2nd Quarter	\$ 40.85	\$ 31.59
1st Quarter	\$ 37.51	\$ 31.51

**Dividends**

Quarterly dividends per common share on our Common Stock were paid in Fiscal 2017 and Fiscal 2016 as follows:

<b>2017 Fiscal Year</b>	<b>Amount</b>
4th Quarter	\$ 0.2500
3rd Quarter	\$ 0.2375
2nd Quarter	\$ 0.2375
1st Quarter	\$ 0.2375

<b>2016 Fiscal Year</b>	<b>Amount</b>
4th Quarter	\$ 0.2375
3rd Quarter	\$ 0.2275
2nd Quarter	\$ 0.2275
1st Quarter	\$ 0.2275

**Record Holders**

On November 14, 2017, UGI had 6,095 holders of record of Common Stock.

## Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth information with respect to the Company's repurchases of its Common Stock during the quarter ended September 30, 2017.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1, 2017 to July 31, 2017	0	-	0	10.9 million
August 1, 2017 to August 31, 2017	300,000	\$48.61	300,000	10.6 million
September 1, 2017 to September 30, 2017	0	-	0	10.6 million
<b>Total</b>	300,000	\$48.61	300,000	10.6 million

(1) Shares of UGI Corporation Common Stock are repurchased through a share repurchase program announced by the Company on January 30, 2014. The Board of Directors authorized the repurchase of up to 15 million shares of UGI Corporation Common Stock over a four-year period.

**ITEM 6. SELECTED FINANCIAL DATA**

	Year Ended September 30,				
(Millions of dollars, except per share amounts)	2017	2016	2015	2014	2013
<b>FOR THE PERIOD:</b>					
<b>Income statement data:</b>					
Revenues	\$ 6,120.7	\$ 5,685.7	\$ 6,691.1	\$ 8,277.3	\$ 7,194.7
Net income including noncontrolling interests	\$ 523.8	\$ 488.8	\$ 414.0	\$ 532.6	\$ 427.6
Deduct net income attributable to noncontrolling interests, principally in AmeriGas Partners	(87.2)	(124.1)	(133.0)	(195.4)	(149.5)
Net income attributable to UGI Corporation	\$ 436.6	\$ 364.7	\$ 281.0	\$ 337.2	\$ 278.1
Earnings per common share attributable to UGI stockholders:					
Basic	\$ 2.51	\$ 2.11	\$ 1.62	\$ 1.95	\$ 1.63
Diluted	\$ 2.46	\$ 2.08	\$ 1.60	\$ 1.92	\$ 1.60
Cash dividends declared per common share	\$ 0.975	\$ 0.930	\$ 0.890	\$ 0.791	\$ 0.737
<b>AT PERIOD END:</b>					
<b>Balance sheet data:</b>					
Total assets	\$ 11,582.2	\$ 10,847.2	\$ 10,514.2	\$ 10,062.7	\$ 9,972.8
Capitalization:					
Debt:					
Short-term debt:					
AmeriGas Propane	\$ 140.0	\$ 153.2	\$ 68.1	\$ 109.0	\$ 116.9
UGI International	17.9	0.5	0.6	8.0	6.5
Midstream & Marketing	39.0	25.5	49.5	7.5	87.0
UGI Utilities	170.0	112.5	71.7	86.3	17.5
Long-term debt (including current maturities):					
AmeriGas Propane	2,572.3	2,333.6	2,261.9	2,266.1	2,270.4
UGI International	838.8	779.6	774.2	562.8	650.3
UGI Utilities	751.1	671.5	619.8	639.5	639.8
Other	9.9	10.8	11.5	12.1	12.9
Total debt	4,539.0	4,087.2	3,857.3	3,691.3	3,801.3
UGI Corporation stockholders' equity	3,163.3	2,844.1	2,685.2	2,659.1	2,492.5
Noncontrolling interests, principally in AmeriGas Partners	577.6	750.9	880.4	1,004.1	1,055.4
Total capitalization	\$ 8,279.9	\$ 7,682.2	\$ 7,422.9	\$ 7,354.5	\$ 7,349.2
<b>Ratio of capitalization:</b>					
Total debt	54.8%	53.2%	52.0%	50.2%	51.7%
UGI Corporation stockholders' equity	38.2%	37.0%	36.2%	36.2%	33.9%
Noncontrolling interests, principally in AmeriGas Partners	7.0%	9.8%	11.8%	13.6%	14.4%
	100.0%	100.0%	100.0%	100.0%	100.0%



(Millions of dollars, except per share amounts)	Year Ended September 30,				
	2017	2016	2015	2014	2013
<b>Non-GAAP Reconciliation:</b>					
<b>Adjusted net income attributable to UGI Corporation:</b>					
Net income attributable to UGI Corporation	\$ 436.6	\$ 364.7	\$ 281.0	\$ 337.2	\$ 278.1
Net (gains) losses on commodity derivative instruments not associated with current-period transactions (net of tax of \$31.9, \$13.5, \$(30.9), \$(4.5) and \$3.1, respectively) (a) (b)	(51.2)	(29.9)	53.3	6.6	(4.3)
Unrealized losses on foreign currency derivative instruments (net of tax of \$(9.9), \$0, \$0, \$0 and \$0) (a)	13.9	—	—	—	—
Loss on extinguishments of debt (net of tax of \$(6.1), \$(5.0), \$0, \$0 and \$0, respectively) (a)	9.6	7.9	—	—	—
Integration and acquisition expenses associated with Finagaz acquired on May 29, 2015 (net of tax of \$(13.7), \$(10.6), \$(7.7), \$(2.2) and \$0, respectively) (a)	26.2	17.3	14.9	4.3	—
Impact from change in French tax rate	(29.0)	—	—	—	—
Costs associated with extinguishment of debt (net of tax of \$0, \$0, \$(5.7), \$0 and \$0, respectively) (a) (c)	—	—	4.6	—	—
Impact of retroactive change in French tax law	—	—	—	5.7	—
Integration expenses associated with the retail propane businesses of Energy Transfer Partners, L.P. ("Heritage Propane") acquired by the Partnership on January 12, 2012 (net of tax of \$0, \$0, \$0, \$0 and \$(2.8), respectively) (a)	—	—	—	—	4.4
Adjusted net income attributable to UGI Corporation (d)	\$ 406.1	\$ 360.0	\$ 353.8	\$ 353.8	\$ 278.2
<b>Adjusted diluted earnings per share:</b>					
UGI Corporation earnings per share - diluted	\$ 2.46	\$ 2.08	\$ 1.60	\$ 1.92	\$ 1.60
Net (gains) losses on commodity derivative instruments not associated with current-period transactions (b)	(0.29)	(0.17)	0.30	0.04	(0.02)
Unrealized losses on foreign currency derivative instruments	0.08	—	—	—	—
Loss on extinguishments of debt	0.05	0.04	—	—	—
Integration and acquisition expenses associated with Finagaz acquired on May 29, 2015	0.15	0.10	0.08	0.03	—
Impact from change in French tax rate	(0.16)	—	—	—	—
Costs associated with extinguishment of debt	—	—	0.03	—	—
Impact of retroactive change in French tax law	—	—	—	0.03	—
Integration expenses associated with the retail propane businesses of Heritage Propane acquired by the Partnership on January 12, 2012	—	—	—	—	0.03
Adjusted diluted earnings per share (d)	\$ 2.29	\$ 2.05	\$ 2.01	\$ 2.02	\$ 1.61

(a) Income taxes associated with pre-tax adjustments determined using statutory business unit tax rates.

(b) Includes the effects of rounding.

(c) Costs associated with extinguishment of debt in Fiscal 2015 are included in "Interest expense" on the Consolidated Statements of Income.

(d) Management uses "adjusted net income attributable to UGI" and "adjusted diluted earnings per share," both of which are non-GAAP financial measures, when evaluating UGI's overall performance. Adjusted net income attributable to UGI is net income attributable to UGI after excluding net after-tax gains and losses on commodity and certain foreign currency derivative

instruments not associated with current-period transactions (principally comprising changes in unrealized gains and losses on such derivative instruments), losses on extinguishments of debt, Finagaz and Heritage Propane integration and acquisition expenses and the impact from changes in French tax rate and tax law.

Non-GAAP financial measures are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not as a substitute for, the comparable GAAP measures. Management believes that these non-GAAP measures provide meaningful information to investors about UGI's performance because they eliminate the impact of gains and losses on commodity and certain foreign currency derivative instruments not associated with current-period transactions and other significant discrete items that can affect the comparison of period-over-period results.

## ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) discusses our results of operations and our financial condition. MD&A should be read in conjunction with our Items 1 & 2, “Business and Properties,” our Item 1A, “Risk Factors,” and our Consolidated Financial Statements in Item 8 below including “Segment Information” included in Note 21 to Consolidated Financial Statements.

Because most of our businesses sell or distribute energy products used in large part for heating purposes, our results are significantly influenced by temperatures in our service territories, particularly during the heating-season months of October through March. As a result, our earnings, after adjusting for the effects of gains and losses on derivative instruments not associated with current period transactions as further discussed below, are significantly higher in our first and second fiscal quarters.

UGI management uses “adjusted net income attributable to UGI Corporation” and “adjusted diluted earnings per share,” both of which are non-GAAP financial measures, when evaluating UGI’s overall performance. Management believes that these non-GAAP measures provide meaningful information to investors. Adjusted net income attributable to UGI Corporation excludes (1) net after-tax gains and losses on commodity and certain foreign currency derivative instruments not associated with current-period transactions and (2) other significant discrete items that management believes affect the comparison of period-over-period results (as such items are further described below). UGI does not designate its commodity and certain foreign currency derivative instruments as hedges under U.S. generally accepted accounting principles (“GAAP”). Volatility in net income attributable to UGI Corporation as determined in accordance with GAAP can occur as a result of gains and losses on commodity and certain foreign currency derivative instruments not associated with current-period transactions. These gains and losses result principally from recording changes in unrealized gains and losses on these derivative instruments. GAAP net income includes after-tax gains and losses on commodity and certain foreign currency derivative instruments not associated with current-period transactions. However, because these derivative instruments economically hedge anticipated future purchases or sales of energy commodities or, in the case of certain foreign currency derivatives, reduce volatility in anticipated future earnings associated with our foreign operations, we expect that such gains and losses will be largely offset by gains or losses on anticipated future energy commodity transactions or mitigate the volatility in anticipated future earnings. For further information, see Note 21 to Consolidated Financial Statements, and “Non-GAAP Financial Measures - Adjusted Net Income Attributable to UGI and Adjusted Earnings Per Diluted Share” below.

### Executive Overview

#### Net Income Attributable to UGI Corporation by Business Unit (GAAP)

(Dollars in millions)	2017		2016		2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
AmeriGas Propane	\$ 44.6	10.2%	\$ 43.2	11.8%	\$ 61.0	21.7 %
UGI International	158.6	36.3%	111.6	30.6%	52.7	18.8 %
Midstream & Marketing	86.9	19.9%	87.1	23.9%	107.5	38.3 %
UGI Utilities	116.0	26.6%	97.4	26.7%	121.1	43.1 %
Corporate & Other (1)	30.5	7.0%	25.4	7.0%	(61.3)	(21.9)%
Net income attributable to UGI Corporation	<u>\$ 436.6</u>	<u>100.0%</u>	<u>\$ 364.7</u>	<u>100.0%</u>	<u>\$ 281.0</u>	<u>100.0 %</u>

(1) Corporate & Other includes net after-tax gains (losses) on commodity derivative instruments not associated with current-period transactions of \$51.2 million, \$29.9 million and \$(53.3) million in Fiscal 2017, Fiscal 2016 and Fiscal 2015, respectively. Fiscal 2017 also includes \$13.9 million of after-tax unrealized losses on certain foreign currency derivative instruments.

### Fiscal 2017 Financial Review

For the second year in a row, our domestic business units were faced with challenging operating environments caused by significantly warmer than normal weather. Our geographic diversity typically reduces the risk of extreme weather variations across the United States and our European LPG operations. However in our domestic businesses, Fiscal 2017, much like Fiscal 2016, was unusual in that a substantial portion of the U.S. experienced temperatures based upon heating degree days that were significantly warmer than normal. Although Fiscal 2017 temperatures based upon heating degree days were slightly colder than in Fiscal 2016, temperatures in the critical heating season months of January and February were much warmer than the prior year. Average temperatures at our UGI International operations in Europe were slightly warmer than normal but colder than the very warm temperatures experienced in Fiscal 2016. Notwithstanding the strong headwinds created by this warm weather, UGI achieved record GAAP and adjusted net income attributable to UGI (for further information on adjusted net income and adjusted diluted

earnings per share, see “Non-GAAP Financial Measures - Adjusted Net Income Attributable to UGI and Adjusted Earnings Per Diluted Share” below). This positive outcome was achieved in part due to contributions from recent investments, growth initiatives and the UGI Gas base rate case increase that became effective in October 2016.

As previously mentioned, our UGI International business experienced weather in Fiscal 2017 that was slightly warmer than normal but colder than in Fiscal 2016. Expenses associated with the integration of French LPG retail distributor Finagaz, which we acquired in May 2015, were higher in Fiscal 2017 reflecting substantial progress with our integration activities in our bulk and cylinder businesses. The higher Fiscal 2017 costs associated with these integration activities were offset in large part by the ramping up of expense synergies from these integration activities. A significant portion of the Finagaz integration activities and related integration expenses are now behind us, and we expect to see the continuing synergistic benefits from these integration activities in our future operating results. Although UGI International retail volumes were higher as a result of the colder weather, Fiscal 2017 results at UGI International were negatively affected by the absence of a significant margin parachute experienced in the prior year resulting from rapidly declining LPG commodity prices in Fiscal 2016. UGI International Fiscal 2017 results also reflect a decrease in net deferred income tax liabilities of \$29.0 million resulting from a change in the French corporate income tax rate enacted in December 2016 that will become effective in Fiscal 2021.

Our UGI Utilities segment experienced a significant increase in earnings as a result of higher base rates at UGI Gas, organic customer growth and incremental revenues from distribution system improvements through distribution system improvement charges (“DSIC”). As a result, UGI Utilities net income increased nearly 20% in Fiscal 2017.

Midstream & Marketing results were about equal to last year. Fiscal 2017 results benefited from new peaking and LNG contracts, higher allowance for funds used during construction (“AFUDC”) income associated with pipeline projects and the addition of new natural gas marketing customers and volumes. These positive contributions to earnings were offset by lower capacity management revenues, reflecting lower volatility and prices for pipeline capacity, and lower electric generation income resulting principally from lower wholesale price spreads for electricity and lower generation volumes.

Average temperatures in AmeriGas Propane’s service territories for all of Fiscal 2017 were significantly warmer than normal but slightly colder than in Fiscal 2016. However temperatures in the critical heating-season months of January and February were approximately 9% warmer than in Fiscal 2016, impacting retail volumes. The effects of slightly lower retail volumes sold were partially offset by excellent operating expense and propane unit margin management notwithstanding higher and increasing wholesale prices for propane during Fiscal 2017 compared with Fiscal 2016. Growth in the AmeriGas Cylinder Exchange (“ACE”) and National Accounts programs also helped to offset the effects of the lower retail volumes sold.

### **Strategic Initiatives**

During Fiscal 2017, we made significant strategic and operational progress in support of our long-term goals. At our UGI International business, we made substantial progress toward the full integration of the Finagaz cylinder and bulk businesses, with the last core integration activities to be finalized in Fiscal 2018. We will reap the benefits of these integration efforts in Fiscal 2018 and beyond. Our European presence and operational density continued to increase with the completion of a smaller-sized, strategic acquisition with operations in Sweden during Fiscal 2017. Late in Fiscal 2017, we acquired an electricity and natural gas marketing business (“DVEP”), which markets to small and medium enterprises in the Netherlands. In October 2017, we entered the LPG market in northern and central Italy with our acquisition of Total’s retail LPG business in Italy, now known as UniverGas Italia S.r.l. (“UniverGas”). The DVEP acquisition will allow us to leverage our experience in energy marketing and to grow in a highly attractive and profitable market in Europe while our acquisition of UniverGas expands our LPG footprint in Europe.

Our UGI Utilities business continues to grow as demand for natural gas remains strong across both the residential and commercial customer segments and as the price difference between natural gas and oil has expanded in the last fiscal year. Gas Utility continued to execute on its infrastructure replacement and system betterment program with record capital expenditures in Fiscal 2017. In January 2017, PNG filed for an increase in annual base rate revenues and received PUC approval for an increase in base rates of \$11.3 million. This base rate increase became effective on October 20, 2017.

Our Midstream & Marketing businesses made significant progress on several key Marcellus Shale projects including the expansion of our LNG liquefaction capacity and the completion of a pipeline construction project that will serve a natural gas fueled, combined cycle power plant located in central Pennsylvania. We began receiving income from this investment in August 2017. We continue to make progress on our PennEast Pipeline project, with FERC expected to approve the project in Fiscal 2018. These projects, along with other smaller midstream projects, are expected to serve the growing demand across the Mid-Atlantic and Northeast regions for abundant, low-cost Marcellus Shale natural gas. In October 2017, Midstream & Marketing enhanced the buildout of its natural gas infrastructure assets with the acquisition of approximately 60 miles of natural gas gathering lines in northern Pennsylvania.

AmeriGas Partners continued to expand its National Accounts and ACE programs in Fiscal 2017. The Partnership also acquired five retail propane distribution businesses and continued to make meaningful progress in deploying technology to improve the customer experience.

During Fiscal 2017, UGI's domestic and international businesses continued to make significant investments in technology. In September 2017, UGI Utilities rolled out its new, state-of-the-art customer information system which significantly enhances the customer experience and provides for streamlined processes within the company. We will continue to invest in technology enhancements during Fiscal 2018 and beyond with a number of significant information technology ("IT") projects scheduled to begin at each of our major business units to improve efficiency and align processes.

### Financing Transactions and Liquidity

During Fiscal 2017, AmeriGas Partners completed the refinancing of its long-term debt, which began in Fiscal 2016. These transactions reduced the Partnership's cost of long-term debt and extended their maturities. UGI Utilities also issued \$100 million of long-term debt to provide additional long-term financing of its infrastructure betterment capital program and IT initiatives, and in October 2017, issued a \$125 million unsecured term loan to repay revolving credit balances and for general corporate purposes (see Note 5 to Consolidated Financial Statements).

As more fully described below under "Financial Condition and Liquidity" and in Note 15 to Consolidated Financial Statements, on November 7, 2017, we entered into a Standby Equity Commitment Agreement (the "Commitment Agreement") with AmeriGas Partners pursuant to which UGI has committed to make up to \$225 million of capital contributions to the Partnership through July 1, 2019, for consideration comprising AmeriGas Partners Class B Common Units representing limited partner interests in the Partnership. Although the Partnership does not intend to call on this facility at the present time, this commitment by UGI provides balance sheet flexibility to the Partnership to continue its strategic initiatives following two historically warm years.

We believe each of our business units has sufficient liquidity to fund business operations during Fiscal 2018 (see "Financial Condition and Liquidity" below).

### Non-GAAP Financial Measures - Adjusted Net Income Attributable to UGI and Adjusted Earnings Per Diluted Share

#### Adjusted Net Income (Loss) Attributable to UGI Corporation by Business Unit (Non-GAAP)

(Dollars in millions)	2017		2016		2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
AmeriGas Propane	\$ 54.2	13.3 %	\$ 51.1	14.2 %	\$ 61.0	17.2 %
UGI International	155.8	38.4 %	128.9	35.8 %	72.2	20.4 %
Midstream & Marketing	86.9	21.4 %	87.1	24.2 %	107.5	30.4 %
UGI Utilities	116.0	28.6 %	97.4	27.1 %	121.1	34.2 %
Corporate & Other	(6.8)	(1.7)%	(4.5)	(1.3)%	(8.0)	(2.2)%
Net income attributable to UGI Corporation	<u>\$ 406.1</u>	<u>100.0 %</u>	<u>\$ 360.0</u>	<u>100.0 %</u>	<u>\$ 353.8</u>	<u>100.0 %</u>

As previously mentioned, UGI management uses "adjusted net income attributable to UGI Corporation" and "adjusted diluted earnings per share," both of which are non-GAAP financial measures, when evaluating UGI's overall performance. Adjusted net income attributable to UGI Corporation is net income attributable to UGI after excluding net after-tax gains and losses on commodity and certain foreign currency derivative instruments not associated with current-period transactions (principally comprising changes in unrealized gains and losses), losses on extinguishments of debt, Finagaz integration and acquisition expenses, and the impact on net deferred income taxes from a change in the French tax rate. For further information on the Company's accounting for commodity and certain foreign currency derivative instruments, see Note 2 and Note 17 to Consolidated Financial Statements.

Non-GAAP financial measures are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not as a substitute for, the comparable GAAP measures. Management believes that these non-GAAP measures provide meaningful information to investors about UGI's performance because they eliminate the impact of gains and losses on commodity and certain foreign currency derivative instruments not associated with current-period transactions and other significant discrete items that can affect the comparison of period-over-period results.

The following tables reconcile net income attributable to UGI Corporation, the most directly comparable GAAP measure, to adjusted net income attributable to UGI Corporation and reconcile diluted earnings per share, the most comparable GAAP measure,

to adjusted diluted earnings per share, to reflect the adjustments referred to above for Fiscal 2017, Fiscal 2016 and Fiscal 2015 (amounts in millions, except per share amounts).

Year Ended September 30, 2017	Total	AmeriGas Propane	UGI International	Midstream & Marketing	UGI Utilities	Corporate & Other
<b>Adjusted net income attributable to UGI Corporation:</b>						
Net income attributable to UGI Corporation	\$ 436.6	\$ 44.6	\$ 158.6	\$ 86.9	\$ 116.0	\$ 30.5
Net gains on commodity derivative instruments not associated with current-period transactions (net of tax of \$31.9) (a) (b)	(51.2)	—	—	—	—	(51.2)
Unrealized losses on foreign currency derivative instruments (net of tax of \$(9.9)) (a)	13.9	—	—	—	—	13.9
Loss on extinguishments of debt (net of tax of \$(6.1)) (a)	9.6	9.6	—	—	—	—
Integration expenses associated with Finagaz (net of tax of \$(13.7)) (a)	26.2	—	26.2	—	—	—
Impact from change in French tax rate	(29.0)	—	(29.0)	—	—	—
Adjusted net income (loss) attributable to UGI Corporation	<u>\$ 406.1</u>	<u>\$ 54.2</u>	<u>\$ 155.8</u>	<u>\$ 86.9</u>	<u>\$ 116.0</u>	<u>\$ (6.8)</u>
<b>Adjusted diluted earnings per share:</b>						
UGI Corporation earnings per share - diluted	\$ 2.46	\$ 0.25	\$ 0.89	\$ 0.49	\$ 0.66	\$ 0.17
Net gains on commodity derivative instruments not associated with current-period transactions	(0.29)	—	—	—	—	(0.29)
Unrealized losses on foreign currency derivative instruments	0.08	—	—	—	—	0.08
Loss on extinguishments of debt	0.05	0.05	—	—	—	—
Integration expenses associated with Finagaz	0.15	—	0.15	—	—	—
Impact from change in French tax rate	(0.16)	—	(0.16)	—	—	—
Adjusted diluted earnings (loss) per share	<u>\$ 2.29</u>	<u>\$ 0.30</u>	<u>\$ 0.88</u>	<u>\$ 0.49</u>	<u>\$ 0.66</u>	<u>\$ (0.04)</u>

Year Ended September 30, 2016	Total	AmeriGas Propane	UGI International	Midstream & Marketing	UGI Utilities	Corporate & Other
<b>Adjusted net income attributable to UGI Corporation:</b>						
Net income attributable to UGI Corporation	\$ 364.7	\$ 43.2	\$ 111.6	\$ 87.1	\$ 97.4	\$ 25.4
Net gains on commodity derivative instruments not associated with current-period transactions (net of tax of \$13.5) (a) (b)	(29.9)	—	—	—	—	(29.9)
Loss on extinguishments of debt (net of tax of \$(5.0)) (a)	7.9	7.9	—	—	—	—
Integration expenses associated with Finagaz (net of tax of \$(10.6)) (a)	17.3	—	17.3	—	—	—
Adjusted net income (loss) attributable to UGI Corporation	<u>\$ 360.0</u>	<u>\$ 51.1</u>	<u>\$ 128.9</u>	<u>\$ 87.1</u>	<u>\$ 97.4</u>	<u>\$ (4.5)</u>
<b>Adjusted diluted earnings per share:</b>						
UGI Corporation earnings per share – diluted	\$ 2.08	\$ 0.25	\$ 0.64	\$ 0.50	\$ 0.55	\$ 0.14
Net gains on commodity derivative instruments not associated with current-period transactions (b)	(0.17)	—	—	—	—	(0.17)
Loss on extinguishments of debt	0.04	0.04	—	—	—	—
Integration expenses associated with Finagaz	0.10	—	0.10	—	—	—
Adjusted diluted earnings (loss) per share	<u>\$ 2.05</u>	<u>\$ 0.29</u>	<u>\$ 0.74</u>	<u>\$ 0.50</u>	<u>\$ 0.55</u>	<u>\$ (0.03)</u>



Year Ended September 30, 2015	Total	AmeriGas Propane	UGI International	Midstream & Marketing	UGI Utilities	Corporate & Other
<b>Adjusted net income attributable to UGI Corporation:</b>						
Net income (loss) attributable to UGI Corporation	\$ 281.0	\$ 61.0	\$ 52.7	\$ 107.5	\$ 121.1	\$ (61.3)
Net losses on commodity derivative instruments not associated with current-period transactions (net of tax of \$(30.9)) (a) (b)	53.3	—	—	—	—	53.3
Costs associated with extinguishment of debt (net of tax of \$(5.7)) (a) (c)	4.6	—	4.6	—	—	—
Integration and acquisition expenses associated with Finagaz (net of tax of \$(7.7)) (a)	14.9	—	14.9	—	—	—
Adjusted net income (loss) attributable to UGI Corporation	<u>\$ 353.8</u>	<u>\$ 61.0</u>	<u>\$ 72.2</u>	<u>\$ 107.5</u>	<u>\$ 121.1</u>	<u>\$ (8.0)</u>
<b>Adjusted diluted earnings per share:</b>						
UGI Corporation earnings (loss) per share - diluted	\$ 1.60	\$ 0.35	\$ 0.30	\$ 0.61	\$ 0.69	\$ (0.35)
Net losses on commodity derivative instruments not associated with current-period transactions (b)	0.30	—	—	—	—	0.30
Costs associated with extinguishment of debt	0.03	—	0.03	—	—	—
Integration and acquisition expenses associated with Finagaz	0.08	—	0.08	—	—	—
Adjusted diluted earnings (loss) per share	<u>\$ 2.01</u>	<u>\$ 0.35</u>	<u>\$ 0.41</u>	<u>\$ 0.61</u>	<u>\$ 0.69</u>	<u>\$ (0.05)</u>

(a) Income taxes associated with pre-tax adjustments determined using statutory business unit tax rates.

(b) Includes the effects of rounding.

(c) Costs associated with an extinguishment of debt at Antargaz are included in “Interest expense” on the Consolidated Statements of Income.

## Results of Operations

The following analyses compare the Company's results of operations for (1) Fiscal 2017 with Fiscal 2016 and (2) Fiscal 2016 with Fiscal 2015.

### Fiscal 2017 Compared with Fiscal 2016

#### Consolidated Results

#### Net Income Attributable to UGI Corporation by Business Unit:

(Dollars in millions)	2017		2016		Variance - Favorable (Unfavorable)	
	Amount	% of Total	Amount	% of Total	Amount	% Change
AmeriGas Propane (a)	\$ 44.6	10.2%	\$ 43.2	11.8%	\$ 1.4	3.2 %
UGI International (b)(c)	158.6	36.3%	111.6	30.6%	47.0	42.1 %
Midstream & Marketing	86.9	19.9%	87.1	23.9%	(0.2)	(0.2)%
UGI Utilities	116.0	26.6%	97.4	26.7%	18.6	19.1 %
Corporate & Other (d)(e)	30.5	7.0%	25.4	7.0%	5.1	N.M.
Net income attributable to UGI Corporation	<u>\$ 436.6</u>	<u>100.0%</u>	<u>\$ 364.7</u>	<u>100.0%</u>	<u>\$ 71.9</u>	<u>19.7 %</u>

(a) Includes net after-tax losses of \$9.6 million and \$7.9 million from extinguishments of debt in Fiscal 2017 and Fiscal 2016, respectively (see Note 5 to Consolidated Financial Statements).

(b) Fiscal 2017 includes beneficial impact of a \$29.0 million adjustment to net deferred income tax liabilities associated with a change in French income tax rate, the release of a \$7.6 million valuation allowance against future uses of foreign tax credit carryforwards and an income tax settlement refund of \$6.7 million, plus interest, in France (see Note 6 to Consolidated Financial Statements).

(c) Includes after-tax integration expenses associated with Finagaz of \$26.2 million and \$17.3 million in Fiscal 2017 and Fiscal 2016, respectively.

(d) Includes net after-tax gains on commodity derivative instruments not associated with current-period transactions of \$51.2 million and \$29.9 million in Fiscal 2017 and Fiscal 2016, respectively. Fiscal 2017 also includes \$13.9 million of after-tax unrealized losses on certain foreign currency derivative instruments.

(e) Fiscal 2017 includes a \$7.1 million after-tax loss from the impairment of a cost basis investment (see Note 2 to Consolidated Financial Statements).

N.M. — Variance is not meaningful.

#### Fiscal 2017 Highlights

- Fiscal 2017 includes net after-tax gains on commodity derivative instruments not associated with current-period transactions of \$51.2 million (equal to \$0.29 per diluted share) and net after-tax unrealized losses on certain foreign currency instruments of \$13.9 million (equal to \$0.08 per diluted share). Fiscal 2016 includes net after-tax gains on commodity derivative instruments not associated with current-period transactions of \$29.9 million (equal to \$0.17 per diluted share).
- Fiscal 2017 and Fiscal 2016 reflect net after-tax integration expenses associated with Finagaz, which decreased net income attributable to UGI by \$26.2 million (equal to \$0.15 per diluted share) and \$17.3 million (equal to \$0.10 per diluted share), respectively.
- Fiscal 2017 and Fiscal 2016 include after-tax losses on extinguishments of debt at AmeriGas Propane of \$9.6 million (equal to \$0.05 per diluted share) and \$7.9 million (equal to \$0.04 per diluted share), respectively.
- Fiscal 2017 includes a \$29.0 million decrease in net deferred income tax liabilities (equal to \$0.16 per diluted share) resulting from a change in the French corporate income tax rate enacted in December 2016 that will become effective in Fiscal 2021.
- Average temperatures during Fiscal 2017 were significantly warmer than normal at each of our domestic business units, but colder than in Fiscal 2016.
- UGI Utilities' Fiscal 2017 net income reflects the after-tax impact of an increase in UGI Gas base rates of \$11.8 million (equal to \$0.07 per diluted share).
- UGI International's Fiscal 2017 retail unit margins were lower reflecting the effects of rising LPG commodity costs compared to the beneficial effects of declining LPG commodity costs in the prior year.

- Fiscal 2017 net income reflects \$10.3 million of excess tax benefits (equal to \$0.06 per diluted share) resulting from the adoption of new accounting guidance on share-based payments, effective on October 1, 2016.
- Fiscal 2017 includes a \$7.1 million after-tax loss (equal to \$0.04 per diluted share) from an impairment of a cost basis investment.
- Although the British pound sterling and the euro during much of Fiscal 2017 were slightly weaker than during Fiscal 2016, the translation effects of these weaker currencies did not have a material impact on year-over-year UGI International net income.

<b>AmeriGas Propane</b>	2017		2016		Increase (Decrease)	
(Dollars in millions)						
Revenues	\$	2,453.5	\$	2,311.8	\$	141.7 6.1 %
Total margin (a)	\$	1,450.6	\$	1,447.0	\$	3.6 0.2 %
Partnership operating and administrative expenses	\$	915.1	\$	928.8	\$	(13.7) (1.5)%
Partnership Adjusted EBITDA (b)(c)	\$	551.3	\$	543.0	\$	8.3 1.5 %
Operating income (c)(d)	\$	355.3	\$	356.3	\$	(1.0) (0.3)%
Retail gallons sold (millions)		1,046.9		1,065.5		(18.6) (1.7)%
Degree days – % (warmer) than normal (e)		(13.5)%		(15.0)%		— —

- (a) Total margin represents total revenues less total cost of sales. Total margin for Fiscal 2017 and Fiscal 2016 excludes net pre-tax gains of \$31.1 million and \$66.1 million, respectively, on AmeriGas Propane commodity derivative instruments not associated with current-period transactions.
- (b) Partnership Adjusted EBITDA should not be considered as an alternative to net income (as an indicator of operating performance) and is not a measure of performance or financial condition under GAAP. Management uses Partnership Adjusted EBITDA as the primary measure of segment profitability for the AmeriGas Propane segment (see Note 21 to Consolidated Financial Statements). Partnership Adjusted EBITDA in Fiscal 2017 excludes an accrual of \$7.5 million associated with a manufactured gas plan (“MGP”) site obtained in a prior year acquisition.
- (c) Fiscal 2017 operating income includes adjustments to correct previously recorded gains on sales of fixed assets (\$8.8 million) and decreased depreciation expense (\$1.1 million) relating to certain assets acquired with the Heritage Propane acquisition in 2012, which adjustments reduced Partnership Adjusted EBITDA by \$8.8 million and reduced operating income by \$7.7 million. Fiscal 2017 operating income also includes adjustments to correct depreciation expense associated with prior periods which increased depreciation expense and reduced operating income by \$7.5 million.
- (d) Operating income reflects operating and administrative expenses of the General Partner.
- (e) Deviation from average heating degree days for the 30-year period 1981-2010 based upon national weather statistics provided by the National Oceanic and Atmospheric Administration (“NOAA”) for 344 Geo regions in the United States, excluding Alaska and Hawaii.

AmeriGas Propane’s retail gallons sold during Fiscal 2017 decreased 1.7% compared with Fiscal 2016. Average temperatures based upon heating degree days during Fiscal 2017 were significantly warmer than normal but slightly colder than Fiscal 2016. Although average temperatures during Fiscal 2017 were slightly colder than the prior year, the critical heating season months of January and February were approximately 9% warmer than during the same period of Fiscal 2016.

AmeriGas Propane’s retail propane revenues increased \$119.0 million during Fiscal 2017 reflecting the effects of higher average retail selling prices (\$154.3 million) partially offset by the lower retail volumes sold (\$35.3 million). Wholesale propane revenues increased \$11.4 million during Fiscal 2017 reflecting the effects of higher average wholesale selling prices (\$11.8 million) partially offset by lower wholesale volumes sold (\$0.4 million). Average daily wholesale propane commodity prices during Fiscal 2017 at Mont Belvieu, Texas, one of the major supply points in the U.S., were approximately 50% higher than such prices during Fiscal 2016 when commodity propane prices were at recent historic lows. Other revenues in Fiscal 2017 were slightly higher than in Fiscal 2016. AmeriGas Propane total cost of sales increased \$138.1 million principally reflecting the effects on propane cost of sales of higher average propane product costs (\$150.1 million) reduced by the effects of the lower propane volumes sold (\$13.6 million).

AmeriGas Propane total margin increased \$3.6 million in Fiscal 2017 as slightly lower retail propane total margin (\$5.7 million) was more than offset by higher non-propane total margin. The slight decrease in retail propane total margin principally reflects the decrease in retail gallons sold partially offset by slightly higher average retail unit margin.

AmeriGas Propane operating income in Fiscal 2017 was approximately equal to the prior year as lower Partnership operating and administrative expenses (\$13.7 million) and the slightly higher total margin (\$3.6 million) were offset by a decrease in other operating income (\$16.4 million). Partnership operating and administrative expenses in Fiscal 2017 were \$13.7 million lower than in Fiscal 2016 reflecting lower uninsured litigation and general insurance expenses (\$26.8 million), resulting in large part from the absence of a \$15.0 million accrual for a class action lawsuit recorded during the fourth quarter of Fiscal 2016, and lower group medical insurance expenses (\$9.8 million). These decreases in Partnership operating and administrative expenses were partially offset by higher vehicle expenses (\$7.8 million), higher bad debt expense (\$6.5 million), and a \$7.5 million environmental accrual associated with a former MGP site obtained in a prior year acquisition. The lower other operating income in Fiscal 2017 reflects, among other things, lower gains on asset sales (\$10.3 million), primarily resulting from an \$8.8 million adjustment recorded during the first quarter of Fiscal 2017 to correct previously recorded gains on sales of fixed assets, and lower fuel tax credits (\$2.8 million). Partnership Adjusted EBITDA increased \$8.3 million in Fiscal 2017 principally reflecting lower Fiscal 2017 Partnership operating and administrative costs which, for the calculation of Partnership Adjusted EBITDA exclude the \$7.5 million environmental accrual (\$21.2 million), and the slightly higher total margin (\$3.6 million) offset in part by the previously mentioned lower other operating income (\$16.4 million).

During Fiscal 2017, AmeriGas Partners recognized a pre-tax loss of \$59.7 million (a \$9.6 million after-tax loss attributable to UGI) associated with early extinguishments of debt. During Fiscal 2016, AmeriGas Partners recognized a pre-tax loss of \$48.9 million (a \$7.9 million after-tax loss attributable to UGI) associated with early extinguishments of debt. For further information on these transactions, see Note 5 to Consolidated Financial Statements.

UGI International	2017	2016	Increase (Decrease)	
(Dollars in millions)				
Revenues	\$ 1,877.5	\$ 1,868.8	\$ 8.7	0.5 %
Total margin (a)	\$ 942.2	\$ 965.0	\$ (22.8)	(2.4)%
Operating and administrative expenses (b)	\$ 626.2	\$ 639.7	\$ (13.5)	(2.1)%
Operating income (b)	\$ 195.7	\$ 206.6	\$ (10.9)	(5.3)%
Income before income taxes (b)(c)	\$ 175.0	\$ 182.0	\$ (7.0)	(3.8)%
Retail gallons sold (millions) (d)	827.9	820.5	7.4	0.9 %
UGI International degree days – % (warmer) than normal (e)	(4.5)%	(12.9)%	—	—

(a) Total margin represents total revenues less total cost of sales. Total margin for Fiscal 2017 and Fiscal 2016 excludes net pre-tax gains of \$19.0 million and \$31.8 million, respectively, on UGI International commodity derivative instruments not associated with current-period transactions.

(b) Includes Finagaz integration expenses in Fiscal 2017 and Fiscal 2016 of \$39.9 million and \$27.9 million, respectively.

(c) Fiscal 2017 excludes net pre-tax unrealized losses on certain foreign currency derivative contracts of \$23.8 million.

(d) Retail gallons sold in Fiscal 2017 reflect a 30.7 million decline in autogas volumes principally as a result of exiting the low-margin autogas business in Poland during Fiscal 2016. Retail gallons sold in Fiscal 2016 exclude retail gallons from operations in China, which were sold in March 2016.

(e) Deviation from average heating degree days for the 30-year period 1981-2010 at locations in our UGI International service territories.

Average temperatures during Fiscal 2017 at UGI International were approximately 4.5% warmer than normal but 9.7% colder than Fiscal 2016. Total retail gallons sold during Fiscal 2017 were slightly higher as the beneficial volume effects of the colder weather were substantially offset by a 30.7 million gallon decline in autogas volumes, principally as a result of exiting the low-margin, high-volume autogas business in Poland during Fiscal 2016, and lower crop-drying volumes as a result of a dry Fiscal 2017 crop season in France. During Fiscal 2017, average wholesale commodity prices for propane and butane in northwest Europe were approximately 34% and 29%, respectively, higher than in Fiscal 2016.

UGI International base-currency results are translated into U.S. dollars based upon exchange rates experienced during the reporting periods. The functional currency of a significant portion of our UGI International results is the euro and, to a much lesser extent, the British pound sterling. Although the British pound sterling and the euro during much of Fiscal 2017 were slightly weaker than during Fiscal 2016, the translation effects of these currencies did not negatively impact UGI International net income due to gains on foreign currency exchange contracts used to hedge a portion of U.S. dollar purchases of LPG.

UGI International revenues increased \$8.7 million during Fiscal 2017 as higher average bulk and cylinder LPG selling prices and the effects of the colder weather on bulk sales were substantially offset by the translation impact on revenues of the weaker British

pound sterling and euro, the effects of exiting the low-margin autogas business in Poland and lower Fiscal 2017 wholesale sales. UGI International cost of sales increased \$31.5 million during Fiscal 2017 as the effects on cost of sales from the higher average LPG commodity costs and increase in bulk sales were partially offset by the translation impact from the weaker British pound sterling and the euro, the effects of the lower volumes associated with exiting the autogas business in Poland, and the effects of the lower wholesale sales.

UGI International total margin decreased \$22.8 million primarily reflecting (1) the translation effects of the weaker British pound sterling and euro; (2) slightly lower average retail bulk and cylinder LPG unit margins; and (3) the absence of margin from the autogas business in Poland. The slightly lower average retail bulk and cylinder LPG unit margins principally reflect the negative effects on current-year period unit margins of higher LPG commodity costs and the beneficial effects on prior-year unit margins of declining LPG wholesale commodity costs. These decreases in unit margin were partially offset by the increase in bulk sales resulting from the colder weather.

The \$10.9 million decrease in Fiscal 2017 UGI International operating income principally reflects the previously mentioned \$22.8 million decrease in total margin and a \$5.0 million increase in depreciation and amortization partially offset by a \$13.5 million decrease in operating and administrative expenses and a decrease in other operating expense. The decrease in operating and administrative expenses principally reflects lower operating and administrative costs in France resulting from expense synergies associated with the Finagaz integration and, to a much lesser extent, the translation effects of the weaker euro and British pound sterling offset, in part, by higher incremental Finagaz integration expenses. Operating and administrative expenses include \$39.9 million and \$27.9 million of Finagaz integration expenses in Fiscal 2017 and Fiscal 2016, respectively. The decrease in other operating expense reflects, in large part, the absence of a \$5.5 million loss recorded during Fiscal 2016 associated with interest rate hedge ineffectiveness. UGI International income before income taxes decreased \$7.0 million principally reflecting the previously mentioned \$10.9 million decrease in UGI International operating income offset by slightly lower interest expense due in large part to a lower Fiscal 2017 average interest rate on UGI France SAS's €600 million Senior Facilities Agreement term loan.

Midstream & Marketing	2017		2016		Increase (Decrease)	
(Dollars in millions)						
Revenues	\$	1,121.2	\$	866.6	\$	254.6 29.4 %
Total margin (a)	\$	264.5	\$	264.4	\$	0.1 — %
Operating and administrative expenses	\$	95.6	\$	90.9	\$	4.7 5.2 %
Operating income	\$	139.2	\$	146.7	\$	(7.5) (5.1)%
Income before income taxes	\$	141.4	\$	144.6	\$	(3.2) (2.2)%

(a) Total margin represents total revenues less total cost of sales. Total margin for Fiscal 2017 and Fiscal 2016 excludes net pre-tax gains (losses) of \$55.7 and \$(6.3) million, respectively, on commodity derivative instruments not associated with current-period transactions.

Temperatures across Midstream & Marketing's energy marketing territory were 14.5% warmer than normal but 2.2% colder than in the prior year. Midstream & Marketing Fiscal 2017 revenues were \$254.6 million higher than in Fiscal 2016 principally reflecting higher natural gas revenues (\$262.9 million) and, to a much lesser extent, higher peaking revenues (\$15.5 million). The increase in natural gas revenues principally reflects higher average natural gas prices, higher natural gas volumes associated with customer growth, and the effects of the slightly colder weather, while the increase in peaking revenues reflects an increase in the number of peaking contracts. These increases in revenues were partially offset principally by lower capacity management and electric generation revenues. Midstream & Marketing cost of sales was \$856.7 million in Fiscal 2017 compared to \$602.2 million in Fiscal 2016, an increase of \$254.5 million, principally reflecting higher natural gas cost of sales primarily a result of the higher natural gas volumes and prices.

Midstream & Marketing total margin in Fiscal 2017 was about equal to the prior year as higher peaking total margin (\$15.0 million), higher natural gas gathering total margin (\$4.1 million), and higher natural gas total margin (\$3.3 million) were offset primarily by a decrease in total margin from capacity management (\$10.6 million), electricity generation (\$6.3 million), and storage services (\$3.0 million). The increase in peaking total margin reflects an increase in the number of contracts while the higher natural gas gathering and natural gas total margin reflects higher activity. The decline in capacity management margin reflects higher fixed demand charges associated with higher capacity contract commitments partially offset by slightly higher prices for pipeline capacity during the Fiscal 2017 heating season. The lower electricity generation margin reflects lower electricity price spreads, slightly lower electricity generation volumes, and lower capacity revenue.

Midstream & Marketing operating income and income before income taxes during Fiscal 2017 decreased \$7.5 million and \$3.2 million, respectively. The decrease in operating income principally reflects higher depreciation expense (\$4.8 million) and an

increase in operating and administrative expenses (\$4.7 million). These decreases were partially offset by a \$1.9 million increase in other operating income, primarily higher AFUDC associated with pipeline capital expenditures. The \$4.7 million increase in operating and administrative expenses reflects higher wage and benefits expense partially offset by lower Conemaugh and Hunlock electricity generating station operating and maintenance expenses, while the \$4.8 million increase in depreciation expense principally reflects incremental depreciation from the expansion of our natural gas pipeline and peaking assets. The decrease in income before income taxes in Fiscal 2017 reflects the lower operating income partially offset by \$4.3 million from our PennEast pipeline equity investment reflecting AFUDC income.

UGI Utilities	2017	2016	Increase (Decrease)	
(Dollars in millions)				
Revenues	\$ 887.6	\$ 768.5	\$ 119.1	15.5 %
Total margin (a)	\$ 515.6	\$ 473.9	\$ 41.7	8.8 %
Operating and administrative expenses	\$ 212.4	\$ 192.7	\$ 19.7	10.2 %
Operating income	\$ 228.3	\$ 200.9	\$ 27.4	13.6 %
Income before income taxes	\$ 188.1	\$ 163.3	\$ 24.8	15.2 %
Gas Utility system throughput – billions of cubic feet (“bcf”)				
Core market	70.4	66.2	4.2	6.3 %
Total	243.1	212.4	30.7	14.5 %
Electric Utility distribution sales - millions of kilowatt hours (“gwh”)	950.6	961.6	(11.0)	(1.1)%
Gas Utility degree days – % (warmer) than normal (b)	(11.1)%	(13.6)%	—	—

(a) Total margin represents total revenues less total cost of sales and Electric Utility gross receipts taxes, of \$4.7 million and \$4.8 million during Fiscal 2017 and Fiscal 2016, respectively. Gross receipt taxes are included in “Utility taxes other than income taxes” on the Consolidated Statements of Income.

(b) Deviation from average heating degree days for the 15-year period 2000-2014 based upon weather statistics provided by NOAA for airports located within Gas Utility’s service territory.

Temperatures in Gas Utility’s service territory during Fiscal 2017 were 11.1% warmer than normal but 2.6% colder than during Fiscal 2016. Gas Utility core market volumes increased 4.2 bcf (6.3%) principally reflecting the effects of the slightly colder Fiscal 2017 weather and growth in the number of core market customers. Total Gas Utility distribution system throughput increased 30.7 bcf reflecting significantly higher large firm delivery service volumes principally associated with service to a new natural gas-fired generation facility and the higher core market volumes. Gas Utility’s core market customers comprise firm-residential, commercial and industrial (“retail core-market”) customers who purchase their gas from Gas Utility and, to a much lesser extent, residential and small commercial customers who purchase their gas from others. These increases were partially offset by lower interruptible delivery service volumes. Electric Utility kilowatt-hour sales were 1.1% lower than in the prior year, principally reflecting the impact on air-conditioning sales from cooler summer temperatures.

UGI Utilities Fiscal 2017 revenues increased \$119.1 million reflecting a \$121.7 million increase in Gas Utility revenues partially offset by slightly lower Electric Utility revenues. The higher Gas Utility revenues principally reflect an increase in core market revenues (\$85.1 million), higher large firm delivery service revenues (\$14.3 million) and higher off-system sales revenues (\$25.0 million). The \$85.1 million increase in Gas Utility core market revenues reflects higher average retail core market PGC rates (\$37.0 million), the effects of the higher core market throughput (\$28.0 million) and the increase in UGI Gas base rates effective October 19, 2016 (\$20.1 million). The decrease in Electric Utility revenues principally reflects the lower Electric Utility volumes (\$1.8 million), slightly lower average default service (“DS”) rates (\$0.5 million) and lower transmission revenue (\$0.4 million). Because Gas Utility and Electric Utility are subject to reconcilable PGC and DS recovery mechanisms, increases or decreases in the actual cost of gas or electricity associated with customers who purchase their gas or electricity from UGI Utilities impact revenues and cost of sales but have no direct effect on retail core-market margin (see Note 8 to Consolidated Financial Statements for a discussion of these recovery mechanisms). UGI Utilities cost of sales was \$367.3 million in Fiscal 2017 compared with \$289.8 million in Fiscal 2016, principally reflecting higher average retail core market PGC rates (\$37.0 million), the higher Gas Utility retail core-market volumes (\$14.0 million) and higher cost of sales associated with Gas Utility off-system sales (\$25.0 million). The higher Gas Utility cost of sales is partially offset by a decrease in Electric Utility cost of sales of \$1.5 million reflecting the lower volumes sold and the slightly lower DS rates.

UGI Utilities total margin increased \$41.7 million principally reflecting higher total margin from Gas Utility core market customers (\$32.7 million) and higher large firm delivery service total margin (\$11.4 million) partially offset by lower other margin. The

increase in Gas Utility core market margin principally reflects the increase in UGI Gas base rates effective October 19, 2016 (\$20.1 million) and the higher core market throughput (\$12.6 million). Electric Utility total margin decreased \$0.8 million principally reflecting the lower volume sales and lower transmission revenue.

UGI Utilities Fiscal 2017 operating income increased \$27.4 million, principally reflecting the increase in total margin (\$41.7 million) and higher other operating income, net (\$10.3 million). These increases in operating income were reduced by higher operating and administrative expenses (\$19.7 million) and higher depreciation and amortization expense (\$5.0 million) associated with increased capital expenditure activity. The higher other operating income, net, reflects a \$5.8 million environmental insurance settlement, the absence of a charge recorded in the prior year related to environmental matters (\$2.5 million), and lower interest on PGC overcollections (\$1.6 million). The increase in UGI Utilities operating and administrative expenses in the current year reflects higher pension and employee benefits expenses (\$7.0 million), higher customer accounts expense (\$4.2 million) and higher regulatory asset amortization expense related to environmental remediation expenses (\$1.9 million). The increase in Fiscal 2017 operating and administrative expenses also reflects the fact that Fiscal 2016 expenses were reduced by the capitalization of \$5.4 million of development stage IT project costs that had been expensed in prior periods but qualified for capitalization during Fiscal 2016. UGI Utilities income before income taxes increased \$24.8 million reflecting the increase in UGI Utilities operating income (\$27.4 million) partially offset by higher interest expense.

**Interest Expense.** Our consolidated interest expense during Fiscal 2017 was \$223.5 million, \$5.4 million lower than the \$228.9 million of interest expense recorded during Fiscal 2016. The lower interest expense principally reflects lower average interest rates on long-term debt at UGI International and AmeriGas Propane. These decreases were partially offset by the effects of higher long-term debt outstanding at AmeriGas Propane and UGI Utilities.

**Income Taxes.** Our effective income tax rate as a percentage of pre-tax income (excluding the effects on such rate of pre-tax income associated with non-controlling interests not subject to federal income taxes) was 28.9% in Fiscal 2017 compared to 37.8% in Fiscal 2016. The lower effective tax rate in Fiscal 2017 principally reflects (1) a decrease in net deferred tax liabilities in France as a result of the reduction in the French statutory rate from 34.43% to 28.92% effective in Fiscal 2021 which reduced consolidated income tax expense during Fiscal 2017 by \$29.0 million; (2) the impact of excess tax benefits of \$10.3 million resulting from the adoption of new accounting guidance on share-based payments effective October 1, 2016 (see Note 3 to Consolidated Financial Statements); (3) the release of a \$7.6 million valuation allowance against future uses of foreign tax credit carryforwards; and (4) an income tax settlement refund of \$6.7 million, plus interest, in France.

## Fiscal 2016 Compared with Fiscal 2015 Consolidated Results

### Net Income Attributable to UGI Corporation by Business Unit:

(Dollars in millions)	2016		2015		Variance - Favorable (Unfavorable)	
	Amount	% of Total	Amount	% of Total	Amount	% Change
AmeriGas Propane (a)	\$ 43.2	11.8%	\$ 61.0	21.7 %	\$ (17.8)	(29.2)%
UGI International (b)	111.6	30.6%	52.7	18.8 %	58.9	111.8 %
UGI Utilities	97.4	26.7%	121.1	43.1 %	(23.7)	(19.6)%
Midstream & Marketing	87.1	23.9%	107.5	38.3 %	(20.4)	(19.0)%
Corporate & Other (c)	25.4	7.0%	(61.3)	(21.9)%	86.7	N.M.
Net income attributable to UGI Corporation	<u>\$ 364.7</u>	<u>100.0%</u>	<u>\$ 281.0</u>	<u>100.0 %</u>	<u>\$ 83.7</u>	<u>29.8 %</u>

(a) Fiscal 2016 includes an after-tax loss of \$7.9 million associated with extinguishments of debt.

(b) Fiscal 2016 includes after-tax integration expenses associated with Finagaz of \$17.3 million. Fiscal 2015 includes net after-tax costs of \$4.6 million associated with an extinguishment of debt at Antargaz and after-tax integration and acquisition expenses associated with Finagaz of \$14.9 million.

(c) Includes net after-tax gains (losses) on commodity derivative instruments not associated with current-period transactions of \$29.9 million and \$(53.3) million in Fiscal 2016 and Fiscal 2015, respectively.

N.M. — Variance is not meaningful.



## Fiscal 2016 Highlights

- Fiscal 2016 includes net after-tax gains on commodity derivative instruments not associated with current-period transactions of \$29.9 million (equal to \$0.17 per diluted share). Fiscal 2015 includes net after-tax losses on commodity derivative instruments not associated with current-period transactions of \$53.3 million (equal to \$0.30 per diluted share).
- Fiscal 2016 and Fiscal 2015 reflect net after-tax integration expenses associated with Finagaz, which decreased net income attributable to UGI by \$17.3 million (equal to \$0.10 per diluted share) and \$14.9 million (equal to \$0.08 per diluted share), respectively.
- Fiscal 2016 and Fiscal 2015 include after-tax losses on extinguishments of debt of \$7.9 million (equal to \$0.04 per diluted share) and \$4.6 million (equal to \$0.03 per diluted share), respectively.
- Fiscal 2016 results at each of our business units was negatively impacted by temperatures that were significantly warmer than normal and, with respect to UGI's domestic business units, significantly warmer than in Fiscal 2015.
- UGI International Fiscal 2016 net income (excluding the impacts of integration and acquisition expenses associated with Finagaz in Fiscal 2016 and Fiscal 2015 and the impact of costs associated with an extinguishment of debt in Fiscal 2015) improved significantly reflecting in large part the full-year operations of Finagaz, which was acquired in May 2015, and higher average unit margins.
- Midstream & Marketing Fiscal 2016 results were negatively affected by the warmer weather in the Mid-Atlantic region of the U.S. and the impact of lower prices for capacity management as the milder weather reduced capacity spreads between Marcellus and non-Marcellus locations. These decreases in margin were partially offset by slightly higher income from our natural gas gathering and peaking contracts.
- Notwithstanding the significant impact on AmeriGas Propane of the significantly warmer Fiscal 2016 heating-season weather, the Partnership benefited from a \$24.5 million reduction in operating and administrative costs as a result of successful execution of its warm weather plan.
- Although the euro and British pound sterling were slightly weaker during Fiscal 2016, the effects of the weaker currencies did not have a material impact on UGI International net income, and did not negatively impact year-over-year net income due to higher gains on foreign currency exchange contracts used to hedge a portion of U.S. dollar purchases of LPG.
- Notwithstanding a decline in total margin as a result of significantly warmer weather, UGI Utilities benefited from lower operating and administrative expenses in Fiscal 2016.

AmeriGas Propane	2016		2015		Decrease	
(Dollars in millions)						
Revenues	\$	2,311.8	\$	2,885.3	\$	(573.5) (19.9)%
Total margin (a)	\$	1,447.0	\$	1,545.3	\$	(98.3) (6.4)%
Partnership operating and administrative expenses	\$	928.8	\$	953.3	\$	(24.5) (2.6)%
Partnership Adjusted EBITDA (b)	\$	543.0	\$	619.2	\$	(76.2) (12.3)%
Operating income	\$	356.3	\$	427.6	\$	(71.3) (16.7)%
Retail gallons sold (millions)		1,065.5		1,184.3		(118.8) (10.0)%
Degree days – % (warmer) than normal (c)		(15.0)%		(2.9)%		— —

(a) Total margin represents total revenues less total cost of sales. Total margin for Fiscal 2016 and Fiscal 2015 excludes net pre-tax gains (losses) of \$66.1 million and \$(47.8) million, respectively, on commodity derivative instruments not associated with current-period transactions.

(b) Partnership Adjusted EBITDA should not be considered as an alternative to net income (as an indicator of operating performance) and is not a measure of performance or financial condition under GAAP. Management uses Partnership Adjusted EBITDA as the primary measure of segment profitability for the AmeriGas Propane segment (see Note 21 to Consolidated Financial Statements).

(c) Deviation from average heating degree days for the 30-year period 1981-2010 based upon national weather statistics provided by NOAA for 344 Geo regions in the United States, excluding Alaska and Hawaii.

AmeriGas Propane's retail gallons sold during Fiscal 2016 decreased 10.0% compared with Fiscal 2015. The decline in retail gallons sold principally reflects average temperatures based upon heating degree days that were 15.0% warmer than normal and 12.5% warmer than in Fiscal 2015.

Retail propane revenues decreased \$546.9 million during Fiscal 2016 reflecting lower average retail selling prices (\$289.0 million), principally the result of lower propane product costs, and the effects of the lower retail volumes sold (\$257.9 million). Wholesale propane revenues decreased \$12.4 million during Fiscal 2016 reflecting the effects of lower wholesale selling prices (\$8.8 million) and lower wholesale volumes sold (\$3.6 million). Average daily wholesale propane commodity prices during Fiscal 2016 at Mont Belvieu, Texas, one of the major supply points in the U.S., were approximately 18% lower than such prices during Fiscal 2015. Other revenues in Fiscal 2016 were \$14.2 million lower than in the prior year principally reflecting lower fee income. Total cost of sales decreased \$475.2 million during Fiscal 2016 principally reflecting the effects on propane cost of sales of the significantly lower average propane product costs (\$342.2 million) and the effects of the lower retail and wholesale volumes sold (\$125.2 million).

AmeriGas Propane total margin decreased \$98.3 million in Fiscal 2016 principally reflecting lower retail propane total margin (\$91.9 million) and, to a much lesser extent, lower margin from ancillary sales and services. The decrease in retail propane total margin largely reflects the previously mentioned decline in retail gallons sold partially offset by higher average propane retail unit margin principally resulting from the benefits of declining wholesale propane commodity prices.

Partnership Adjusted EBITDA in Fiscal 2016 decreased \$76.2 million principally reflecting the lower total margin of \$98.3 million partially offset by lower Partnership operating and administrative expenses (\$24.5 million). The decrease in operating and administrative expenses reflects, among other things, lower vehicle fuel (\$13.4 million), employee compensation and benefits (\$21.7 million), and uncollectible accounts (\$4.6 million) expenses. Partially offsetting these decreases in operating and administrative expenses were higher expenses associated with uninsured litigation matters (\$17.9 million). AmeriGas Propane operating income decreased \$71.3 million in Fiscal 2016 principally reflecting the lower Partnership Adjusted EBITDA (\$76.2 million) partially offset by slightly lower depreciation expense.

<b>UGI International</b>	2016		2015		Increase	
(Dollars in millions)						
Revenues	\$	1,868.8	\$	1,808.5	\$	60.3 3.3%
Total margin (a)	\$	965.0	\$	688.5	\$	276.5 40.2%
Operating and administrative expenses (b)	\$	639.7	\$	493.7	\$	146.0 29.6%
Operating income	\$	206.6	\$	112.8	\$	93.8 83.2%
Income before income taxes (c)	\$	182.0	\$	76.4	\$	105.6 138.2%
Retail gallons sold (millions) (d)		820.5		697.0		123.5 17.7%
UGI International degree days - % (warmer) than normal (e)		(12.9)%		(11.2)%		— —

(a) Total margin represents total revenues less total cost of sales. Total margin for Fiscal 2016 and Fiscal 2015 excludes net pre-tax gains (losses) of \$31.8 million and \$(28.4) million on UGI International's commodity derivative instruments not associated with current-period transactions, respectively.

(b) Includes Finagaz integration and acquisition-related expenses in Fiscal 2016 and Fiscal 2015 of \$27.9 million and \$22.6 million, respectively.

(c) Fiscal 2015 income before income taxes is net of \$10.3 million of costs associated with an extinguishment of debt at Antargaz which are reflected in interest expense.

(d) Excludes retail gallons from operations in China, which was sold in March 2016.

(e) Deviation from average heating degree days for the 30-year period 1981-2010 at locations in our UGI International service territories.

UGI International's Fiscal 2016 results include the full-year results of Finagaz, which was acquired on May 29, 2015. The acquisition of Finagaz nearly doubled our retail distribution business in France and is a significant contributor to the variances in the table above.

Based upon heating degree day data, temperatures during Fiscal 2016 were significantly warmer than normal and slightly warmer than in Fiscal 2015. Total retail gallons sold during Fiscal 2016 were significantly higher, notwithstanding the warmer weather, principally reflecting incremental retail LPG gallons associated with Finagaz and, to a much lesser extent, retail gallons associated

with small-scale acquisitions at Flaga GmbH (“Flaga”) and AvantiGas Limited (“AvantiGas”). Partially offsetting these increases was the impact on retail volumes of exiting the low-margin autogas business in Poland (69.4 million gallons). During Fiscal 2016, average wholesale commodity prices for both propane and butane in northwest Europe were approximately 20% lower than during Fiscal 2015. Much of the lower wholesale commodity cost occurred during the early part of Fiscal 2016.

UGI International base-currency results are translated into U.S. dollars based upon exchange rates experienced during the reporting periods. The functional currency of a significant portion of our UGI International results is the euro and, to a much lesser extent, the British pound sterling. During Fiscal 2016 and Fiscal 2015, the average un-weighted euro-to-dollar translation rates were approximately \$1.11 and \$1.15, respectively, and the average unweighted British pound sterling-to-dollar translation rates were approximately \$1.42 and \$1.55, respectively. Although the euro and the British pound sterling were weaker during Fiscal 2016 and affect the comparisons of amounts in the table above, these weaker currencies did not negatively impact UGI International net income due to higher gains on foreign currency exchange contracts used to hedge a portion of U.S. dollar purchases of LPG.

UGI International revenues increased \$60.3 million during Fiscal 2016 principally reflecting incremental revenues from Finagaz and, to a much lesser extent, incremental revenues associated with small-scale acquisitions at Flaga and AvantiGas. These increases in revenues were substantially offset by lower average LPG selling prices at each of our legacy European LPG businesses and, to a lesser extent, the impact of exiting the low-margin autogas business in Poland and the effects of the weaker euro and the British pound sterling. The lower average LPG sales prices in Fiscal 2016 resulted from lower average LPG wholesale commodity prices. UGI International cost of sales decreased \$216.2 million during Fiscal 2016 principally reflecting the effects of lower average LPG wholesale commodity prices and, to a much lesser extent, the absence of certain low-margin autogas volumes in Poland, the effects of the weaker euro and the British pound sterling, and higher gains from foreign currency exchange contracts used to hedge a portion of U.S. dollar purchases of LPG. These decreases in cost of sales were partially offset by incremental cost of sales associated with Finagaz.

UGI International total margin increased \$276.5 million primarily reflecting incremental local-currency margin from the full-year results of Finagaz and, to a much lesser extent, higher average unit margins and the impact of the small-scale acquisitions at Flaga and AvantiGas. The higher average unit margins at our legacy UGI France and Flaga businesses reflect the benefits of declining LPG wholesale commodity costs and effective margin management. The impact of the slightly higher local currency total margin was partially offset by the effects on such margin of the weaker euro and the British pound sterling.

The \$93.8 million increase in UGI International operating income principally reflects the previously mentioned \$276.5 million increase in total margin partially offset by a \$146.0 million increase in operating and administrative expenses, a \$25.5 million increase in depreciation and amortization expense, and, to a much lesser extent, lower other operating income. The higher operating and administrative expenses and depreciation and amortization expense primarily reflects incremental expenses associated with Finagaz and, to a much lesser extent, small-scale acquisitions at Flaga and AvantiGas partially offset by the translation effects of the weaker euro and British pound sterling. Operating and administrative costs include \$27.9 million and \$22.6 million of Finagaz integration and acquisition-related expenses in Fiscal 2016 and Fiscal 2015, respectively. UGI International income before income taxes increased \$105.6 million principally reflecting the previously mentioned \$93.8 million increase in UGI International operating income and the absence of \$10.3 million in costs recorded in the prior year associated with an extinguishment of debt at Antargaz which are reflected in interest expense. Excluding these costs, UGI International interest expense in Fiscal 2016 was slightly lower as higher average long-term debt outstanding at UGI France resulting from the acquisition of Finagaz was more than offset by lower average interest rates on UGI International’s long-term debt and the translation effects of the weaker euro.

Midstream & Marketing	2016		2015		Decrease	
(Dollars in millions)						
Revenues	\$	866.6	\$	1,163.6	\$	(297.0) (25.5)%
Total margin (a)	\$	264.4	\$	309.0	\$	(44.6) (14.4)%
Operating and administrative expenses	\$	90.9	\$	98.6	\$	(7.7) (7.8)%
Operating income	\$	146.7	\$	182.6	\$	(35.9) (19.7)%
Income before income taxes	\$	144.6	\$	180.5	\$	(35.9) (19.9)%

(a) Total margin represents total revenues less total cost of sales. Amounts exclude net pre-tax losses on commodity derivative instruments not associated with current-period transactions of \$6.3 million and \$42.9 million during Fiscal 2016 and Fiscal 2015, respectively.

Midstream & Marketing’s Fiscal 2016 results were negatively impacted by significantly warmer weather in its principal Mid-Atlantic and Northeast U.S. service territory. Temperatures across Midstream & Marketing’s energy marketing territory were approximately 17.8% warmer than normal in Fiscal 2016 compared to temperatures that were 4.5% colder than normal in Fiscal

2015. Midstream & Marketing's Fiscal 2016 revenues were \$297.0 million lower than in Fiscal 2015 principally reflecting lower natural gas revenues (\$240.0 million), lower capacity management revenues (\$41.7 million), lower retail power revenues (\$19.5 million) and, to a lesser extent, lower electric generation and HVAC revenues. These decreases in revenues were partially offset by higher combined peaking and natural gas gathering revenues (\$27.8 million). The significant decrease in natural gas revenues reflects lower wholesale and retail natural gas prices during Fiscal 2016 and, to a lesser extent, lower natural gas volumes resulting from the warmer weather. The lower retail power revenues principally reflect lower weather-related sales volumes and lower retail power prices. The decline in capacity management revenues reflects lower average prices for capacity as Fiscal 2016 experienced lower locational basis differences due to less volatility in capacity values between Marcellus and non-Marcellus delivery points. The decline in electric generation revenues reflects lower average electricity prices and lower electricity production volumes during Fiscal 2016, due in large part to the effects of the warmer winter weather and the impact of planned outages, while the decline in HVAC revenues principally reflects lower activity. The decrease in Midstream & Marketing cost of sales principally reflects lower natural gas cost of sales (\$227.8 million) reflecting lower natural gas prices, lower cost of sales associated with the decline in retail power sales (\$17.8 million) and, to a lesser extent, lower electric generation and HVAC cost of sales.

Midstream & Marketing total margin decreased \$44.6 million in Fiscal 2016 principally reflecting lower capacity management total margin (\$41.7 million), lower natural gas and retail power total margin (\$14.9 million), lower electric generation total margin (\$9.4 million) and lower HVAC total margin. These decreases in margin were partially offset by slightly higher combined natural gas gathering and peaking total margin (\$27.5 million) reflecting the expansion of our natural gas gathering assets and higher demand for peaking services. As previously mentioned, the lower capacity management margin in Fiscal 2016 reflects lower average prices for capacity as a result of lower locational basis differences in capacity values between Marcellus and non-Marcellus delivery points. The decline in natural gas marketing total margin principally reflects the effects of lower average unit margins and lower volumes sold due to the warmer weather. The decline in electric generation total margin reflects lower average electricity prices and lower electricity production volumes.

Midstream & Marketing operating income and income before income taxes during Fiscal 2016 each decreased \$35.9 million principally reflecting the previously mentioned decrease in total margin (\$44.6 million) partially offset by slightly lower operating and administrative expenses and higher other operating income. Operating and administrative expenses were slightly lower in Fiscal 2016 due in large part to lower operating expenses in the HVAC business (\$5.0 million) on lower Fiscal 2016 activity and greater costs in the prior year associated with our electricity generation facilities. Depreciation expense was slightly higher in Fiscal 2016 principally reflecting incremental depreciation expense associated with our natural gas gathering assets and the Conemaugh electricity generating unit.

<b>UGI Utilities</b>	2016		2015 (a)		Decrease	
(Dollars in millions)						
Revenues	\$	768.5	\$	1,041.6	\$	(273.1) (26.2)%
Total margin (b)	\$	473.9	\$	525.2	\$	(51.3) (9.8)%
Operating and administrative expenses	\$	192.7	\$	218.3	\$	(25.6) (11.7)%
Operating income	\$	200.9	\$	241.7	\$	(40.8) (16.9)%
Income before income taxes	\$	163.3	\$	200.6	\$	(37.3) (18.6)%
Gas Utility system throughput – billions of cubic feet (“bcf”)						
Core market		66.2		81.3		(15.1) (18.6)%
Total		212.4		213.5		(1.1) (0.5)%
Electric Utility distribution sales - millions of kilowatt hours (“gwh”)		961.6		1,010.1		(48.5) (4.8)%
Gas Utility degree days – % (warmer) colder than normal (c)		(13.6)%		6.4%		— —

(a) Includes amounts associated with PNG Gas' heating, ventilation and air-conditioning service business through the date of its sale in June 2015. Such amounts are not material.

(b) Total margin represents total revenues less total cost of sales and Electric Utility gross receipts taxes, of \$4.8 million and \$5.6 million during Fiscal 2016 and Fiscal 2015, respectively. Gross receipt taxes are included in “Utility taxes other than income taxes” on the Consolidated Statements of Income.

(c) Deviation from average heating degree days for the 15-year period 2000-2014 based upon weather statistics provided by NOAA for airports located within Gas Utility's service territory.

Temperatures in Gas Utility's service territory during Fiscal 2016 based upon heating degree days were 13.6% warmer than normal and 17.8% warmer than Fiscal 2015. In particular, Gas Utility temperatures in the critical heating-season month of December were

37% warmer than normal. Gas Utility core market volumes declined 15.1 bcf (18.6%) reflecting the effects of the significantly warmer weather. Total Gas Utility Fiscal 2016 distribution system throughput was about equal to Fiscal 2015 as the lower core market volumes were substantially offset by higher large firm delivery service volumes. Electric Utility kilowatt-hour sales were 4.8% lower than in the prior year principally reflecting the impact of the warmer weather on heating-related sales.

UGI Utilities Fiscal 2016 revenues decreased \$273.1 million principally reflecting a \$255.7 million decrease in Gas Utility revenues and a \$16.5 million decrease in Electric Utility revenues. The lower Gas Utility revenues principally reflect a decrease in core market revenues (\$203.1 million) and lower off-system sales revenues (\$51.4 million). The \$203.1 million decrease in Fiscal 2016 Gas Utility core market revenues reflects the effects of the lower core market throughput (\$135.4 million) and lower average PGC rates (\$67.7 million). The lower Electric Utility revenues principally resulted from lower DS rates (\$8.0 million), lower sales volumes (\$5.4 million) and lower transmission revenue (\$2.6 million). UGI Utilities cost of sales was \$289.8 million in Fiscal 2016 compared with \$510.8 million in Fiscal 2015 principally reflecting the combined effects of the lower average Gas Utility PGC rates (\$92.3 million), lower cost of sales associated with Gas Utility off-system sales (\$51.4 million) and lower Gas Utility retail core-market volumes sold (\$67.5 million). Electric Utility cost of sales was \$11.5 million lower reflecting the lower DS rates (\$8.5 million) and the lower volumes sold.

UGI Utilities Fiscal 2016 total margin decreased \$51.3 million principally reflecting lower Gas Utility total margin from core market customers (\$43.3 million). The decrease in Gas Utility core market margin reflects the lower core market throughput. Electric Utility total margin decreased \$4.2 million principally reflecting the lower volume sales as a result of the warmer Fiscal 2016 weather and the lower transmission revenue.

UGI Utilities Fiscal 2016 operating income and income before income taxes decreased \$40.8 million and \$37.3 million, respectively. The decreases in operating income and income before income taxes principally reflects the decrease in total margin (\$51.3 million), higher depreciation expense (\$4.4 million) and lower other operating income (\$10.9 million) which includes, among other things, higher environmental matters expense (\$4.1 million), lower margin from off-system sales (\$2.2 million), lower revenue from construction services (\$2.1 million) and higher interest on PGC overcollections (\$1.1 million). These were partially offset by operating and administrative expenses that were \$25.6 million lower than the prior year primarily reflecting lower net preliminary development stage expenses associated with an IT project (\$8.6 million), including the year-over-year impact of the Fiscal 2016 capitalization of \$5.4 million of such IT costs expensed in prior years (see Note 8 to Consolidated Financial Statements), and, to a lesser extent, lower uncollectible accounts (\$5.7 million), system maintenance expenses (\$4.8 million) and employee benefits (\$4.7 million). The decrease in income before income taxes also reflects lower interest expense principally due to lower average long-term debt outstanding and lower average interest rates.

**Interest Expense.** Our consolidated interest expense during Fiscal 2016 was \$227.8 million, \$14.1 million lower than the \$241.9 million of interest expense recorded during Fiscal 2015. Interest expense in Fiscal 2015 includes \$10.3 million of costs associated with an extinguishment of debt at Antargaz. Excluding the impact of these debt extinguishment costs, consolidated interest expense was \$3.8 million lower principally reflecting UGI Utilities' lower average long-term debt outstanding and lower average interest rates. Notwithstanding higher average long-term debt outstanding at UGI International in Fiscal 2016 resulting from the May 2015 acquisition of Finagaz, UGI International interest expense, excluding the impact of the debt extinguishment costs, was about equal to Fiscal 2015 reflecting lower average interest rates.

**Income Taxes.** Our effective income tax rate as a percentage of pre-tax income for Fiscal 2016 (excluding the effects on such rate of pre-tax income associated with noncontrolling interests not subject to federal income taxes) was 37.8%, slightly below the 38.8% rate in Fiscal 2015. The lower effective tax rate in Fiscal 2016 includes, among other things, the elimination of certain deferred tax valuation allowances associated with state loss carryforwards.

### **Financial Condition and Liquidity**

We depend on both internal and external sources of liquidity to provide funds for working capital and to fund capital requirements. Our short-term cash requirements not met by cash from operations are generally satisfied with borrowings under credit facilities and, in the case of Midstream & Marketing, from a receivables purchase facility ("Receivables Facility"). Long-term cash requirements are generally met through issuance of long-term debt or equity securities. We believe that each of our business units has sufficient liquidity in the forms of cash and cash equivalents on hand; cash expected to be generated from operations; credit facility and Receivables Facility borrowings; and the ability to obtain long-term financing to meet anticipated contractual and projected cash commitments. Issuances of debt and equity securities in the capital markets and additional credit facilities may not, however, be available to us on acceptable terms.

The primary sources of UGI's cash and cash equivalents are the dividends and other cash payments made to UGI or its subsidiaries by its principal business units. Our cash and cash equivalents totaled \$558.4 million at September 30, 2017, compared with \$502.8 million at September 30, 2016. Excluding cash and cash equivalents that reside at UGI's operating subsidiaries, at September 30,

2017 and 2016, UGI had cash and cash equivalents of \$291.1 million and \$125.7 million, respectively, a substantial portion of which are located in the U.S. Such cash is available to pay dividends on UGI Common Stock and for investment purposes.

AmeriGas Propane's ability to pay dividends to UGI is dependent upon distributions it receives from AmeriGas Partners. At September 30, 2017, our 27% effective ownership interest in the Partnership consisted of approximately 23.8 million Common Units and an aggregate 2% general partner interest. Approximately 45 days after the end of each fiscal quarter, the Partnership distributes all of its Available Cash (as defined in the Fourth Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, as amended (the "Partnership Agreement")) relating to such fiscal quarter. AmeriGas Propane, as general partner of AmeriGas Partners, is entitled to receive incentive distributions when AmeriGas Partners' quarterly distribution exceeds \$0.605 per limited partner unit. During Fiscal 2017, Fiscal 2016 and Fiscal 2015, the total amount of distributions received by the General Partner with respect to its aggregate 2% general partner ownership interests in the Partnership totaled \$52.7 million, \$47.4 million and \$39.3 million, respectively. Included in these amounts are incentive distributions received by the General Partner during Fiscal 2017, Fiscal 2016 and Fiscal 2015 of \$43.5 million, \$38.2 million and \$30.4 million, respectively (see Note 14 to Consolidated Financial Statements).

During Fiscal 2017, Fiscal 2016 and Fiscal 2015, our principal business units paid cash dividends and made other cash payments to UGI and its subsidiaries as follows:

Year Ended September 30, (Millions of dollars)	2017	2016	2015
AmeriGas Propane	\$ 123.0	\$ 107.0	\$ 97.3
UGI Utilities	57.7	47.0	65.6
UGI International	118.3	98.4	31.3
Midstream & Marketing (a)	—	—	60.0
Total	\$ 299.0	\$ 252.4	\$ 254.2

(a) Cash dividends received from Midstream & Marketing in Fiscal 2015 were used to fund a portion of the Totalgaz Acquisition. See Note 4 to Consolidated Financial Statements.

## Dividends and Distributions

On April 25, 2017, UGI's Board of Directors approved an increase in the quarterly dividend rate on UGI Common Stock to \$0.25 per Common Share, equal to \$1.00 on an annualized basis. The dividend rate reflects an approximately 5.3% increase from the previous quarterly rate of \$0.2375. The new quarterly dividend rate was effective with the dividend payable on July 1, 2017, to shareholders of record on June 15, 2017.

On April 24, 2017, the General Partner's Board of Directors approved an increase in the quarterly distribution rate on AmeriGas Partners Common Units to \$0.95 per Common Unit, equal to \$3.80 per Common Unit on an annualized basis. The distribution rate reflects a 1.1% increase from the previous quarterly rate of \$0.94. The new quarterly rate was effective with the distribution payable on May 18, 2017, to unitholders of record on May 10, 2017.

## Repurchases of Common Stock

In January 2014, the UGI Board of Directors authorized a share repurchase program for up to 15 million shares of UGI Corporation Common Stock. The authorization permits the execution of the share repurchase program over a four-year period. Pursuant to such authorization, during Fiscal 2017, Fiscal 2016 and Fiscal 2015, the Company purchased on the open market 0.9 million, 1.25 million and 1.0 million shares at a total purchase price of \$43.3 million, \$47.6 million and \$34.1 million, respectively.



## Long-term Debt and Credit Facilities

The Company's debt outstanding at September 30, 2017 and 2016, comprises the following:

(millions of dollars)	2017						2016
	AmeriGas Propane	UGI International	Midstream & Marketing	UGI Utilities	Other	Total	Total
Short-term borrowings	\$ 140.0	\$ 17.9	\$ 39.0	\$ 170.0	\$ —	\$ 366.9	\$ 291.7
Long-term debt (including current maturities):							
Senior notes	\$ 2,575.0	\$ —	\$ —	\$ 675.0	\$ —	\$ 3,250.0	\$ 2,905.8
Term loans	—	822.1	—	80.0	—	902.1	884.9
Other long-term debt	28.6	21.3	0.5	—	9.4	59.8	41.6
Unamortized debt issuance costs	(31.3)	(4.6)	—	(3.9)	—	(39.8)	(36.8)
Total long-term debt	\$ 2,572.3	\$ 838.8	\$ 0.5	\$ 751.1	\$ 9.4	\$ 4,172.1	\$ 3,795.5
Total debt	\$ 2,712.3	\$ 856.7	\$ 39.5	\$ 921.1	\$ 9.4	\$ 4,539.0	\$ 4,087.2

### Long-term Debt

**AmeriGas Partners.** During Fiscal 2017, AmeriGas Partners issued, in underwritten offerings, \$700 million principal amount of 5.50% Senior Notes due May 2025 and \$525 million principal amount of 5.75% Senior Notes due May 2027 (collectively, the "AmeriGas 2017 Senior Notes"). The net proceeds from the issuance of the AmeriGas 2017 Senior Notes were used (1) for the early repayment, pursuant to tender offers and notices of redemption, of all of AmeriGas Partners' 7.00% Senior Notes, having an aggregate principal balance of \$980.8 million plus accrued and unpaid interest and early redemption premiums, and (2) for general corporate purposes.

**UGI Utilities.** Pursuant to a note purchase agreement, in October 2016, UGI Utilities issued \$100 million aggregate principal amount of 4.12% Senior Notes due October 2046 (the "UGI Utilities 4.12% Senior Notes"). The net proceeds of the issuance of the UGI Utilities 4.12% Senior Notes were used (1) to provide additional financing for UGI Utilities infrastructure replacement and betterment capital program and IT initiatives, and (2) for general corporate purposes.

On October 31, 2017, UGI Utilities entered into a \$125 million unsecured term loan (the "Utilities Term Loan") with a group of banks which initially matures on October 30, 2018. Such maturity will be automatically extended to October 30, 2022 once UGI Utilities delivers to the agent a copy of the securities certificate registered with the PUC authorizing UGI Utilities' incurring indebtedness with such maturity date. Proceeds from the Utilities Term Loan were used to repay revolving credit balances and for general corporate purposes. The outstanding principal amount of the Utilities Term Loan is payable in equal quarterly installments of \$1.6 million with the balance of the principal being due and payable in full on the maturity date.

For detailed information on the Company's short-term and long-term borrowings, see Note 5 to Consolidated Financial Statements.

### Short-term Debt

Due to the seasonal nature of the Company's businesses, cash provided by operating activities is generally strongest during the second and third fiscal quarters when customers pay for natural gas, LPG, electricity and other energy products and services consumed during the peak heating season months. Conversely, cash from operating activities is generally at its lowest levels during the first and fourth fiscal quarters when the Company's investment in working capital, principally inventories and accounts receivable, is generally greatest. AmeriGas Propane and UGI Utilities primarily use their credit facilities to satisfy their seasonal operating cash flow needs. Energy Services, LLC has historically used its Receivables Facility to satisfy much of its seasonal operating cash flow needs. Energy Services, LLC also has a \$240 million credit facility, which it can use for general corporate purposes. UGI International principally uses borrowings under credit agreements and cash on hand to satisfy its operating cash flow needs. Borrowings under the credit facilities and the Energy Services, LLC's Receivables Facility are classified as "Short-term borrowings" on the Consolidated Balance Sheets. See Note 5 to Consolidated Financial Statements for further information on the Company's short-term credit facilities.



Information about the Company's principal credit agreements (excluding Energy Services, LLC's Receivables Facility, which is discussed below) as of September 30, 2017 and 2016, is presented in the tables below.

(Millions of dollars or euros)	Expiration Date	Total Capacity	Borrowings Outstanding	Letters of Credit and Guarantees Outstanding	Available Borrowing Capacity	Weighted Average Interest Rate - End of Year
<b>September 30, 2017</b>						
AmeriGas OLP	June 2019	\$ 525.0	\$ 140.0	\$ 67.2	\$ 317.8	3.74%
UGI France SAS	April 2020	€ 60.0	—	—	€ 60.0	N.A.
Flaga (a)	October 2020	€ 55.0	—	€ 6.5	€ 48.5	N.A.
Energy Services, LLC	March 2021	\$ 240.0	—	—	\$ 240.0	N.A.
UGI Utilities	March 2020	\$ 300.0	\$ 170.0	\$ 2.0	\$ 128.0	2.11%

**September 30, 2016**

AmeriGas OLP	June 2019	\$ 525.0	\$ 153.2	\$ 67.2	\$ 304.6	2.79%
UGI France SAS	April 2020	€ 60.0	—	—	€ 60.0	N.A.
Flaga (a)	October 2020	€ 55.0	—	€ 9.6	€ 45.4	N.A.
Energy Services, LLC	March 2021	\$ 240.0	—	—	\$ 240.0	N.A.
UGI Utilities	March 2020	\$ 300.0	\$ 112.5	\$ 2.0	\$ 185.5	1.42%

(a) Total capacity comprises a €25 million multi-currency revolving credit facility, a €5 million overdraft facility and a €25 million guarantee facility. Guarantees outstanding reduce the available capacity on the €25 million guarantee facility.

The average daily and peak short-term borrowings under the Company's principal credit agreements during Fiscal 2017 and Fiscal 2016 are as follows:

(Millions of dollars or euros)	2017		2016	
	Average	Peak	Average	Peak
AmeriGas OLP	\$ 89.3	\$ 292.5	\$ 99.0	\$ 249.0
UGI France SAS	€ —	€ —	€ —	€ —
Flaga	€ —	€ —	€ —	€ —
Energy Services, LLC	\$ 8.0	\$ 28.0	\$ 23.6	\$ 81.0
UGI Utilities	\$ 80.7	\$ 178.0	\$ 150.8	\$ 232.0

Energy Services, LLC also has a Receivables Facility with an issuer of receivables-backed commercial paper. On October 27, 2017, the expiration date of the Receivables Facility was extended to October 26, 2018. The Receivables Facility, as amended, provides Energy Services with the ability to borrow up to \$150 million of eligible receivables during the period November through April, and up to \$75 million of eligible receivables during the period May through October. Energy Services, LLC uses the Receivables Facility to fund working capital, margin calls under commodity futures contracts, capital expenditures, dividends and for general corporate purposes.

At September 30, 2017, the outstanding balance of trade receivables was \$44.8 million of which \$39.0 million was sold to the bank. At September 30, 2016, the outstanding balance of trade receivables was \$35.7 million of which \$25.5 million was sold to the bank. Amounts sold to the bank are reflected as "Short-term borrowings" on the Consolidated Balance Sheet (see Note 5 to Consolidated Financial Statements). During Fiscal 2017 and Fiscal 2016, peak sales of receivables were \$49.0 million and \$46.0 million, respectively, and average daily amounts sold were \$14.0 million and \$14.4 million, respectively.

**Cash Flows**

Due to the seasonal nature of the Company's businesses, cash flows from operating activities are generally strongest during the second and third fiscal quarters when customers pay for natural gas, LPG, electricity and other energy products and services consumed during the peak heating season months. Conversely, operating cash flows are generally at their lowest levels during the fourth and first fiscal quarters when the Company's investment in working capital, principally inventories and accounts receivable, is generally greatest.

**Operating Activities:**

Year-to-year variations in our cash flows from operating activities can be significantly affected by changes in operating working capital especially during periods with significant changes in energy commodity prices. Cash flows from operating activities in Fiscal 2017, Fiscal 2016 and Fiscal 2015 were \$964.4 million, \$969.7 million and \$1,163.8 million, respectively. Cash flow from operating activities before changes in operating working capital was \$1,133.0 million in Fiscal 2017, \$926.6 million in Fiscal 2016 and \$972.0 million in Fiscal 2015. The higher cash flow before changes in operating working capital in Fiscal 2017 reflects the higher net income (after adjusting net income for the noncash effects of unrealized gains and losses on derivative instruments and loss on extinguishment of debt) and the absence of a \$36.0 million cash settlement on interest rate protection agreements at UGI Utilities recorded in Fiscal 2016. The slightly lower Fiscal 2016 cash flow from operating activities before changes in operating working capital compared to Fiscal 2015 principally reflects the effects of lower net income (after adjusting net income for the noncash effects of unrealized gains and losses on derivative instruments and the loss on extinguishment of debt at AmeriGas Partners) and the \$36.0 million interest rate agreements settlement at UGI Utilities partially offset by higher noncash charges for deferred income taxes and depreciation and amortization. Changes in operating working capital (used) provided operating cash flow of \$(168.6) million in Fiscal 2017, \$43.1 million in Fiscal 2016 and \$191.8 million in Fiscal 2015. Cash flow from changes in operating working capital principally reflect the impact of energy commodity prices on changes in accounts receivable, inventories and accounts payable. The higher cash used to fund changes in operating working capital in Fiscal 2017 reflects in large part the impact of increases in LPG and natural gas prices. The significantly higher cash provided by net changes in accounts receivable, inventories and accounts payable in Fiscal 2015 reflects, in large part, the impact of significant declines in LPG and natural gas costs in Fiscal 2015. In addition, cash flow from changes in operating working capital include net refunds of UGI Utilities purchased gas and electricity costs of \$15.4 million in Fiscal 2017 and \$22.7 million in Fiscal 2016, and net overcollections of \$51.8 million in Fiscal 2015.

**Investing Activities:**

Investing activity cash flow is principally affected by cash expenditures for property, plant and equipment; cash paid for acquisitions of businesses; changes in restricted cash balances and net cash proceeds from sales and retirements of property, plant and equipment. Cash expenditures for property, plant and equipment totaled \$638.9 million in Fiscal 2017, \$563.8 million in Fiscal 2016 and \$490.6 million in Fiscal 2015. Cash payments for property, plant and equipment were higher in Fiscal 2017 compared to Fiscal 2016 reflecting, in large part, higher pipeline and peaking asset-related cash capital expenditures at our Midstream & Marketing segment, and a pipeline expansion project and higher IT capital expenditures at UGI Utilities. Cash payments for property, plant and equipment were higher in Fiscal 2016 compared to Fiscal 2015 reflecting, in large part, higher Gas Utility replacement and infrastructure improvement capital expenditures, higher Energy Services midstream pipeline project capital expenditures and, to a lesser extent, incremental UGI International capital expenditures principally reflecting the full-year impact of Finagaz. Net cash used for acquisitions of businesses in Fiscal 2017 reflects net cash paid for acquisitions at AmeriGas Propane (\$36.8 million) and UGI International (\$64.8 million). Net cash paid for acquisitions of businesses in Fiscal 2016 includes business acquisitions at AmeriGas Propane (\$37.6 million) and UGI International (\$23.6 million). Net cash paid for business acquisitions in Fiscal 2015 reflects in large part the Totalgaz Acquisition (see Note 4 to Consolidated Financial Statements). Cash from changes in restricted cash, primarily cash in futures brokerage accounts, provided (used) cash of \$6.1 million in Fiscal 2017, \$53.7 million in Fiscal 2016 and \$(52.8) million in Fiscal 2015. The amount of restricted cash required in such accounts is generally the result of changes in underlying commodity prices.

**Financing Activities:**

Changes in cash flow from financing activities are primarily due to issuances and repayments of long-term debt; short-term borrowings; dividends and distributions on UGI Common Stock and AmeriGas Partners Common Units; and issuances or repurchases of equity instruments.

During Fiscal 2017, UGI Utilities issued \$100 million of Senior Notes and used the net proceeds principally to fund infrastructure replacement and betterment capital expenditures, IT initiatives and for general corporate purposes. During Fiscal 2017, AmeriGas Partners and AmeriGas Finance Corp. issued \$700.0 million of Senior Notes the net proceeds of which were used in large part for the early repayment of a portion of AmeriGas Partners' 7.00% Senior Notes having an aggregate principal balance of \$500.0 million plus accrued and unpaid interest and early redemption premiums. Also during Fiscal 2017, AmeriGas Partners and AmeriGas Finance Corp. issued \$525 million of Senior Notes, the net proceeds of which were used primarily for the early repayments in February and May of the remaining outstanding AmeriGas Partners' 7.00% Senior Notes having an aggregate principal balance of \$480.8 million.

In Fiscal 2016, AmeriGas Partners issued \$1.35 billion face value of AmeriGas Partners Senior Notes and used substantially all of the net proceeds from the issuance to repay \$1.27 billion principal amount of existing AmeriGas Partners Senior Notes subject to tender offers and notices of redemptions. In addition, during Fiscal 2016 UGI Utilities issued \$300 million of Senior Notes and

used the net proceeds principally to repay maturing long-term debt and short-term borrowings. The increases in dividends on UGI Common Stock and distributions on AmeriGas Partners' publicly held Common Units during the three-year period principally reflect annual increases in quarterly dividend and distribution rates.

Financing cash flows in Fiscal 2015 include net proceeds from the issuance of long-term debt under the UGI France 2015 Senior Facilities Agreement totaling \$652.6 million, the proceeds of which were used principally to fund a portion of the acquisition of Finagaz and to prepay term loans outstanding under Antargaz' 2011 Senior Facilities Agreement. For further information on debt transactions, see Note 5 to Consolidated Financial Statements.

### Capital Expenditures

In the following table, we present capital expenditures (which exclude acquisitions) for Fiscal 2017, Fiscal 2016 and Fiscal 2015. We also provide amounts we expect to spend in Fiscal 2018. We expect to finance a substantial portion of our Fiscal 2018 capital expenditures from cash generated by operations, borrowings under credit facilities and cash on hand.

Year Ended September 30, (Millions of dollars)	2018 (estimate)	2017	2016	2015
AmeriGas Propane	\$ 112.0	\$ 98.1	\$ 101.7	\$ 102.0
UGI International	107.0	90.3	99.9	87.5
UGI Utilities	317.0	317.7	262.5	197.7
Midstream & Marketing	47.0	117.5	140.4	88.0
Total	\$ 583.0	\$ 623.6	\$ 604.5	\$ 475.2

The higher levels of UGI Utilities capital expenditures in Fiscal 2017 and Fiscal 2016, as well as those estimated for Fiscal 2018, reflect greater main replacement and system improvement capital expenditures, increases in new business capital expenditures and expected investments in new IT projects.

### Contractual Cash Obligations and Commitments

The Company has contractual cash obligations that extend beyond Fiscal 2017. Such obligations include scheduled repayments of long-term debt, interest on long-term fixed-rate debt, operating lease payments, unconditional purchase obligations for pipeline capacity, pipeline transportation and natural gas storage services and commitments to purchase natural gas, LPG and electricity, capital expenditures and derivative instruments. The following table presents contractual cash obligations with non-affiliates under agreements existing as of September 30, 2017:

(Millions of dollars)	Payments Due by Period				
	Total	Fiscal 2018	Fiscal 2019 - 2020	Fiscal 2021 - 2022	Thereafter
Long-term debt (a)	\$ 4,211.9	\$ 179.6	\$ 655.9	\$ 80.7	\$ 3,295.7
Interest on long-term-fixed rate debt (b)	2,017.9	197.2	380.3	359.9	1,080.5
Operating leases	454.9	91.0	147.2	102.4	114.3
AmeriGas Propane supply contracts	7.4	7.4	—	—	—
UGI International supply contracts	69.1	69.1	—	—	—
Midstream & Marketing supply contracts	225.4	166.8	50.9	7.7	—
UGI Utilities supply, storage and transportation contracts	332.5	93.8	100.7	69.4	68.6
Derivative instruments (c)	37.7	18.8	18.6	0.3	—
Total	\$ 7,356.8	\$ 823.7	\$ 1,353.6	\$ 620.4	\$ 4,559.1

(a) Based upon stated maturity dates for debt outstanding at September 30, 2017.

(b) Based upon stated interest rates adjusted for the effects of interest rate swaps.

(c) Represents the sum of amounts due if derivative instrument liabilities were settled at September 30, 2017, amounts reflected in the Consolidated Balance Sheet (but excluding amounts associated with interest rate and cross-currency swaps).

“Other noncurrent liabilities” included in our Consolidated Balance Sheet at September 30, 2017, principally comprise refundable tank and cylinder deposits (as further described in Note 2 to Consolidated Financial Statements under the caption “Refundable

Tank and Cylinder Deposits”); litigation, property and casualty liabilities and obligations under environmental remediation agreements (see Note 15 to Consolidated Financial Statements); pension and other postretirement benefit liabilities recorded in accordance with accounting guidance relating to employee retirement plans (see Note 7 to Consolidated Financial Statements); and liabilities associated with executive compensation plans (see Note 13 to Consolidated Financial Statements). These liabilities are not included in the table of Contractual Cash Obligations and Commitments because they are estimates of future payments and not contractually fixed as to timing or amount. Required minimum contributions to UGI Utilities’ pension plan (as further described below under “U.S. Pension Plan”) in Fiscal 2018 are not expected to be material. Required minimum contributions to the U.S. Pension Plan in years beyond Fiscal 2018 will depend, in large part, on the impacts of future returns on pension plan assets and interest rates on pension plan liabilities. Certain of our operating lease arrangements, primarily vehicle leases with remaining lease terms of one to ten years, have residual value guarantees. Although such fair values at the end of the leases have historically exceeded the guaranteed amount, at September 30, 2017, the maximum potential amount of future payments under lease guarantees assuming the leased equipment was deemed worthless was approximately \$47 million.

#### **UGI Standby Commitment to Purchase AmeriGas Partners Class B Common Units**

On November 7, 2017, UGI entered into the Commitment Agreement with AmeriGas Partners and AmeriGas Propane, Inc. Under the terms of the Commitment Agreement, UGI has committed to make up to \$225 million of capital contributions to the Partnership through July 1, 2019 (the “Commitment Period”). UGI’s capital contributions may be made from time to time during the Commitment Period upon request of the Partnership.

In consideration for any capital contributions made pursuant to the Commitment Agreement, the Partnership will issue to UGI or a wholly owned subsidiary new Class B Common Units representing limited partner interests in the Partnership (“Class B Units”) at a price equal to the 20-day volume-weighted average price of the Partnership’s Common Units prior to the date of the Partnership’s capital call. The Class B Units will be entitled to cumulative quarterly distributions at a rate equal to the annualized Common Unit yield at the time of the applicable capital call, plus 130 basis points. The Partnership may choose to make the distributions in cash or in the form of additional Class B Units. While outstanding, the Class B Units will not be subject to any incentive distributions from the Partnership.

Generally, at any time after five years from the initial issuance of the Class B Units, holders may elect to convert all or any portion of the Class B Units they own into Common Units on a one-for-one basis, and at any time after six years from the initial issuance of the Class B Units, subject to certain conditions, the Partnership may elect to convert all or any portion of the Class B Units into Common Units. For additional information, see Note 15 to Consolidated Financial Statements.

#### **U.S. Pension Plan**

In the U.S., we sponsor a defined benefit pension plan for employees hired prior to January 1, 2009, of UGI, UGI Utilities, PNG, CPG and certain of UGI’s other domestic wholly owned subsidiaries (“U.S. Pension Plan”). The fair values of the U.S. Pension Plan’s assets totaled \$498.0 million and \$463.4 million at September 30, 2017 and 2016, respectively. At September 30, 2017 and 2016, the underfunded positions of the U.S. Pension Plan, defined as the excess of the projected benefit obligation (“PBO”) over the U.S. Pension Plan’s assets, were \$141.2 million and \$182.0 million, respectively.

We believe we are in compliance with regulations governing defined benefit pension plans, including the Employee Retirement Income Security Act of 1974 (“ERISA”) rules and regulations. Required minimum contributions to the U.S. Pension Plan in Fiscal 2018 are not expected to be material. Pre-tax pension cost associated with the U.S. Pension Plan in Fiscal 2017 was \$17.1million. Pre-tax pension cost associated with the U.S. Pension Plan in Fiscal 2018 is expected to be approximately \$13.0 million.

GAAP guidance associated with pension and other postretirement plans generally requires recognition of an asset or liability in the statement of financial position reflecting the funded status of pension and other postretirement benefit plans with current year changes recognized in shareholders’ equity unless such amounts are subject to regulatory recovery. At September 30, 2017, we have recorded after-tax charges to UGI Corporation’s stockholders’ equity of \$19.2 million and recorded regulatory assets totaling \$141.3 million in order to reflect the funded status of our pension and other postretirement benefit plans. For a more detailed discussion of the U.S. Pension Plan and our other postretirement benefit plans, see Note 7 to Consolidated Financial Statements.

#### **Related Party Transactions**

During Fiscal 2017, Fiscal 2016 and Fiscal 2015, we did not enter into any related-party transactions that had a material effect on our financial condition, results of operations or cash flows.

## **Off-Balance-Sheet Arrangements**

UGI primarily enters into guarantee arrangements on behalf of its consolidated subsidiaries. These arrangements are not subject to the recognition and measurement guidance relating to guarantees under GAAP.

We do not have any off-balance-sheet arrangements that are expected to have a material effect on our financial condition, change in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

## **Utility Regulatory Matters**

**Base Rate Filings.** On January 19, 2017, PNG filed a rate request with the PUC to increase PNG’s annual base operating revenues for residential, commercial and industrial customers by \$21.7 million annually. The increased revenues would fund ongoing system improvements and operations necessary to maintain safe and reliable natural gas service. On June 30, 2017, all active parties supported the filing of a Joint Petition for Approval of Settlement of all issues with the PUC providing for an \$11.3 million PNG annual base distribution rate increase. On August 31, 2017, the PUC approved the Joint Petition and the increase became effective October 20, 2017.

On October 14, 2016, the PUC approved a previously filed Joint Petition for Approval of Settlement of all issues providing for a \$27.0 million annual base distribution rate increase for UGI Gas. The increase became effective on October 19, 2016.

**Distribution System Improvement Charge.** On April 14, 2012, legislation became effective enabling gas and electric utilities in Pennsylvania, under certain circumstances, to recover the cost of eligible capital investment in distribution system infrastructure improvement projects between base rate cases. The charge enabled by the legislation is known as a distribution system improvement charge (“DSIC”). The primary benefit to a company from a DSIC charge is the elimination of regulatory lag, or delayed rate recognition, that occurs under traditional ratemaking relating to qualifying capital expenditures. To be eligible for a DSIC, a utility must have filed a general rate filing within five years of its petition seeking permission to include a DSIC in its tariff, and not exceed certain earnings tests. Absent PUC permission, the DSIC is capped at 5% of distribution charges billed to customers.

PNG and CPG received PUC approval on a DSIC tariff, initially set at zero, in 2014. PNG and CPG began charging a DSIC at a rate other than zero beginning on April 1, 2015 and April 1, 2016, respectively. In March 2016, PNG and CPG filed petitions seeking approval to increase the maximum allowable DSIC from 5% to 10% of billed distribution revenues. On May 10, 2017, the PUC issued a final Order to approve an increase of the maximum allowable DSIC to 7.5% of billed distribution revenues, effective July 1, 2017, for PNG and CPG, pending reconsideration at each company’s Long-term Infrastructure Improvement Plan filing in 2018.

On November 9, 2016, UGI Gas received PUC approval to establish a DSIC tariff mechanism, capped at 5% of distribution charges billed to customers, effective January 1, 2017. UGI Gas will be permitted to recover revenue under the mechanism for the amount of DSIC-eligible plant placed into service in excess of the threshold amount of DSIC-eligible plant agreed upon in the settlement of its recent base rate case.

## **Manufactured Gas Plants**

From the late 1800s through the mid-1900s, UGI Utilities and its current and former subsidiaries owned and operated a number of manufactured gas plants (“MGPs”) prior to the general availability of natural gas. Some constituents of coal tars and other residues of the manufactured gas process are today considered hazardous substances under the Superfund Law and may be present on the sites of former MGPs. Between 1882 and 1953, UGI Utilities owned the stock of subsidiary gas companies in Pennsylvania and elsewhere and also operated the businesses of some gas companies under agreement. By the early 1950s, UGI Utilities divested all of its utility operations other than certain Pennsylvania operations, including those which now constitute UGI Gas and Electric Utility. UGI Utilities also has two acquired subsidiaries (CPG and PNG) with similar histories of owning, and in some cases operating, MGPs in Pennsylvania.

Each of UGI Utilities and its subsidiaries, CPG and PNG, has entered into a consent order and agreement (“COA”) with the Pennsylvania Department of Environmental Protection (“DEP”) to address the remediation of former MGPs in Pennsylvania. In accordance with the COAs, UGI Utilities, CPG and PNG are each required to either obtain a certain number of points per calendar year based on defined eligible environmental investigatory and/or remedial activities at the MGPs or make expenditures for such activities in an amount equal to an annual environmental cost cap. The CPG COA includes an obligation to plug specified natural gas wells. The COA environmental costs caps are \$2.5 million, \$1.8 million and \$1.1 million, for UGI Utilities, CPG and PNG, respectively. The COAs for UGI Utilities, CPG and PNG are scheduled to terminate at the end of 2031, 2018 and 2019, respectively. At September 30, 2017 and 2016, our estimated accrued liabilities for environmental investigation and remediation costs related

to the COAs for UGI Utilities, CPG and PNG totaled \$54.3 million and \$55.1 million, respectively. UGI Utilities, CPG and PNG have recorded associated regulatory assets for these costs because recovery of these costs from customers is probable (see Note 8 to the Consolidated Financial Statements).

We do not expect the costs for investigation and remediation of hazardous substances at Pennsylvania MGP sites to be material to UGI Utilities' results of operations because UGI Utilities, CPG and PNG receive ratemaking recovery of actual environmental investigation and remediation costs associated with the sites covered by the COAs. This ratemaking recognition reconciles the accumulated difference between historical costs and rate recoveries with an estimate of future costs associated with the sites.

From time to time, UGI Utilities is notified of sites outside Pennsylvania on which private parties allege MGPs were formerly owned or operated by UGI Utilities or owned or operated by a former subsidiary. Such parties generally investigate the extent of environmental contamination or perform environmental remediation. Management believes that under applicable law UGI Utilities should not be liable in those instances in which a former subsidiary owned or operated an MGP. There could be, however, significant future costs of an uncertain amount associated with environmental damage caused by MGPs outside Pennsylvania that UGI Utilities directly operated, or that were owned or operated by a former subsidiary of UGI Utilities if a court were to conclude that (1) the subsidiary's separate corporate form should be disregarded, or (2) UGI Utilities should be considered to have been an operator because of its conduct with respect to its subsidiary's MGP. At September 30, 2017, neither the undiscounted nor the accrued liability for environmental investigation and cleanup costs for UGI Utilities' MGP sites outside of Pennsylvania was material.

## **Market Risk Disclosures**

Our primary market risk exposures are (1) commodity price risk; (2) interest rate risk; and (3) foreign currency exchange rate risk. Although we use derivative financial and commodity instruments to reduce market price risk associated with forecasted transactions, we do not use derivative financial and commodity instruments for speculative or trading purposes.

### **Commodity Price Risk**

The risk associated with fluctuations in the prices the Partnership and our UGI International operations pay for LPG is principally a result of market forces reflecting changes in supply and demand for LPG and other energy commodities. Their profitability is sensitive to changes in LPG supply costs. Increases in supply costs are generally passed on to customers. The Partnership and UGI International may not, however, always be able to pass through product cost increases fully or on a timely basis, particularly when product costs rise rapidly. In order to reduce the volatility of LPG market price risk, the Partnership uses contracts for the forward purchase or sale of propane, propane fixed-price supply agreements and over-the-counter derivative commodity instruments including price swap and option contracts. Our UGI International operations use over-the-counter derivative commodity instruments and may from time to time enter into other derivative contracts, similar to those used by the Partnership, to reduce market risk associated with a portion of their LPG purchases. Over-the-counter derivative commodity instruments used to economically hedge forecasted purchases of LPG are generally settled at expiration of the contract. In addition, certain of our UGI International businesses hedge a portion of their anticipated U.S. dollar-denominated LPG product purchases through the use of forward foreign currency exchange contracts as further described below.

Gas Utility's tariffs contain clauses that permit recovery of all of the prudently incurred costs of natural gas it sells to its retail core-market customers, including the cost of financial instruments used to hedge purchased gas costs. The recovery clauses provide for periodic adjustments for the difference between the total amounts actually collected from customers through PGC rates and the recoverable costs incurred. Because of this ratemaking mechanism, there is limited commodity price risk associated with our Gas Utility operations. Gas Utility uses derivative financial instruments, including natural gas futures and option contracts traded on the New York Mercantile Exchange ("NYMEX"), to reduce volatility in the cost of gas it purchases for its retail core-market customers. The cost of these derivative financial instruments, net of any associated gains or losses, is included in Gas Utility's PGC recovery mechanism.

Electric Utility's DS tariffs contain clauses which permit recovery of all prudently incurred power costs, including the cost of financial instruments used to hedge electricity costs, through the application of DS rates. Because of this ratemaking mechanism, there is limited power cost risk, including the cost of financial transmission rights ("FTRs") and forward electricity purchase contracts, associated with our Electric Utility operations.

In addition, Gas Utility and Electric Utility from time to time enter into exchange-traded gasoline futures contracts for a portion of gasoline volumes expected to be used in their operations. These gasoline futures contracts are recorded at fair value with changes in fair value reflected in "Operating and administrative expenses" on the Consolidated Statements of Income.

In order to manage market price risk relating to substantially all of Midstream & Marketing's fixed-price sales contracts for natural gas and electricity, Midstream & Marketing enters into NYMEX, Intercontinental Exchange ("ICE") and over-the-counter natural



gas and electricity futures and natural gas basis swap contracts or enters into fixed-price supply arrangements. Midstream & Marketing also uses NYMEX and over-the-counter electricity futures contracts to economically hedge a portion of its anticipated sales of electricity from its electricity generation facilities. Although Midstream & Marketing's fixed-price supply arrangements mitigate most risks associated with its fixed-price sales contracts, should any of the suppliers under these arrangements fail to perform, increases, if any, in the cost of replacement natural gas or electricity would adversely impact Midstream & Marketing's results. In order to reduce this risk of supplier nonperformance, Midstream & Marketing has diversified its purchases across a number of suppliers. UGI International's natural gas and electricity marketing businesses also use natural gas and electricity futures and forward contracts to economically hedge market risk associated with fixed-price sales and purchase contracts.

From time to time, Midstream & Marketing purchases FTRs to economically hedge certain transmission costs that may be associated with its fixed-price electricity sales contracts. Midstream & Marketing from time to time also enters into New York Independent System Operator ("NYISO") capacity swap contracts to economically hedge the locational basis differences for customers it serves on the NYISO electricity grid. Midstream & Marketing also uses NYMEX futures contracts to economically hedge the gross margin associated with the purchase and anticipated later near-term sale of natural gas or propane.

Midstream & Marketing has entered into fixed-price sales agreements for a portion of the electricity expected to be generated by its electric generation assets. In the event that these generation assets would not be able to produce all of the electricity needed to supply electricity under these agreements, Midstream & Marketing would be required to purchase electricity on the spot market or under contract with other electricity suppliers. Accordingly, increases in the cost of replacement power could negatively impact Midstream & Marketing's results.

### **Interest Rate Risk**

We have both fixed-rate and variable-rate debt. Changes in interest rates impact the cash flows of variable-rate debt but generally do not impact their fair value. Conversely, changes in interest rates impact the fair value of fixed-rate debt but do not impact their cash flows.

Our variable-rate debt includes short-term borrowings and UGI France SAS's and Flaga's variable-rate term loans. These debt agreements have interest rates that are generally indexed to short-term market interest rates. UGI France SAS and Flaga, through the use of pay-fixed receive-variable interest rate swaps, have fixed the underlying euribor interest rates on their euro-denominated term loans through all, or a substantial portion of, the periods such debt is outstanding. In addition, Flaga's U.S. dollar-denominated loan has been swapped from a floating-rate U.S. dollar-denominated interest rate to a fixed-rate euro-denominated interest rate through a cross-currency swap, removing interest rate risk (and foreign currency exchange risk as further described below under Foreign Currency Exchange Rate Risk) associated with the underlying interest payments. At September 30, 2017, combined borrowings outstanding under variable-rate debt agreements, excluding UGI France SAS's and Flaga's effectively fixed-rate term loan and Flaga's U.S. dollar-denominated loan, totaled \$366.9 million. Based upon average borrowings outstanding under variable-rate borrowings (excluding UGI France SAS's and Flaga's effectively fixed-rate term loan debt and Flaga's U.S. dollar-denominated loan), an increase in short-term interest rates of 100 basis points (1%) would have increased our Fiscal 2017 interest expense by approximately \$3 million. The remainder of our debt outstanding is subject to fixed rates of interest. A 100 basis point increase in market interest rates would result in decreases in the fair value of this fixed-rate debt of approximately \$259 million at September 30, 2017. A 100 basis point decrease in market interest rates would result in increases in the fair value of this fixed-rate debt of approximately \$291 million at September 30, 2017.

Long-term debt associated with our domestic businesses is typically issued at fixed rates of interest based upon market rates for debt with similar terms and credit ratings. As these long-term debt issues mature, we may refinance such debt with new debt having interest rates reflecting then-current market conditions. In order to reduce interest rate risk associated with near- to medium-term forecasted issuances of fixed-rate debt, from time to time we enter into interest rate protection agreements ("IRPAs").

### **Foreign Currency Exchange Rate Risk**

Our primary currency exchange rate risk is associated with the U.S. dollar versus the euro and, to a lesser extent, the U.S. dollar versus the British pound sterling. The U.S. dollar value of our foreign currency denominated assets and liabilities will fluctuate with changes in the associated foreign currency exchange rates. From time to time, we use derivative instruments to hedge portions of our net investments in foreign subsidiaries ("net investment hedges"). Gains or losses on net investment hedges remain in accumulated other comprehensive income until such foreign operations are sold or liquidated. At September 30, 2017, there were no unsettled net investment hedges outstanding. With respect to our net investments in our UGI International operations, a 10% decline in the value of the associated foreign currencies versus the U.S. dollar would reduce their aggregate net book value at September 30, 2017, by approximately \$120 million, which amount would be reflected in other comprehensive income.



In addition, in order to reduce exposure to foreign exchange rate volatility related to our foreign LPG operations, through September 30, 2016, we entered into forward foreign currency exchange contracts to hedge a portion of anticipated U.S. dollar-denominated LPG product purchases primarily during the heating-season months of October through March.

Beginning October 1, 2016, in order to reduce the volatility in net income associated with our foreign operations, principally as a result of changes in the U.S. dollar exchange rate between the euro and British pound sterling, we have entered into forward foreign currency exchange contracts.

As previously mentioned, Flaga has a cross-currency swap to hedge its exposure to the variability in expected future cash flows associated with the foreign currency and interest rate risk of U.S. dollar-denominated debt. This cross-currency hedge includes initial and final exchanges of principal from a fixed euro denomination to a fixed U.S. dollar-denominated amount, to be exchanged at a specified rate, which was determined by the market spot rate on the date of issuance.

### Derivative Instrument Credit Risk

We are exposed to risk of loss in the event of nonperformance by our derivative instrument counterparties. Our derivative instrument counterparties principally comprise large energy companies and major U.S. and international financial institutions. We maintain credit policies with regard to our counterparties that we believe reduce overall credit risk. These policies include evaluating and monitoring our counterparties' financial condition, including their credit ratings, and entering into agreements with counterparties that govern credit limits or entering into netting agreements that allow for offsetting counterparty receivable and payable balances for certain financial transactions as deemed appropriate.

Certain of these derivative instrument agreements call for the posting of collateral by the counterparty or by the Company in the forms of letters of credit, parental guarantees or cash. Additionally, our commodity exchange-traded futures contracts generally require cash deposits in margin accounts. At September 30, 2017, restricted cash in brokerage accounts totaled \$10.3 million. Although we have concentrations of credit risk associated with derivative instruments, the maximum amount of loss, based upon the gross fair values of the derivative instruments, we would incur if these counterparties failed to perform according to the terms of their contracts was not material at September 30, 2017. Certain of the Partnership's derivative contracts have credit-risk-related contingent features that may require the posting of additional collateral in the event of a downgrade of the Partnership's debt rating. At September 30, 2017, if the credit-risk-related contingent features were triggered, the amount of collateral required to be posted would not be material.

The following table summarizes the fair values of unsettled market risk sensitive derivative instrument assets (liabilities) held at September 30, 2017. The table also includes the changes in fair values of derivative instruments that would result if there were (1) a 10% adverse change in the market prices of LPG, gasoline, natural gas, electricity and electricity transmission congestion charges; (2) a 50 basis point adverse change in the three-month and one-month euribor rates; and (3) a 10% change in the value of the euro and the British pound sterling versus the U.S. dollar. Gas Utility's and Electric Utility's derivative instruments other than gasoline futures contracts are excluded from the table below because any associated net gains or losses are refundable to or recoverable from customers in accordance with Gas Utility and Electric Utility ratemaking.

(Millions of dollars)	Asset (Liability)	
	Fair Value	Change in Fair Value
<b>September 30, 2017:</b>		
Commodity price risk	\$ 64.8	\$ (61.0)
Interest rate risk	\$ (2.3)	\$ (1.5)
Foreign currency exchange rate risk	\$ (28.9)	\$ (51.4)

### Critical Accounting Policies and Estimates

Accounting policies and estimates discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they involve significant judgments and uncertainties. Changes in these policies and estimates could have a material effect on the financial statements. The application of these accounting policies and estimates necessarily requires management's most subjective or complex judgments regarding estimates and projected outcomes of future events which could have a material impact on the financial statements. Management has reviewed these critical accounting policies, and the estimates and assumptions associated with them, with the Company's Audit Committee. Also, see Note 2 to Consolidated Financial Statements which discusses the significant accounting policies that we have selected from acceptable alternatives.

**Litigation Accruals and Environmental Remediation Liabilities.** We are involved in litigation that arises in the normal course of business. In addition, UGI Utilities and its former subsidiaries owned and operated a number of MGPs in Pennsylvania and elsewhere, and PNG and CPG owned and operated a number of MGP sites located in Pennsylvania, at which hazardous substances may be present. In accordance with GAAP, we record a reserve when it is probable that a liability exists and the amount or range of amounts related to such liability can be reasonably estimated. When there is a range of possible loss with equal likelihood, liabilities recorded are based upon the low end of such range. The likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a reasonable estimate of the loss or a range of possible loss may not be practicable based upon the information available and the potential effects of future events and decisions by third parties that will determine the ultimate resolution of the contingency. Reasonable estimates involve management judgments based on a broad range of information and prior experience and include an evaluation of the nature of the claim, the procedural status of the matter, the probability or likelihood of success of prosecuting or defending the claim, the information available with respect to the claim, the opinions and views of outside counsel and other advisors, and past experience in similar matters. These judgments are reviewed quarterly as more information is received, and the amounts reserved are updated as necessary. Our estimated reserves may differ materially from the ultimate liability and such reserves may change materially as more information becomes available.

**Accounting For Derivative Instruments at Fair Value.** The Company enters into derivative instruments to economically hedge the risks associated with changes in commodity prices, interest rates and foreign currency rates. Accounting requirements for derivatives and related hedging activities are complex and may be subject to further clarification by standard-setting bodies. These derivatives are recognized as assets and liabilities at fair value on the Consolidated Balance Sheets. Derivative assets and liabilities are presented net by counterparty on our Consolidated Balance Sheets if the right of offset exists. The accounting for changes in fair value depends upon the purpose of the derivative instrument and whether it is designated and qualifies for hedge accounting. Changes in the fair values of certain derivative instruments that qualify and are designated as cash flow hedges are recorded in accumulated other comprehensive income (“AOCI”) or noncontrolling interests, both of which are components of equity, to the extent effective at offsetting changes in the hedged item, until earnings are affected by the hedged item. Changes in the fair values of derivative instruments that we do not designate as, or that do not qualify for, hedge accounting under GAAP, which currently comprises all of our commodity and certain of our foreign currency derivative instruments, are recognized in earnings on the Consolidated Statements of Income. The fair values of our derivative instruments are determined based upon actively-quoted market prices for identical assets and liabilities, indicative price quotations available through brokers, industry price publications or recent market transactions and related market indicators. We maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Gains and losses associated with derivatives utilized by UGI Utilities to manage the price risk inherent in its natural gas and electricity purchasing activities are recoverable through Gas Utility PGC or Electric Utility DS mechanisms, subject to PUC approval. Accordingly, the offset to the changes in fair values of these derivatives for which the normal purchases and normal sales exception under GAAP does not apply are recorded as either a regulatory asset or liability on the Consolidated Balance Sheets. At September 30, 2017, the net fair value of our derivative assets totaled \$80.6 million and the net fair value of our derivative liabilities totaled \$46.8 million.

**Regulatory Assets and Liabilities.** Gas Utility and Electric Utility are subject to regulation by the PUC. In accordance with accounting guidance associated with rate-regulated entities, we record the effects of rate regulation in our financial statements as regulatory assets or regulatory liabilities. We continually assess whether the regulatory assets are probable of future recovery by evaluating the regulatory environment, recent rate orders and public statements issued by the PUC, and the status of any pending deregulation legislation. If future recovery of regulatory assets ceases to be probable, the elimination of those regulatory assets would adversely impact our results of operations and cash flows. As of September 30, 2017, our regulatory assets and regulatory liabilities totaled \$368.9 million and \$49.2 million, respectively. For additional information on regulatory assets and liabilities, see Notes 2 and 8 to Consolidated Financial Statements.

**Depreciation and Amortization of Long-Lived Assets.** We compute depreciation on utility property, plant and equipment on a straight-line basis based upon the projected service lives of its various classes of depreciable property and on our non-utility property, plant and equipment on a straight-line basis over estimated useful lives generally ranging from 3 to 40 years. We also use amortization methods and determine asset values of intangible assets subject to amortization using reasonable assumptions and projections. Changes in the estimated useful lives of property, plant and equipment and changes in intangible asset amortization methods or values could have a material effect on our results of operations. As of September 30, 2017, our net property, plant and equipment totaled \$5,537.0 million and we recorded depreciation expense of \$357.3 million during Fiscal 2017. As of September 30, 2017, our net intangible assets subject to amortization totaled \$477.6 million and we recorded amortization expense on intangible assets subject to amortization of \$50.8 million during Fiscal 2017.

**Purchase Price Allocations.** From time to time, the Company enters into material business combinations. In accordance with accounting guidance associated with business combinations, the purchase price is allocated to the various assets acquired and liabilities assumed at their estimated fair value. Fair values of assets acquired and liabilities assumed are based upon available information and we may involve an independent third party to perform appraisals. Estimating fair values can be complex and

subject to significant business judgment and most commonly impacts property, plant and equipment and intangible assets, including those with indefinite lives. Generally, we have, if necessary, up to one year from the acquisition date to finalize the purchase price allocation.

**Goodwill Impairment Evaluation.** Our goodwill is the result of business acquisitions. We do not amortize goodwill, but test it at least annually for impairment at the reporting unit level. A reporting unit is the operating segment, or a business one level below the operating segment (a component), if discrete financial information is prepared and regularly reviewed by segment management. Components are aggregated as a single reporting unit if they have similar economic characteristics. A reporting unit with goodwill is required to perform an impairment test annually or whenever events or circumstances indicate that the value of goodwill may be impaired. During the fourth quarter of Fiscal 2017, we adopted new accounting guidance simplifying the test for goodwill impairment. The adoption of the new guidance did not impact the consolidated financial statements. See Note 3 to Consolidated Financial Statements for more information.

For certain of our reporting units with goodwill, we assess qualitative factors to determine whether it is more likely than not that the fair value of such reporting unit is less than its carrying amount. For our other reporting units with goodwill, we bypass the qualitative assessment and perform the quantitative assessment by comparing the fair values of the reporting units with their carrying amounts, including goodwill. We determine fair values generally based on a weighting of income and market approaches. For purposes of the income approach, fair values are determined based upon the present value of the reporting unit's estimated future cash flows, including an estimate of the reporting unit's terminal value based upon these cash flows, discounted at appropriate risk-adjusted rates. We use our internal forecasts to estimate future cash flows which may include estimates of long-term future growth rates based upon our most recent reviews of the long-term outlook for each reporting unit. Cash flow estimates used to establish fair values under our income approach involve management judgments based on a broad range of information and historical results. In addition, external economic and competitive conditions can influence future performance. For purposes of the market approach, we use valuation multiples for companies comparable to our reporting units. The market approach requires judgment to determine the appropriate valuation multiples. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to such excess but not to exceed the total amount of the goodwill of the reporting unit. As of September 30, 2017, our goodwill totaled \$3,107.2 million. We did not record any impairments of goodwill in Fiscal 2017, Fiscal 2016 or Fiscal 2015.

**Impairment of Long-Lived Assets.** Impairment testing for individual long-lived assets, or groups of long-lived assets, is required when circumstances indicate that such assets may be impaired. If it is determined that a triggering event has occurred, we prepare a quantitative evaluation based upon undiscounted cash flow projections expected to be realized over the remaining useful life of the asset or the primary asset of an asset group. A long-lived asset or group of assets is considered impaired when the carrying amount of such assets exceeds the associated undiscounted estimated future cash flows. When determining whether an asset or group of assets has been impaired, management groups assets at the lowest level that has identifiable cash flows. Performing an impairment test on long-lived assets involves judgment in areas such as identifying when a triggering event requiring evaluation occurs; identifying and grouping assets; and, if the asset or group of assets is determined to be impaired based upon an excess of carrying amount over estimated undiscounted future cash flows, determining the fair value of the asset or asset group. Although cash flow estimates are based upon relevant information at the time the estimates are made, estimates of future cash flows are by nature highly uncertain and contemplate factors that change over time such as the expected use of the asset including future production and sales volumes, expected fluctuations in prices of commodities and expected proceeds from disposition. No material provisions for impairments of long-lived assets were recorded during Fiscal 2017, Fiscal 2016 or Fiscal 2015.

**Pension Plan Assumptions.** Pension plan assumptions are significant inputs to the actuarial models that measure pension benefit obligations and pension expense. The cost of providing benefits under the U.S. Pension Plan is dependent on historical information such as employee age, length of service, level of compensation and the actual rate of return on plan assets. In addition, certain assumptions relating to the future are used to determine pension expense including mortality assumptions, the discount rate applied to benefit obligations, the expected rate of return on plan assets and the rate of compensation increase, among others. Assets of the U.S. Pension Plan are held in trust and consist principally of equity and fixed income mutual funds and investments in UGI Corporation Common Stock. Changes in plan assumptions as well as fluctuations in actual equity or fixed income market returns could have a material impact on future pension costs. We believe the two most critical assumptions are (1) the expected rate of return on plan assets, and (2) the discount rate. A decrease in the expected rate of return on U.S. Pension Plan assets of 50 basis points to a rate of 6.90% would result in an increase in pre-tax pension cost of approximately \$2.3 million in Fiscal 2018. A decrease in the discount rate of 50 basis points to a rate of 3.50% would result in an increase in pre-tax pension cost of approximately \$4.4 million in Fiscal 2018. For additional information on our U.S. Pension Plan, see Note 7 to Consolidated Financial Statements.

**Income Taxes.** We use the asset and liability method of accounting for income taxes. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year and for deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. Positions taken by an entity

in its tax returns must satisfy a more-likely-than-not recognition threshold assuming the positions will be examined by tax authorities with full knowledge of relevant information. We use assumptions, judgments and estimates to determine our current provision for income taxes. We also use assumptions, judgments and estimates to determine our deferred tax assets and liabilities and any valuation allowance to be recorded against a deferred tax asset. Our assumptions, judgments and estimates relative to the current provision for income tax give consideration to current tax laws, our interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax law or our interpretation thereof and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements. Our assumptions, judgments and estimates relative to the amount of deferred income taxes take into account estimates of the amount of future taxable income. Actual taxable income or future estimates of taxable income could render our current assumptions, judgments and estimates inaccurate. Changes in the assumptions, judgments and estimates mentioned above could cause our actual income tax obligations to differ significantly from our estimates. As of September 30, 2017, our net deferred tax liabilities totaled \$1,330.7 million.

#### **Recently Issued Accounting Pronouncements**

See Note 3 to the Consolidated Financial Statements for a discussion of the effects of recently issued accounting guidance.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

“Quantitative and Qualitative Disclosures About Market Risk” are contained in Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations under the caption “Market Risk Disclosures” and are incorporated by reference.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Management’s Annual Report on Internal Control Over Financial Reporting and the financial statements and financial statement schedules referred to in the Index contained on page F-2 of this Report are incorporated herein by reference.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

- (a) The Company's disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate 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, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures, as of September 30, 2017, were effective at the reasonable assurance level.
- (b) For “Management’s Annual Report on Internal Control Over Financial Reporting” see Item 8 of this Report (which information is incorporated herein by reference).
- (c) Effective on September 4, 2017, our wholly-owned subsidiary, UGI Utilities, Inc., implemented a new customer service and meter management system to replace its legacy system. We consider the system replacement to be material to UGI Corporation. The implementation resulted in greater automation of internal controls in the UGI Utilities Meter-to-Bill cycle. As a result of the implementation, controls that were previously determined to be effective were replaced with new or modified controls that were also determined to be effective. Other than this system implementation, there were no changes in the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

**PART III:**
**ITEMS 10 THROUGH 14.**

In accordance with General Instruction G(3), and except as set forth below, the information required by Items 10, 11, 12, 13 and 14 is incorporated in this Report by reference to the following portions of UGI's Proxy Statement, which will be filed with the SEC by December 31, 2017.

	<b>Information</b>	<b>Captions of Proxy Statement Incorporated by Reference</b>
Item 10.	Directors, Executive Officers and Corporate Governance  The Code of Ethics for the Chief Executive Officer and Senior Financial Officers of UGI Corporation is available without charge on the Company's website, <a href="http://www.ugicorp.com">www.ugicorp.com</a> , or by writing to Treasurer, UGI Corporation, P. O. Box 858, Valley Forge, PA 19482.	Election of Directors - Nominees; Corporate Governance; Director Independence; Board Leadership Structure and Role in Risk Management; Board Meetings and Attendance; Board and Committee Structure; Communications with the Board; Securities Ownership of Certain Beneficial Owners - Security Ownership of Directors and Executive Officers; Securities Ownership of Certain Beneficial Owners - Section 16(a) Beneficial Ownership Reporting Compliance; Report of the Audit Committee of the Board of Directors
Item 11.	Executive Compensation	Compensation of Directors; Report of the Compensation and Management Development Committee of the Board of Directors; Compensation Discussion and Analysis; Compensation of Executive Officers; Compensation Committee Interlocks and Insider Participation
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	Security Ownership of Directors and Executive Officers; Securities Ownership of Certain Beneficial Owners; Section 16(a) Beneficial Ownership Reporting Compliance.
Item 13.	Certain Relationships and Related Transactions, and Director Independence	Election of Directors - Director Independence and Board and Committee Structure; Policy for Approval of Related Person Transactions
Item 14.	Principal Accounting Fees and Services	Our Independent Registered Public Accounting Firm

### Equity Compensation Table

The following table sets forth information as of the end of Fiscal 2017 with respect to compensation plans under which our equity securities are authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	8,781,748 (1)	\$ 30.20	10,855,935 (2)
	978,834 (3)	\$ 0	
Equity compensation plans not approved by security holders	0		
Total	9,760,582	\$ 30.20 (4)	

(1) Represents 8,781,748 stock options under the UGI Corporation 2004 Omnibus Equity Compensation Plan Amended and Restated as of December 5, 2006 and the UGI Corporation 2013 Omnibus Incentive Compensation Plan.

(2) Represents 4,116 securities remaining for future issuance of stock options from the 2004 Omnibus Equity Compensation Plan Amended and Restated as of December 5, 2006 and 10,851,819 of securities remaining for issuance from the UGI Corporation 2013 Omnibus Incentive Compensation Plan. The UGI Corporation 2013 Omnibus Incentive Compensation Plan was approved by the shareholders on January 24, 2013.

(3) Represents 978,834 restricted stock units under the UGI Corporation 2004 Omnibus Equity Compensation Plan Amended and Restated as of December 5, 2006 and the UGI Corporation 2013 Omnibus Incentive Compensation Plan.

(4) Weighted-average exercise price of outstanding options; excludes restricted stock units.

The information concerning the Company's executive officers required by Item 10 is set forth below.

### EXECUTIVE OFFICERS

Name	Age	Position
John L. Walsh	62	President and Chief Executive Officer
Kirk R. Oliver	59	Chief Financial Officer
Robert F. Beard	52	President and Chief Executive Officer, UGI Utilities, Inc.
Monica M. Gaudiosi	54	Vice President, General Counsel and Secretary
Joseph L. Hartz	54	President, UGI Energy Services, LLC
Marie-Dominique Ortiz-Landazabal	49	Vice President - Accounting and Financial Control and Chief Accounting Officer
Roger Perreault	53	President, UGI International
Jerry E. Sheridan	52	President and Chief Executive Officer, AmeriGas Propane, Inc.

All officers are elected for a one-year term at the organizational meetings of the respective Boards of Directors held each year.

There are no family relationships between any of the officers or between any of the officers and any of the directors.



John L. Walsh

Mr. Walsh is a Director and President (since 2005) and Chief Executive Officer (since 2013) of UGI Corporation. In addition, Mr. Walsh serves as a Director and Chairman of the Board of AmeriGas Propane, Inc. (since 2016), where he had served as a director and vice chairman since 2005. He also serves as a Director and Vice Chairman of UGI Utilities, Inc. (since 2005). Both AmeriGas Propane, Inc. and UGI Utilities, Inc. are subsidiaries of UGI Corporation. Mr. Walsh served as Chief Operating Officer of UGI Corporation (2005 to 2013) and as President and Chief Executive Officer of UGI Utilities, Inc. (2009 to 2011). Previously, Mr. Walsh was the Chief Executive of the Industrial and Special Products division of the BOC Group plc, an industrial gases company, a position he assumed in 2001. He was an Executive Director of BOC (2001 to 2005) having joined BOC in 1986 as Vice President - Special Gases and having held various senior management positions in BOC, including President of Process Gas Solutions, North America (2000 to 2001) and President of BOC Process Plants (1996 to 2000). Mr. Walsh also serves as Director at Main Line Health, Inc., the United Way of Southeastern Pennsylvania and Southern New Jersey, the World Affairs Council of Philadelphia, and the Philadelphia Zoo, and as Trustee at the Saint Columbkille Partnership School.

Kirk R. Oliver

Mr. Oliver is Chief Financial Officer of UGI Corporation (since 2012). From December 2011 until September 2012, Mr. Oliver served as Senior Managing Director & Chief Operating Officer of InfraREIT Capital Partners, LLC, a partnership that invests in infrastructure assets, primarily electric transmission and gas pipeline assets. Prior to joining InfraREIT Capital, Mr. Oliver served as Senior Vice President and Chief Financial Officer of Allegheny Energy, Inc., an electric utility company (2008 to 2011) and as a Senior Executive at Hunt Power, LLC, a company that develops and invests in electric and gas utility projects (2007 to 2008). Mr. Oliver served in various positions at TXU Corp. (now Energy Future Holdings Corp.), an electricity distribution, generation and transmission company in Texas (1998 to 2006), including as Executive Vice President and Chief Financial Officer (2004 to 2006), Senior Vice President, Finance (2000 to 2003) and Vice President, Treasurer and Assistant Secretary (1998 to 1999). Prior to joining TXU Corp., Mr. Oliver spent eleven years as an investment banker in the Global Power and Energy Group at Lehman Brothers and six years at Motorola Inc. As previously announced, Mr. Oliver will leave his position as Chief Financial Officer of UGI Corporation in early 2018.

Robert F. Beard

Mr. Beard is President and Chief Executive Officer and a Director of UGI Utilities, Inc. (since 2011). He previously served as Vice President - Marketing, Rates and Gas Supply (2010 to 2011) and Vice President - Southern Region (2008 to 2010) of UGI Utilities, Inc. From 2006 until 2008, Mr. Beard served as Vice President - Operations and Engineering of PPL Gas Utilities Corporation and, from 2002 until 2006, he served as Director - Operations and Engineering of PPL Gas Utilities Corporation.

Monica M. Gaudiosi

Ms. Gaudiosi is the Vice President, General Counsel and Secretary of UGI Corporation and UGI Utilities, Inc. (since 2012). She is also Vice President (since 2012), General Counsel (since July 2015) and Secretary (since 2012) of AmeriGas Propane, Inc. Prior to joining UGI Corporation, Ms. Gaudiosi served as Senior Vice President and General Counsel (2007 to 2012) and Senior Vice President and Associate General Counsel (2005 to 2007) of Southern Union Company. Prior to joining Southern Union Company in 2005, Ms. Gaudiosi held various positions with General Electric Capital Corporation (1997 to 2005). Before joining General Electric Capital Corporation, Ms. Gaudiosi was an associate at the law firms of Hunton & Williams (1994 to 1997) and Sutherland, Asbill & Brennan (1988 to 1994).

Joseph L. Hartz

Mr. Hartz is President of UGI Energy Services, LLC (since March 2017). He previously served as Chief Operating officer (June 2014 to March 2017) and as Vice President - Supply and Operations (July 2010 to June 2014) of UGI Energy Services, LLC. He joined UGI Energy Services, LLC in 1985 as an accountant and has held various positions of increasing responsibility, including Vice President - Assets and Supply and Chief Financial Officer.

Marie-Dominique Ortiz-Landazabal

Marie-Dominique Ortiz-Landazabal is Vice President - Accounting and Financial Control and Chief Accounting Officer of UGI Corporation (since December 2015). She previously served as General Auditor since January 2012 when she joined UGI Corporation. Prior to joining the Company, Ms. Ortiz-Landazabal was Manager, Accounting Policies and Specialty Accounting at Air Products and Chemicals, Inc. (September 2010 until December 2011). Prior to her position at Air Products, she held positions of increasing responsibility at PricewaterhouseCoopers LLP in Florida, Virginia, Paris (France), and Philadelphia, Pennsylvania

(1994-2010).

Roger Perreault

Mr. Perreault is President - UGI International (since December 2015). Prior to joining UGI Corporation, Mr. Perreault held various positions at Air Liquide, an industrial gases company he joined in 1994. He was Group Vice President of the Large Industries World Business line based in Frankfurt, Germany (2014-2015). Previously, he held several positions in management ranging from business development to general management in Canada. Mr. Perreault then became President of Air Liquide Chile (2003-2005), President of Air Liquide Brazil (2005-2008) and then President of Large Industries North America based in Houston, Texas (2008-2014). Prior to joining Air Liquide, Mr. Perreault was a chemical engineer and operations manager with I.C.I. in Quebec, Canada.

Jerry E. Sheridan

Mr. Sheridan is President, Chief Executive Officer and a Director of AmeriGas Propane, Inc. (since March 2012). Previously, he served as Vice President - Operations and Chief Operating Officer (2011 to 2012) and as Vice President - Finance and Chief Financial Officer (2005 to 2011) of AmeriGas Propane, Inc. Mr. Sheridan served as President and Chief Executive Officer (2003 to 2005) of Potters Industries, Inc., a global manufacturer of engineered glass materials and a wholly-owned subsidiary of PQ Corporation, a global producer of inorganic specialty chemicals. In addition, Mr. Sheridan served as Executive Vice President (2003 to 2005) and as Vice President and Chief Financial Officer (1999 to 2003) of PQ Corporation. Mr. Sheridan also serves on the Management Board of CP Kelco (since 2013), a privately held company that provides innovative products and solutions through the use of nature-based chemistry.

**PART IV:**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**(a) Documents filed as part of this report:**

**(1) Financial Statements:**

Included under Item 8 are the following financial statements and supplementary data:

Management's Annual Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm (on Internal Control Over Financial Reporting)

Report of Independent Registered Public Accounting Firm (on Consolidated Financial Statements and Schedules)

Consolidated Balance Sheets as of September 30, 2017 and 2016

Consolidated Statements of Income for the years ended September 30, 2017, 2016 and 2015

Consolidated Statements of Comprehensive Income for the years ended September 30, 2017, 2016 and 2015

Consolidated Statements of Cash Flows for the years ended September 30, 2017, 2016 and 2015

Consolidated Statements of Changes in Equity for the years ended September 30, 2017, 2016 and 2015

Notes to Consolidated Financial Statements

**(2) Financial Statement Schedules:**

**I** — Condensed Financial Information of Registrant (Parent Company)

**II** — Valuation and Qualifying Accounts for the years ended September 30, 2017, 2016 and 2015

We have omitted all other financial statement schedules because the required information is (1) not present; (2) not present in amounts sufficient to require submission of the schedule; or (3) included elsewhere in the financial statements or related notes.

**(3) List of Exhibits:**

The exhibits filed as part of this report are as follows (exhibits incorporated by reference are set forth with the name of the registrant, the type of report and registration number or last date of the period for which it was filed, and the exhibit number in such filing):

**Incorporation by Reference**

Exhibit No.	Exhibit	Registrant	Filing	Exhibit
3.1	<a href="#">(Second) Amended and Restated Articles of Incorporation of the Company as amended through June 6, 2005.</a>	UGI	Form 10-Q (6/30/05)	3.1
3.2	<a href="#">Articles of Amendment to the Amended and Restated Articles of Incorporation of UGI Corporation.</a>	UGI	Form 8-K (7/29/14)	3.1
3.3	<a href="#">Bylaws of UGI Corporation, amended and restated as of July 25, 2017.</a>	UGI	Form 8-K (7/31/17)	3.1
4.1	Instruments defining the rights of security holders, including indentures. (The Company agrees to furnish to the Commission upon request a copy of any instrument defining the rights of holders of long-term debt not required to be filed pursuant to Item 601(b)(4) of Regulation S-K).			
4.2	The description of the Company's Common Stock contained in the Company's registration statement filed under the Securities Exchange Act of 1934, as amended.	UGI	Form 8-B/A (4/17/96)	3.(4)
4.3	UGI Corporation's (Second) Amended and Restated Articles of Incorporation, as amended, and Bylaws referred to in 3.1, 3.2, and 3.3 above.			
4.4	<a href="#">Fourth Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, L.P. dated as of July 27, 2009.</a>	AmeriGas Partners, L.P.	Form 10-Q (6/30/09)	3.1
4.5	<a href="#">Amendment No. 1 to Fourth Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, L.P. dated as of March 13, 2012.</a>	AmeriGas Partners, L.P.	Form 8-K (3/14/12)	3.1
4.6	<a href="#">Amendment No. 2 to Fourth Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, L.P. dated as of July 27, 2015.</a>	AmeriGas Partners, L.P.	Form 8-K (7/27/15)	3.1

**Incorporation by Reference**

<b>Exhibit No.</b>	<b>Exhibit</b>	<b>Registrant</b>	<b>Filing</b>	<b>Exhibit</b>
4.7	Indenture, dated as of August 1, 1993, by and between UGI Utilities, Inc., as Issuer, and U.S. Bank National Association, as successor trustee, incorporated by reference to the Registration Statement on Form S-3 filed on April 8, 1994.	Utilities	Registration Statement No. 33-77514 (4/8/94)	4(c)
4.8	<a href="#">Supplemental Indenture, dated as of September 15, 2006, by and between UGI Utilities, Inc., as Issuer, and U.S. Bank National Association, successor trustee to Wachovia Bank, National Association.</a>	Utilities	Form 8-K (9/12/06)	4.2
4.9	<a href="#">Indenture, dated as of January 12, 2012, among AmeriGas Finance Corp., AmeriGas Partners, L.P., as guarantor, and U.S. Bank National Association, as trustee.</a>	AmeriGas Partners, L.P.	Form 8-K (1/12/12)	4.1
4.10	<a href="#">First Supplemental Indenture, dated as of January 12, 2012, among AmeriGas Finance Corp., AmeriGas Finance LLC, AmeriGas Partners, L.P., as guarantor, and U.S. Bank National Association, as trustee.</a>	AmeriGas Partners, L.P.	Form 8-K (1/12/12)	4.2
4.11	Form of Fixed Rate Medium-Term Note.	Utilities	Form 8-K (8/26/94)	4(i)
4.12	<a href="#">Form of Fixed Rate Series B Medium-Term Note.</a>	Utilities	Form 8-K (8/1/96)	4(i)
4.13	<a href="#">Form of Floating Rate Series B Medium-Term Note.</a>	Utilities	Form 8-K (8/1/96)	4(ii)
4.14	Officer's Certificate establishing Medium-Term Notes Series.	Utilities	Form 8-K (8/26/94)	4(iv)
4.15	<a href="#">Form of Officer's Certificate establishing Series B Medium-Term Notes under the Indenture.</a>	Utilities	Form 8-K (8/1/96)	4(iv)
4.16	<a href="#">Form of Officers' Certificate establishing Series C Medium-Term Notes under the Indenture.</a>	Utilities	Form 8-K (5/21/02)	4.2
4.17	<a href="#">Forms of Floating Rate and Fixed Rate Series C Medium-Term Notes.</a>	Utilities	Form 8-K (5/21/02)	4.1
4.18	<a href="#">Form of Note Purchase Agreement dated October 30, 2013 between the Company and the purchasers listed as signatories thereto.</a>	Utilities	Form 8-K (10/30/13)	4.1

**Incorporation by Reference**

<b>Exhibit No.</b>	<b>Exhibit</b>	<b>Registrant</b>	<b>Filing</b>	<b>Exhibit</b>
4.19	<a href="#">Note Purchase Agreement dated April 22, 2016 between the Company and the purchasers listed as signatories thereto.</a>	Utilities	Form 8-K (4/28/16)	4.1
4.20	<a href="#">Indenture, dated as of June 27, 2016, among AmeriGas Partners, L.P., AmeriGas Finance Corp., and U.S. Bank National Association, as trustee.</a>	AmeriGas Partners, L.P.	Form 8-K (6/27/16)	4.1
4.21	<a href="#">First Supplemental Indenture, dated as of June 27, 2016, among AmeriGas Partners, L.P., AmeriGas Finance Corp., and U.S. Bank National Association, as trustee.</a>	AmeriGas Partners, L.P.	Form 8-K (6/27/16)	4.2
4.22	<a href="#">Second Supplemental Indenture, dated as of December 28, 2016, among AmeriGas Partners, L.P., AmeriGas Finance Corp., and U.S. Bank National Association, as trustee (including form of global note).</a>	AmeriGas Partners, L.P.	Form 8-K (12/28/16)	4.1
4.23	<a href="#">Third Supplemental Indenture, dated as of February 13, 2017, among AmeriGas Partners, L.P., AmeriGas Finance Corp., and U.S. Bank National Association, as trustee (including form of global note).</a>	AmeriGas Partners, L.P.	Form 8-K (2/13/17)	4.1
10.1**	<a href="#">AmeriGas Propane, Inc. 2010 Long-Term Incentive Plan on Behalf of AmeriGas Partners, L.P. effective July 30, 2010.</a>	AmeriGas Partners, L.P.	Form 8-K (7/30/10)	10.2
10.2**	<a href="#">AmeriGas Propane, Inc. 2010 Long-Term Incentive Plan on Behalf of AmeriGas Partners, L.P. effective January 1, 2016 - Terms and Conditions.</a>	AmeriGas Partners, L.P.	Form 10-K (9/30/16)	10.7
10.3**	<a href="#">AmeriGas Propane, Inc. Executive Annual Bonus Plan, effective as of October 1, 2006, as amended November 15, 2012.</a>	AmeriGas Partners, L.P.	Form 10-Q (3/31/13)	10.9
*10.4**	<a href="#">AmeriGas Propane, Inc. Executive Employee Severance Plan, as amended and restated as of June 15, 2017.</a>			
10.5**	<a href="#">AmeriGas Propane, Inc. Non-Qualified Deferred Compensation Plan, as Amended and Restated effective November 22, 2013.</a>	AmeriGas Partners, L.P.	Form 10-Q (3/31/14)	10.4

**Incorporation by Reference**

<b>Exhibit No.</b>	<b>Exhibit</b>	<b>Registrant</b>	<b>Filing</b>	<b>Exhibit</b>
10.6**	<a href="#">Change in Control Agreement for Kirk R. Oliver dated as of October 1, 2012.</a>	UGI	Form 10-Q (12/31/12)	10.1
10.7**	<a href="#">Change in Control Agreement for Monica M. Gaudiosi dated as of April 23, 2012.</a>	UGI	Form 10-Q (6/30/12)	10.1
10.8**	<a href="#">Change in Control Agreement for Mr. Sheridan Amended and Restated as of March 3, 2012.</a>	AmeriGas Partners, L.P.	Form 10-Q (3/31/12)	10.6
*10.9**	<a href="#">Description of oral compensation arrangement for Messrs. Walsh, Oliver, Perreault and Ms. Gaudiosi.</a>			
*10.10**	<a href="#">Description of oral compensation arrangement for Mr. Sheridan.</a>			
10.11**	<a href="#">AmeriGas Propane, Inc. Supplemental Executive Retirement Plan, as Amended and Restated effective June 15, 2017.</a>	AmeriGas Partners, L.P.	Form 10-Q (6/30/17)	10.1
10.12**	<a href="#">Form of AmeriGas Propane, Inc. 2010 Long-Term Incentive Plan on Behalf of AmeriGas Partners, L.P., Performance Unit Grant Letter for Employees dated January 1, 2017.</a>	AmeriGas Partners, L.P.	Form 10-Q (6/30/17)	10.2
10.13**	<a href="#">Form of AmeriGas Propane, Inc. 2010 Long-Term Incentive Plan on Behalf of AmeriGas Partners, L.P., Phantom Unit Grant Letter for Non Employee Directors, dated January 18, 2017.</a>	AmeriGas Partners, L.P.	Form 10-Q (6/30/17)	10.3
10.14**	<a href="#">AmeriGas Propane, Inc. Senior Executive Employee Severance Plan, as amended as of June 15, 2017.</a>	AmeriGas Partners, L.P.	Form 10-Q (6/30/17)	10.4
10.15**	<a href="#">Form of Change in Control Agreement Amended and Restated as of May 12, 2008 for Mr. Walsh.</a>	UGI	Form 10-Q (6/30/08)	10.3
10.16**	<a href="#">Form of Change in Control Agreement for Mr. Roger Perreault dated December 7, 2015.</a>	UGI	Form 10-K (9/30/16)	10.15
10.17**	<a href="#">Form of Confidentiality and Post-Employment Activities Agreement with AmeriGas Propane, Inc. for Mr. Sheridan.</a>	AmeriGas Partners, L.P.	Form 10-K (9/30/09)	10.29
10.18**	<a href="#">Form of UGI Corporation 2013 Omnibus Incentive Compensation Plan Nonqualified Stock Option Grant Letter for UGI, Utilities and AmeriGas Employees, dated January 1, 2017.</a>	UGI	Form 10-Q (6/30/17)	10.2

**Incorporation by Reference**

<b>Exhibit No.</b>	<b>Exhibit</b>	<b>Registrant</b>	<b>Filing</b>	<b>Exhibit</b>
10.19**	<a href="#">Form of UGI Corporation 2013 Omnibus Incentive Compensation Plan Performance Unit Grant Letter for UGI and Utilities Employees, dated January 1, 2017.</a>	UGI	Form 10-Q (6/30/17)	10.3
10.20**	<a href="#">Form of UGI Corporation 2013 Omnibus Incentive Compensation Plan, Stock Unit Grant Letter for Non Employee Directors, dated January 24, 2017.</a>	UGI	Form 10-Q (6/30/17)	10.4
10.21**	<a href="#">Form of UGI Corporation 2013 Omnibus Incentive Compensation Plan, Nonqualified Stock Option Grant Letter for Non Employee Directors, dated January 24, 2017.</a>	UGI	Form 10-Q (6/30/17)	10.5
*10.22**	<a href="#">Summary of Director Compensation dated October 1, 2017.</a>			
10.23**	<a href="#">UGI Corporation 2004 Omnibus Equity Compensation Plan Amended and Restated as of September 5, 2014.</a>	UGI	Form 10-K (9/30/16)	10.25
10.24**	<a href="#">UGI Corporation 2004 Omnibus Equity Compensation Plan Amended and Restated as of September 5, 2014 - Terms and Conditions as effective January 1, 2016.</a>	UGI	Form 10-K (9/30/16)	10.26
10.25**	<a href="#">UGI Corporation 2009 Deferral Plan, as Amended and Restated effective June 15, 2017.</a>	UGI	Form 10-Q (6/30/17)	10.6
*10.26**	<a href="#">UGI Corporation Supplemental Executive Retirement Plan and Supplemental Savings Plan, as Amended and Restated effective April 1, 2015.</a>			
10.27**	<a href="#">UGI Corporation 2009 Supplemental Executive Retirement Plan for New Employees, as Amended and Restated as of June 15, 2017.</a>	UGI	Form 10-Q (6/30/17)	10.1
10.28**	<a href="#">UGI Corporation 2013 Omnibus Incentive Compensation Plan, effective as of September 5, 2014.</a>	UGI	Form 10-K (9/30/16)	10.30
10.29**	<a href="#">UGI Corporation 2013 Omnibus Incentive Compensation Plan, effective as of September 5, 2014 - Terms and Conditions for Non-Employee Directors effective January 1, 2016.</a>	UGI	Form 10-K (9/30/16)	10.31



**Incorporation by Reference**

<b>Exhibit No.</b>	<b>Exhibit</b>	<b>Registrant</b>	<b>Filing</b>	<b>Exhibit</b>
10.30**	<a href="#">UGI Corporation Executive Annual Bonus Plan effective as of October 1, 2006, as amended November 16, 2012.</a>	UGI	Form 10-Q (3/31/13)	10.14
*10.31**	<a href="#">UGI Corporation Executive Employee Severance Plan, as amended and restated as of June 15, 2017.</a>			
10.32**	<a href="#">UGI Corporation Senior Executive Employee Severance Plan, as amended as of June 15, 2017.</a>	UGI	Form 10-Q (6/30/17)	10.7
10.33**	<a href="#">UGI Utilities, Inc. Executive Annual Bonus Plan, effective as of October 1, 2006, as amended as of November 16, 2012.</a>	Utilities	Form 10-Q (3/31/13)	10.2
10.34**	<a href="#">UGI Utilities, Inc. Senior Executive Employee Severance Plan, as amended as of July 10, 2017.</a>	Utilities	Form 10-Q (6/30/17)	10.1
10.35	<a href="#">Trademark License Agreement dated April 19, 1995 among UGI Corporation, AmeriGas, Inc., AmeriGas Propane, Inc., AmeriGas Partners, L.P. and AmeriGas Propane, L.P.</a>	UGI	Form 10-K (9/30/10)	10.37
10.36	<a href="#">First Amendment, dated as of November 18, 2015, to Trademark License Agreement, dated April 19, 1995, by and among UGI Corporation, AmeriGas, Inc., AmeriGas Propane, Inc., AmeriGas Partners, L.P., and AmeriGas Propane, L.P.</a>	AmeriGas Partners, L.P.	Form 10-K (9/30/15)	10.40
10.37	<a href="#">Trademark License Agreement, dated April 19, 1995 among AmeriGas Propane, Inc., AmeriGas Partners, L.P. and AmeriGas Propane, L.P.</a>	AmeriGas Partners, L.P.	Form 10-Q (12/31/10)	10.1
*10.38	<a href="#">Form of Receivables Purchase Agreement, dated as of November 30, 2001, as amended through and including Amendment No. 18 thereto dated October 27, 2017, by and among UGI Energy Services, LLC, as servicer, Energy Services Funding Corporation, as seller, and PNC Bank, National Association, as issuer and administrator.</a>			

**Incorporation by Reference**

<b>Exhibit No.</b>	<b>Exhibit</b>	<b>Registrant</b>	<b>Filing</b>	<b>Exhibit</b>
*10.39	<a href="#">Form of Purchase and Sale Agreement, dated as of November 30, 2001, as amended through and including Amendment No. 4 thereto dated October 1, 2013, by and between UGI Energy Services, LLC and Energy Services Funding Corporation.</a>			
10.40	<a href="#">FSS Service Agreement No. 79028 effective as of December 1, 2014 by and between Columbia Gas Transmission, LLC and UGI Utilities, Inc.</a>	Utilities	Form 10-K (9/30/14)	10.16
10.41	<a href="#">SST Service Agreement No. 79133 effective as of December 1, 2014 by and between Columbia Gas Transmission, LLC and UGI Utilities, Inc.</a>	Utilities	Form 10-K (9/30/14)	10.19
10.42	<a href="#">Amended and Restated Credit Agreement dated as of June 18, 2014 by and among AmeriGas Propane, L.P., as Borrower, AmeriGas Propane, Inc., as Guarantor, Wells Fargo Securities, LLC, as Sole Lead Arranger and Sole Book Manager, and the other financial institutions from time to time party thereto.</a>	AmeriGas Partners, L.P.	Form 8-K (6/18/14)	10.1
10.43	<a href="#">Amendment No. 1 dated as of June 20, 2016 to Amended and Restated Credit Agreement dated June 18, 2014 by and among AmeriGas Propane, L.P., as Borrower, AmeriGas Propane, Inc., as Guarantor, Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender, and Issuing Lender, Wells Fargo Securities, LLC, as Sole Lead Arranger and Sole Book Manager and the other financial institutions from time to time party thereto.</a>	AmeriGas Partners, L.P.	Form 8-K (6/20/16)	10.2

**Incorporation by Reference**

<b>Exhibit No.</b>	<b>Exhibit</b>	<b>Registrant</b>	<b>Filing</b>	<b>Exhibit</b>
10.44	<a href="#">Credit Agreement, dated as of March 27, 2015 among UGI Utilities, Inc., as borrower, PNC Bank, National Association, as administrative agent, Citizens Bank of Pennsylvania, as syndication agent, PNC Capital Markets LLC and Citizens Bank, N.A., as joint lead arrangers and joint bookrunners and the other financial institutions from time to time parties thereto.</a>	Utilities	Form 8-K (3/27/15)	10.1
10.45	<a href="#">Senior Facilities Agreement dated April 30, 2015 by and among UGI France, as Borrower, Guarantor and Security Grantor, Natixis, as Facility Agent and Security Agent, and other financial institutions from time to time parties thereto.</a>	UGI	Form 10-Q (6/30/15)	10.1
10.46	<a href="#">Amendment to Senior Facilities Agreement, dated March 8, 2017, by and between UGI France, as Borrower, Guarantor and Security Grantor, and Natixis, as Facility Agent and Security Agent.</a>	UGI	Form 10-Q (6/30/17)	10.8
10.47	<a href="#">Second Amended and Restated Credit Agreement, dated February 29, 2016, by and among UGI Energy Services, LLC, as borrower, and JP Morgan Chase Bank, N.A., as administrative agent, and PNC Bank, National Association, as syndication agent, and Wells Fargo Bank, National Association, as documentation agent.</a>	UGI	Form 8-K (2/29/16)	10.1
10.48	<a href="#">Gas Supply and Delivery Service Agreement between UGI Utilities, Inc. and UGI Energy Services, LLC, effective November 1, 2015.</a>	Utilities	Form 10-K (9/30/16)	10.19
10.49	<a href="#">Credit Agreement, dated October 31, 2017, by and among UGI Utilities, Inc., PNC Bank National Association, as administrative agent, The Bank of New York Mellon, as syndication agent, and certain other lenders named therein.</a>	Utilities	Form 8-K (10/31/17)	10.1

**Incorporation by Reference**

Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.50	<a href="#">Standby Equity Commitment Agreement, dated November 7, 2017, by and among AmeriGas Partners, L.P., AmeriGas Propane, Inc. and UGI Corporation.</a>	AmeriGas Partners, L.P.	Form 8-K (11/7/17)	10.1
14	<a href="#">Code of Ethics for principal executive, financial and accounting officers.</a>	UGI	Form 10-K (9/30/03)	14
*21	<a href="#">Subsidiaries of the Registrant.</a>			
*23	<a href="#">Consent of Ernst &amp; Young LLP</a>			
*31.1	<a href="#">Certification by the Chief Executive Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2017 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>			
*31.2	<a href="#">Certification by the Chief Financial Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2017 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>			
*32	<a href="#">Certification by the Chief Executive Officer and the Chief Financial Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2017, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>			
*101.INS	XBRL Instance			
*101.SCH	XBRL Taxonomy Extension Schema			
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase			
*101.DEF	XBRL Taxonomy Extension Definition Linkbase			
*101.LAB	XBRL Taxonomy Extension Labels Linkbase			
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase			

\* Filed herewith.

\*\* As required by Item 15(a)(3), this exhibit is identified as a compensatory plan or arrangement.

**ITEM 16. FORM 10-K SUMMARY**

None.

## EXHIBIT INDEX

Exhibit No.	Description
10.4	<a href="#">AmeriGas Propane, Inc. Executive Employee Severance Plan, as amended and restated as of June 15, 2017.</a>
10.9	<a href="#">Description of oral compensation arrangement for Messrs. Walsh, Oliver, Perreault and Ms. Gaudiosi.</a>
10.10	<a href="#">Description of oral compensation arrangement for Mr. Sheridan.</a>
10.22	<a href="#">Summary of Director Compensation as of October 1, 2017.</a>
10.26	<a href="#">UGI Corporation Supplemental Executive Retirement Plan and Supplemental Savings Plan, as amended and restated effective April 1, 2015.</a>
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10.38	<a href="#">Form of Receivables Purchase Agreement, dated as of November 30, 2001, as amended through and including Amendment No. 18 thereto dated October 27, 2017, by and among UGI Energy Services, LLC, as servicer, Energy Services Funding Corporation, as seller, and PNC Bank, National Association, as issuer and administrator.</a>
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31.2	<a href="#">Certification by the Chief Financial Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2017 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32	<a href="#">Certification by the Chief Executive Officer and the Chief Financial Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2017, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Labels Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

**UGI CORPORATION**

Date: November 21, 2017

By: /s/ Kirk R. Oliver

Kirk R. Oliver  
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on November 21, 2017, by the following persons on behalf of the Registrant in the capacities indicated.

<b>Signature</b>	<b>Title</b>
<u>/s/ John L. Walsh</u> John L. Walsh	President and Chief Executive Officer (Principal Executive Officer) and Director
<u>/s/ Kirk R. Oliver</u> Kirk R. Oliver	Chief Financial Officer (Principal Financial Officer)
<u>/s/ Marie-Dominique Ortiz-Landazabal</u> Marie-Dominique Ortiz-Landazabal	Vice President - Accounting and Financial Control and Chief Accounting Officer (Principal Accounting Officer)
<u>/s/ Marvin O. Schlanger</u> Marvin O. Schlanger	Chairman and Director
<u>/s/ M. Shawn Bort</u> M. Shawn Bort	Director
<u>/s/ Theodore A. Dosch</u> Theodore A. Dosch	Director
<u>/s/ Richard W. Gochbauer</u> Richard W. Gochbauer	Director
<u>/s/ Frank S. Hermance</u> Frank S. Hermance	Director
<u>/s/ Anne Pol</u> Anne Pol	Director
<u>/s/ James B. Stallings, Jr.</u> James B. Stallings, Jr.	Director
<u>/s/ Roger B. Vincent</u> Roger B. Vincent	Director

**UGI CORPORATION AND SUBSIDIARIES**  
FINANCIAL INFORMATION  
FOR INCLUSION IN ANNUAL REPORT ON FORM 10-K  
YEAR ENDED SEPTEMBER 30, 2017



UGI CORPORATION AND SUBSIDIARIES  
INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

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<a href="#">Financial Statements:</a>	
<a href="#">Report of Independent Registered Public Accounting Firm (on Internal Control Over Financial Reporting)</a>	F-4
<a href="#">Report of Independent Registered Public Accounting Firm (on Consolidated Financial Statements and Schedules)</a>	F-5
<a href="#">Consolidated Balance Sheets as of September 30, 2017 and 2016</a>	F-6
<a href="#">Consolidated Statements of Income for the years ended September 30, 2017, 2016 and 2015</a>	F-7
<a href="#">Consolidated Statements of Comprehensive Income for the years ended September 30, 2017, 2016 and 2015</a>	F-8
<a href="#">Consolidated Statements of Cash Flows for the years ended September 30, 2017, 2016 and 2015</a>	F-9
<a href="#">Consolidated Statements of Changes in Equity for the years ended September 30, 2017, 2016 and 2015</a>	F-10
<a href="#">Notes to Consolidated Financial Statements</a>	F-11
<a href="#">Financial Statement Schedules:</a>	
For the years ended September 30, 2017, 2016 and 2015:	
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<a href="#">II — Valuation and Qualifying Accounts</a>	S-4

We have omitted all other financial statement schedules because the required information is either (1) not present; (2) not present in amounts sufficient to require submission of the schedule; or (3) included elsewhere in the financial statements or related notes.

## Reports of Management

### Financial Statements

The Company’s consolidated financial statements and other financial information contained in this Annual Report were prepared by management, which is responsible for their fairness, integrity and objectivity. The consolidated financial statements and related information were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include amounts that are based on management’s best judgments and estimates.

The Audit Committee of the Board of Directors is composed of three members, each of whom is independent and a non-employee director of the Company. The Committee is responsible for monitoring and overseeing the financial reporting process, the adequacy of internal accounting controls, the independence and performance of the Company’s independent registered accounting firm and internal auditors. The Committee meets regularly, with and without management present, with the independent registered accounting firm and the internal auditors, both of which report directly to the Committee. In addition, the Committee provides regular reports to the Board of Directors.

### Management’s Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002, management has conducted an assessment, including testing, of the Company’s internal control over financial reporting as of September 30, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO 2013 Framework”).

Internal control over financial reporting refers to the process, designed under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, and effected by the Company’s Board of Directors, to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changing conditions, or the degree of compliance with the policies or procedures may deteriorate.

Based on its assessment, management has concluded that the Company’s internal control over financial reporting was effective as of September 30, 2017, based on the COSO 2013 Framework. Ernst & Young LLP, our independent registered public accounting firm, has audited the effectiveness of the Company’s internal control over financial reporting as of September 30, 2017, as stated in their report, which appears herein.

/s/ John L. Walsh  
Chief Executive Officer

/s/ Kirk R. Oliver  
Chief Financial Officer

/s/ Marie-Dominique Ortiz-Landazabal  
Chief Accounting Officer

## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of UGI Corporation:

We have audited UGI Corporation's internal control over financial reporting as of September 30, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). UGI Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, UGI Corporation maintained, in all material respects, effective internal control over financial reporting as of September 30, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of UGI Corporation and subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended September 30, 2017 of UGI Corporation and subsidiaries and our report dated November 21, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
Philadelphia, Pennsylvania  
November 21, 2017

## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of UGI Corporation:

We have audited the accompanying consolidated balance sheets of UGI Corporation and subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended September 30, 2017. Our audits also included the financial statement schedules listed in the Index at Item 15(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of UGI Corporation and subsidiaries at September 30, 2017 and 2016, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 2017, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), UGI Corporation's internal control over financial reporting as of September 30, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated November 21, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
Philadelphia, Pennsylvania  
November 21, 2017

UGI CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Millions of dollars)

	September 30,	
	2017	2016
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 558.4	\$ 502.8
Restricted cash	10.3	15.6
Accounts receivable (less allowances for doubtful accounts of \$26.9 and \$27.3, respectively)	626.8	551.6
Accrued utility revenues	13.3	12.8
Inventories	278.6	210.3
Utility regulatory assets	8.3	3.2
Derivative instruments	63.1	30.9
Prepaid expenses and other current assets	138.7	96.6
Total current assets	1,697.5	1,423.8
Property, plant and equipment		
Non-utility	5,564.6	5,346.4
Utility	3,285.3	2,998.9
	8,849.9	8,345.3
Accumulated depreciation and amortization	(3,312.9)	(3,107.3)
Net property, plant, and equipment	5,537.0	5,238.0
Goodwill	3,107.2	2,989.0
Intangible assets, net	611.7	580.3
Utility regulatory assets	360.6	391.9
Derivative instruments	9.2	6.5
Other assets	259.0	217.7
Total assets	\$ 11,582.2	\$ 10,847.2
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Current maturities of long-term debt	\$ 177.5	\$ 29.5
Short-term borrowings	366.9	291.7
Accounts payable	439.6	391.2
Employee compensation and benefits accrued	124.7	115.1
Deposits and advances	206.9	241.3
Derivative instruments	25.0	48.5
Accrued interest	60.7	48.1
Other current liabilities	288.8	276.6
Total current liabilities	1,690.1	1,442.0
Debt and other liabilities		
Long-term debt	3,994.6	3,766.0
Deferred income taxes	1,357.0	1,212.4
Deferred investment tax credits	3.0	3.3
Derivative instruments	21.8	21.9
Other noncurrent liabilities	774.8	806.6
Total liabilities	7,841.3	7,252.2
Commitments and contingencies (Note 15)		
Equity:		
UGI Corporation stockholders' equity:		
UGI Common Stock, without par value (authorized – 450,000,000 shares; issued – 173,987,691 and 173,894,141 shares, respectively)	1,188.6	1,201.6
Retained earnings	2,106.7	1,834.1
Accumulated other comprehensive loss	(93.4)	(154.7)
Treasury stock, at cost	(38.6)	(36.9)
Total UGI Corporation stockholders' equity	3,163.3	2,844.1
Noncontrolling interests, principally in AmeriGas Partners	577.6	750.9
Total equity	3,740.9	3,595.0
Total liabilities and equity	\$ 11,582.2	\$ 10,847.2

See accompanying Notes to Consolidated Financial Statements.



UGI CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(Millions of dollars, except per share amounts)

	Year Ended September 30,		
	2017	2016	2015
Revenues	\$ 6,120.7	\$ 5,685.7	\$ 6,691.1
Costs and Expenses			
Cost of sales (excluding depreciation shown below)	2,837.3	2,437.5	3,736.5
Operating and administrative expenses	1,857.8	1,865.9	1,773.9
Utility taxes other than income taxes	15.6	15.8	16.1
Depreciation	357.3	338.6	313.2
Amortization	59.0	62.3	60.9
Other operating income, net	(10.5)	(22.4)	(44.4)
	5,116.5	4,697.7	5,856.2
Operating income	1,004.2	988.0	834.9
Income (loss) from equity investees	4.3	(0.2)	(1.2)
Loss on extinguishments of debt	(59.7)	(48.9)	—
Losses on foreign currency contracts, net	(23.9)	—	—
Interest expense	(223.5)	(228.9)	(241.9)
Income before income taxes	701.4	710.0	591.8
Income taxes	(177.6)	(221.2)	(177.8)
Net income including noncontrolling interests	523.8	488.8	414.0
Deduct net income attributable to noncontrolling interests, principally in AmeriGas Partners	(87.2)	(124.1)	(133.0)
Net income attributable to UGI Corporation	\$ 436.6	\$ 364.7	\$ 281.0
Earnings per common share attributable to UGI Corporation stockholders:			
Basic	\$ 2.51	\$ 2.11	\$ 1.62
Diluted	\$ 2.46	\$ 2.08	\$ 1.60
Weighted-average common shares outstanding (thousands):			
Basic	173,662	173,154	173,115
Diluted	177,159	175,572	175,667
Dividends declared per common share	\$ 0.975	\$ 0.930	\$ 0.890

See accompanying Notes to Consolidated Financial Statements.



UGI CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Millions of dollars)

	Year Ended September 30,		
	2017	2016	2015
Net income including noncontrolling interests	\$ 523.8	\$ 488.8	\$ 414.0
Net gains (losses) on derivative instruments (net of tax of \$(0.5), \$12.3 and \$(8.0), respectively)	1.7	(16.5)	16.8
Reclassifications of net (gains) losses on derivative instruments (net of tax of \$4.1, \$5.0 and \$(2.8), respectively)	(9.7)	(8.1)	1.6
Foreign currency translation adjustments (net of tax of \$(0.6), \$0.0 and \$(1.0), respectively)	34.6	(4.9)	(63.5)
Foreign currency gains (losses) on long-term intra-company transactions (net of tax of \$0.0, \$0.0 and \$(6.7), respectively)	24.8	(1.9)	(50.6)
Benefit plans, principally actuarial gains (losses) (net of tax of \$(3.8), \$7.1 and \$1.4, respectively)	6.5	(10.9)	(1.2)
Reclassifications of benefit plans actuarial losses and net prior service credits (net of tax of \$(2.1), \$(0.4) and \$(0.8), respectively)	3.4	2.2	1.4
Other comprehensive income (loss)	61.3	(40.1)	(95.5)
Comprehensive income including noncontrolling interests	585.1	448.7	318.5
Deduct comprehensive income attributable to noncontrolling interests, principally in AmeriGas Partners	(87.2)	(124.1)	(130.9)
Comprehensive income attributable to UGI Corporation	<u>\$ 497.9</u>	<u>\$ 324.6</u>	<u>\$ 187.6</u>

See accompanying Notes to Consolidated Financial Statements.

UGI CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Millions of dollars)

	Year Ended September 30,		
	2017	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income including noncontrolling interests	\$ 523.8	\$ 488.8	\$ 414.0
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization	416.3	400.9	374.1
Deferred income taxes, net	110.1	77.4	13.7
Provision for uncollectible accounts	30.7	21.7	31.6
Changes in unrealized (gains) losses on derivative instruments	(82.0)	(91.6)	119.1
Equity-based compensation expense	19.3	23.8	29.2
Loss on extinguishments of debt	59.7	48.9	—
Settlement of UGI Utilities interest rate protection agreements	—	(36.0)	—
Loss on private equity partnership investment	11.0	—	—
Other, net	44.1	(7.3)	(9.7)
Net change in:			
Accounts receivable and accrued utility revenues	(103.6)	37.3	163.3
Inventories	(64.7)	29.4	181.4
Utility deferred fuel costs, net of changes in unsettled derivatives	(15.4)	(22.7)	51.8
Accounts payable	49.9	(40.0)	(134.9)
Other current assets	(37.5)	(8.6)	(25.6)
Other current liabilities	2.7	47.7	(44.2)
Net cash provided by operating activities	964.4	969.7	1,163.8
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Expenditures for property, plant and equipment	(638.9)	(563.8)	(490.6)
Acquisitions of businesses, net of cash acquired	(101.6)	(61.2)	(447.5)
Decrease (increase) in restricted cash	6.1	53.7	(52.8)
Other, net	(29.0)	12.7	14.6
Net cash used by investing activities	(763.4)	(558.6)	(976.3)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends on UGI Common Stock	(168.9)	(160.7)	(153.5)
Distributions on AmeriGas Partners publicly held Common Units	(261.6)	(257.3)	(248.9)
Issuances of debt, net of issuance costs	1,307.1	1,629.5	660.3
Repayments of debt, including redemption premiums	(1,064.8)	(1,569.9)	(429.4)
Receivables Facility net borrowings	13.5	6.0	12.0
Increase (decrease) in short-term borrowings	61.2	95.7	(31.9)
Issuances of UGI Common Stock	11.0	13.7	11.9
Repurchases of UGI Common Stock	(43.3)	(47.6)	(34.1)
Other	(0.8)	15.5	(3.5)
Net cash used by financing activities	(146.6)	(275.1)	(217.1)
Effect of exchange rate changes on cash and cash equivalents	1.2	(2.9)	(20.2)
Cash and cash equivalents increase (decrease)	\$ 55.6	\$ 133.1	\$ (49.8)
<b>CASH AND CASH EQUIVALENTS</b>			
End of year	\$ 558.4	\$ 502.8	\$ 369.7
Beginning of year	502.8	369.7	419.5
Increase (decrease)	\$ 55.6	\$ 133.1	\$ (49.8)
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>			
Cash paid for:			
Interest	\$ 202.1	\$ 228.9	\$ 227.0
Income taxes	\$ 98.0	\$ 134.5	\$ 173.1

See accompanying Notes to Consolidated Financial Statements.

UGI CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(Millions of dollars, except per share amounts)

	Year Ended September 30,		
	2017	2016	2015
<b>Common stock, without par value</b>			
Balance, beginning of year	\$ 1,201.6	\$ 1,214.6	\$ 1,215.6
Common stock issued:			
Employee and director plans (including losses on treasury stock transactions), net of tax withheld	(28.2)	(39.7)	(22.1)
Excess tax benefits realized on equity-based compensation	—	15.5	8.3
Equity-based compensation expense	13.2	11.2	13.2
Gain on sale of treasury stock	2.0	—	—
Loss from acquisition of noncontrolling interests through business combination	—	—	(0.4)
Balance, end of year	\$ 1,188.6	\$ 1,201.6	\$ 1,214.6
<b>Retained earnings</b>			
Balance, beginning of year	\$ 1,834.1	\$ 1,630.1	\$ 1,502.6
Cumulative effect of change in accounting for share-based payments	4.9	—	—
Net income attributable to UGI Corporation	436.6	364.7	281.0
Cash dividends on common stock	(168.9)	(160.7)	(153.5)
Balance, end of year	\$ 2,106.7	\$ 1,834.1	\$ 1,630.1
<b>Accumulated other comprehensive income (loss)</b>			
Balance, beginning of year	\$ (154.7)	\$ (114.6)	\$ (21.2)
Net gains (losses) on derivative instruments	1.7	(16.5)	16.8
Reclassification of net (gains) losses on derivative instruments	(9.7)	(8.1)	3.7
Benefit plans, principally actuarial gains (losses)	6.5	(10.9)	(1.2)
Reclassification of benefit plans actuarial losses and net prior service credits	3.4	2.2	1.4
Foreign currency gains (losses) on long-term intra-company transactions	24.8	(1.9)	(50.6)
Foreign currency translation adjustments	34.6	(4.9)	(63.5)
Balance, end of year	\$ (93.4)	\$ (154.7)	\$ (114.6)
<b>Treasury stock</b>			
Balance, beginning of year	\$ (36.9)	\$ (44.9)	\$ (44.7)
Common stock issued:			
Employee and director plans	49.6	84.7	40.5
Repurchases of common stock	(43.3)	(47.6)	(34.1)
Reacquired common stock – employee and director plans	(8.2)	(29.1)	(6.6)
Sale of treasury stock	0.2	—	—
Balance, end of year	\$ (38.6)	\$ (36.9)	\$ (44.9)
<b>Total UGI Corporation stockholders' equity</b>	<b>\$ 3,163.3</b>	<b>\$ 2,844.1</b>	<b>\$ 2,685.2</b>
<b>Noncontrolling interests</b>			
Balance, beginning of year	\$ 750.9	\$ 880.4	\$ 1,004.1
Net income attributable to noncontrolling interests, principally in AmeriGas Partners	87.2	124.1	133.0
Reclassification of net gains on derivative instruments	—	—	(2.1)
Dividends and distributions	(261.6)	(257.3)	(249.4)
Change in noncontrolling interests as a result of business combination	—	—	(5.2)
Other	1.1	3.7	—
Balance, end of year	\$ 577.6	\$ 750.9	\$ 880.4
<b>Total equity</b>	<b>\$ 3,740.9</b>	<b>\$ 3,595.0</b>	<b>\$ 3,565.6</b>

See accompanying Notes to Consolidated Financial Statements.

**UGI Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements**

(Currency in millions, except per share amounts and where indicated otherwise)

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**Note 1 — Nature of Operations**

UGI Corporation (“UGI”) is a holding company that, through subsidiaries and affiliates, distributes, stores, transports and markets energy products and related services. In the United States, we (1) are the general partner and own limited partner interests in a retail propane marketing and distribution business; (2) own and operate natural gas and electric distribution utilities; and (3) own and operate an energy marketing, midstream infrastructure, storage, natural gas gathering, natural gas production, electricity generation and energy services business. In Europe, we market and distribute propane and other liquefied petroleum gases (“LPG”) and market energy products and services. We refer to UGI and its consolidated subsidiaries collectively as “the Company,” “we” or “us.”

We conduct a domestic propane marketing and distribution business through AmeriGas Partners, L.P. (“AmeriGas Partners”). AmeriGas Partners is a publicly traded limited partnership that conducts a national propane distribution business through its principal operating subsidiary AmeriGas Propane, L.P. (“AmeriGas OLP”). AmeriGas Partners and AmeriGas OLP are Delaware limited partnerships. UGI’s wholly owned second-tier subsidiary, AmeriGas Propane, Inc. (the “General Partner”), serves as the general partner of AmeriGas Partners and AmeriGas OLP. We refer to AmeriGas Partners and its subsidiaries together as the “Partnership” and the General Partner and its subsidiaries, including the Partnership, as “AmeriGas Propane.” At September 30, 2017, the General Partner held a 1% general partner interest and a 25.3% limited partner interest in AmeriGas Partners and held an effective 27.1% ownership interest in AmeriGas OLP. Our limited partnership interest in AmeriGas Partners comprises AmeriGas Partners Common Units (“Common Units”). The remaining 73.7% interest in AmeriGas Partners comprises Common Units held by the public. The General Partner also holds incentive distribution rights that entitle it to receive distributions from AmeriGas Partners in excess of its 1% general partner interest under certain circumstances (see Note 14).

Our wholly owned subsidiary, UGI Enterprises, LLC (“Enterprises”) (formerly known as UGI Enterprises, Inc. prior to its merger with and into UGI Enterprises, LLC effective October 1, 2017), through subsidiaries, conducts (1) an LPG distribution business in France and in northern, central and eastern European countries, and (2) natural gas marketing businesses in France, Belgium and the United Kingdom, and a natural gas and electricity marketing business in the Netherlands. These businesses are conducted principally through our subsidiaries, UGI France SAS, Flaga GmbH (“Flaga”) and AvantiGas Limited. We refer to our foreign operations collectively as “UGI International.”

On May 29, 2015, UGI France SAS (*a Société par actions simplifiée*) (“France SAS”) (formerly UGI Bordeaux Holding), an indirect wholly owned subsidiary of UGI, purchased all of the outstanding shares of Totalgaz SAS (the “Totalgaz Acquisition”),

a retail distributor of LPG in France. The retail LPG distribution business of Totalgaz SAS and its subsidiaries is referred to herein as “Finagaz” and is included in our UGI International reportable segment (see Notes 4 and 21). The retail LPG distribution business of France SAS prior to the Totalgaz Acquisition is also referred to herein as “Antargaz.”

UGI Energy Services, LLC (“Energy Services, LLC”), a wholly owned subsidiary of Enterprises, conducts directly and through subsidiaries, energy marketing, midstream transmission, liquefied natural gas (“LNG”), storage, natural gas gathering, natural gas production, electricity generation and energy services businesses primarily in the Mid-Atlantic region of the U.S. Energy Services, LLC’s wholly owned subsidiary, UGI Development Company (“UGID”), owns all or a portion of electricity generation facilities principally located in Pennsylvania. A first-tier subsidiary of Enterprises also conducts heating, ventilation, air-conditioning, refrigeration and electrical contracting businesses in portions of eastern and central Pennsylvania (“HVAC”). Energy Services, LLC and its subsidiaries’ storage, LNG and portions of its midstream transmission operations are subject to regulation by the Federal Energy Regulatory Commission (“FERC”). We refer to the businesses of Energy Services, LLC and its subsidiaries and HVAC as “Midstream & Marketing.”

UGI Utilities, Inc. (“UGI Utilities”) conducts a natural gas distribution utility business (“Gas Utility”) directly and through its wholly owned subsidiaries UGI Penn Natural Gas, Inc. (“PNG”) and UGI Central Penn Gas, Inc. (“CPG”). UGI Utilities, PNG and CPG own and operate natural gas distribution utilities in eastern and central Pennsylvania and in a portion of one Maryland county. UGI Utilities also owns and operates an electric distribution utility in northeastern Pennsylvania (“Electric Utility”). UGI Utilities’ natural gas distribution utility is referred to as “UGI Gas.” Gas Utility is subject to regulation by the Pennsylvania Public Utility Commission (“PUC”) and, with respect to a small service territory in one Maryland county, the Maryland Public Service Commission. Electric Utility is subject to regulation by the PUC. UGI Utilities is used herein as an abbreviated reference to UGI Utilities, Inc. or, collectively, UGI Utilities, Inc. and its subsidiaries.

## **Note 2 — Summary of Significant Accounting Policies**

### **Basis of Presentation**

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and costs. These estimates are based on management’s knowledge of current events, historical experience and various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may be different from these estimates and assumptions.

Certain prior-year amounts have been reclassified to conform to the current-year presentation. Also, during Fiscal 2017, we corrected an immaterial error in our cylinder deposit liability account at two UGI International subsidiaries that arose prior to Fiscal 2015 which decreased opening retained earnings as of October 1, 2015 by \$6.8, or 0.5%, increased other noncurrent liabilities by \$10.6 and decreased deferred income tax liabilities by \$3.8.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of UGI and its controlled subsidiary companies which, except for the Partnership, are majority owned. We report the public’s interests in the Partnership, and outside ownership interests in other consolidated but less than 100%-owned subsidiaries, as noncontrolling interests. We eliminate intercompany accounts and transactions when we consolidate.

Entities in which we do not have control but have significant influence over operating and financial policies are accounted for by the equity method. Investments in business entities that are not publicly traded and in which we do not have significant influence over operating and financial policies are accounted for using the cost method.

Our equity and cost method investments are included in “Other assets” on the Consolidated Balance Sheets and comprise the following amounts at September 30, 2017 and 2016:

	2017		2016	
Equity method investments	\$	59.1	\$	25.9
Cost method investments (a)	\$	61.3	\$	70.1

(a) Cost method investments at September 30, 2017 and 2016 include \$7.0 and \$18.0, respectively, associated with our investment in a private equity partnership that invests in renewable energy companies.

A wholly owned subsidiary of UGI, UGI PennEast, LLC, and four other members comprising wholly owned subsidiaries of Southern Company, New Jersey Resources, South Jersey Industries, and Enbridge, Inc., hold 20% membership interests each in PennEast Pipeline Company, LLC (“PennEast”). PennEast is focused on constructing an approximate 118-mile natural gas pipeline from Luzerne County, Pennsylvania to the Trenton-Woodbury interconnection in New Jersey. Affiliates of all members plan to be customers of the pipeline under 15-year contracts. PennEast is considered to be an equity method investment as we have the ability to exercise significant influence, but not control, over PennEast. We are obligated to provide capital contributions based upon our ownership percentage. Our investment in PennEast at September 30, 2017 and 2016 totaled \$51.0 and \$17.4, respectively.

### **Effects of Regulation**

UGI Utilities accounts for the financial effects of regulation in accordance with the Financial Accounting Standards Board’s (“FASB’s”) guidance in Accounting Standards Codification (“ASC”) 980, “Regulated Operations.” In accordance with this guidance, incurred costs and estimated future expenditures that would otherwise be charged to expense are capitalized and recorded as regulatory assets when it is probable that the incurred costs or estimated future expenditures will be recovered in rates in the future. Similarly, we recognize regulatory liabilities when it is probable that regulators will require customer refunds through future rates or when revenue is collected from customers for expenditures that have not yet been incurred. Regulatory assets and liabilities are classified as current if, upon initial recognition, the entire amount related to that item will be recovered or refunded within a year of the balance sheet date. Generally, regulatory assets and regulatory liabilities are amortized into expense and income over the periods authorized by the regulator. For additional information regarding the effects of rate regulation on our utility operations, see Note 8.

### **Fair Value Measurements**

The Company applies fair value measurements on a recurring and, as otherwise required under GAAP, on a nonrecurring basis. Fair value in GAAP 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. Fair value measurements performed on a recurring basis principally relate to derivative instruments and investments held in supplemental executive retirement plan grantor trusts.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). A level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

We use the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets and liabilities that we have the ability to access at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means.
- Level 3 — Unobservable inputs for the asset or liability including situations where there is little, if any, market activity for the asset or liability.

Fair value is based upon assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and risks inherent in valuation techniques and inputs to valuations. This includes not only the credit standing of counterparties and credit enhancements but also the impact of our own nonperformance risk on our liabilities. We evaluate the need for credit adjustments to our derivative instrument fair values. These credit adjustments were not material to the fair values of our derivative instruments.

### **Derivative Instruments**

Derivative instruments are reported on the Consolidated Balance Sheets at their fair values, unless the derivative instruments qualify for the normal purchase and normal sale (“NPNS”) exception under GAAP. The accounting for changes in fair value depends upon the purpose of the derivative instrument and whether it is designated and qualifies for hedge accounting.

Certain of our derivative instruments are designated and qualify as cash flow hedges and from time to time we also enter into net investment hedges. For cash flow hedges, changes in the fair values of the derivative instruments are recorded in accumulated other comprehensive income (loss) (“AOCI”) or noncontrolling interests, to the extent effective at offsetting changes in the hedged item, until earnings are affected by the hedged item. We discontinue cash flow hedge accounting if occurrence of the forecasted transaction is determined to be no longer probable. Hedge accounting is also discontinued for derivatives that cease to be highly effective. Gains and losses on net investment hedges that relate to our foreign operations are included in AOCI until such foreign net investment is sold or liquidated. Unrealized gains and losses on substantially all of the commodity derivative instruments used by UGI Utilities (for which NPNS has not been elected) are included in regulatory assets or liabilities because it is probable such gains or losses will be recoverable from, or refundable to, customers.

Beginning October 1, 2016, in order to reduce the volatility in net income associated with our foreign operations, principally as a result of changes in the U.S. dollar exchange rate between the euro and British pound sterling, we have entered into forward foreign currency exchange contracts. Because these contracts do not qualify for hedge accounting treatment, realized and unrealized gains and losses on these contracts are recorded in “Losses on foreign currency contracts, net” on the Consolidated Statements of Income.

Cash flows from derivative instruments, other than net investment hedges and certain cross-currency swaps, if any, are included in cash flows from operating activities on the Consolidated Statements of Cash Flows. Cash flows from net investment hedges, if any, are included in cash flows from investing activities on the Consolidated Statements of Cash Flows. Cash flows from the interest portion of our cross-currency hedges, if any, are included in cash flow from operating activities while cash flows from the currency portion of such hedges, if any, are included in cash flow from financing activities.

For a more detailed description of the derivative instruments we use, our accounting for derivatives, our objectives for using them and other information, see Note 17.

### **Foreign Currency Translation**

Balance sheets of international subsidiaries are translated into U.S. dollars using the exchange rate at the balance sheet date. Income statements and equity investee results are translated into U.S. dollars using an average exchange rate for each reporting period. Where the local currency is the functional currency, translation adjustments are recorded in other comprehensive income.

### **Revenue Recognition**

Revenues from the sale of LPG are recognized principally upon delivery. Midstream & Marketing and our UGI International energy marketing business record revenues when energy products are delivered or services are provided to customers. Revenues from the sale of appliances and equipment are recognized at the later of sale or installation. Revenues from repair or maintenance services are recognized upon completion of services.

UGI Utilities’ regulated revenues are recognized as natural gas and electricity are delivered and include estimated amounts for distribution service rendered and commodities delivered but not billed at the end of each month. We reflect the impact of Gas Utility and Electric Utility rate increases or decreases at the time they become effective.

We present revenue-related taxes collected on behalf of customers and remitted to taxing authorities, principally sales and use taxes, on a net basis. Electric Utility gross receipts taxes are included in “Utility taxes other than income taxes” on the Consolidated Statements of Income in accordance with regulatory practice.

### **Accounts Receivable**

Accounts receivable are reported on the Consolidated Balance Sheets at the gross outstanding amount adjusted for an allowance for doubtful accounts. Accounts receivable that are acquired are initially recorded at fair value on the date of acquisition. Provisions for uncollectible accounts are established based upon our collection experience and the assessment of the collectability of specific amounts. Accounts receivable are written off in the period in which the receivable is deemed uncollectible.

### **LPG Delivery Expenses**

Expenses associated with the delivery of LPG to customers of the Partnership and our UGI International operations (including vehicle expenses, expenses of delivery personnel, vehicle repair and maintenance and general liability expenses) are classified as “Operating and administrative expenses” on the Consolidated Statements of Income. Depreciation expense associated with the Partnership and UGI International delivery vehicles is classified in “Depreciation” on the Consolidated Statements of Income.



## Income Taxes

AmeriGas Partners and AmeriGas OLP are not directly subject to federal income taxes. Instead, their taxable income or loss is allocated to the individual partners. We record income taxes on (1) our share of the Partnership's current taxable income or loss and (2) the differences between the book and tax basis of our investment in the Partnership. AmeriGas OLP has subsidiaries which operate in corporate form and are directly subject to federal and state income taxes. Legislation in certain states allows for taxation of partnership income and the accompanying financial statements reflect state income taxes resulting from such legislation.

UGI Utilities records deferred income taxes in the Consolidated Statements of Income resulting from the use of accelerated tax depreciation methods based upon amounts recognized for ratemaking purposes. UGI Utilities also records a deferred income tax liability for tax benefits, principally the result of accelerated tax depreciation for state income tax purposes that are flowed through to ratepayers when temporary differences originate and record a regulatory income tax asset for the probable increase in future revenues that will result when the temporary differences reverse.

We are amortizing deferred investment tax credits related to UGI Utilities' plant additions over the service lives of the related property. UGI Utilities reduces its deferred income tax liability for the future tax benefits that will occur when investment tax credits, which are not taxable, are amortized. We also reduce the regulatory income tax asset for the probable reduction in future revenues that will result when such deferred investment tax credits amortize.

We record interest on tax deficiencies and income tax penalties in "Income taxes" on the Consolidated Statements of Income. For Fiscal 2017, Fiscal 2016 and Fiscal 2015, interest income or expense recognized in "Income taxes" on the Consolidated Statements of Income was not material.

## Earnings Per Common Share

Basic earnings per share attributable to UGI Corporation stockholders reflect the weighted-average number of common shares outstanding. Diluted earnings per share attributable to UGI Corporation include the effects of dilutive stock options and common stock awards. In the following table, we present shares used in computing basic and diluted earnings per share for Fiscal 2017, Fiscal 2016 and Fiscal 2015:

(Thousands of shares)	2017	2016	2015
Weighted-average common shares outstanding for basic computation	173,662	173,154	173,115
Incremental shares issuable for stock options and common stock awards (a)	3,497	2,418	2,552
Weighted-average common shares outstanding for diluted computation	177,159	175,572	175,667

(a) For Fiscal 2017, Fiscal 2016 and Fiscal 2015, there were 146 shares, 38 shares and 1 share, respectively, associated with outstanding stock option awards that were not included in the computation of diluted earnings per share above because their effect was antidilutive. See "Equity-Based Compensation" below for a description of the impact on the calculation of diluted shares for Fiscal 2017, resulting from the adoption of new accounting guidance regarding share-based payments.

## Cash and Cash Equivalents

For cash flow purposes, cash and cash equivalents include cash on hand, cash in banks and highly liquid investments with maturities of three months or less when purchased.

## Restricted Cash

Restricted cash principally represents those cash balances in our commodity futures brokerage accounts that are restricted from withdrawal.

## Inventories

Our inventories are stated at the lower of cost or net realizable value. We determine cost using an average cost method for non-utility LPG and natural gas and Gas Utility natural gas; specific identification for appliances; and the first-in, first-out ("FIFO") method for all other inventories.

**Property, Plant and Equipment and Related Depreciation**

We record property, plant and equipment at original cost. Capitalized costs include labor, materials and other direct and indirect costs, and for certain operations subject to cost-of-service rate regulation, allowance for funds used during construction (“AFUDC”). The amounts assigned to property, plant and equipment of acquired businesses are based upon estimated fair value at date of acquisition.

We record depreciation expense on non-utility plant and equipment on a straight-line basis over estimated economic useful lives. At September 30, 2017, estimated useful lives by type were as follows:

Asset Type	Minimum Estimated Useful Life (in years)	Maximum Estimated Useful Life (in years)
Buildings and improvements	10	40
Equipment, primarily cylinders and tanks	5	40
Electricity generation facilities	25	40
Pipeline and related assets	25	40
Transportation equipment and office furniture and fixtures	3	12
Computer software	1	10

We record depreciation expense for UGI Utilities’ plant and equipment on a straight-line basis based upon the projected service lives of the various classes of its depreciable property. The average composite depreciation rates at our Gas Utility and Electric Utility for Fiscal 2017, 2016 and 2015 were as follows:

	2017	2016	2015
Gas Utility	2.2%	2.2%	2.2%
Electric Utility	2.4%	2.5%	2.5%

When UGI Utilities retires depreciable utility plant and equipment, we charge the original cost to accumulated depreciation for financial accounting purposes. Costs incurred to retire utility plant and equipment, net of salvage, are recorded in regulatory assets and amortized over five years, consistent with prior ratemaking treatment.

No depreciation expense is included in cost of sales in the Consolidated Statements of Income.

**Goodwill and Intangible Assets**

We amortize intangible assets over their estimated useful lives unless we determine their lives to be indefinite. No amortization expense of intangible assets is included in cost of sales in the Consolidated Statements of Income (see Note 11). Estimated useful lives of definite-lived intangible assets, primarily consisting of customer relationships, certain tradenames and noncompete agreements, do not exceed 15 years. We review definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the associated carrying amounts may not be recoverable. Determining whether an impairment loss occurred requires comparing the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. Intangible assets with indefinite lives are not amortized but are tested for impairment annually (and more frequently if events or changes in circumstances between annual tests indicate that it is more likely than not that they are impaired) and written down to fair value, if impaired.

We do not amortize goodwill, but test it at least annually for impairment at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment (a component) if discrete financial information is prepared and regularly reviewed by segment management. Components are aggregated as a single reporting unit if they have similar economic characteristics. Each of our reporting units with goodwill is required to perform impairment tests annually or whenever events or circumstances indicate that the value of goodwill may be impaired. During the fourth quarter of Fiscal 2017, the Company adopted new accounting guidance simplifying the test for goodwill impairment. The adoption of the new guidance did not impact the consolidated financial statements (see Note 3).

For certain of our reporting units with goodwill, we assess qualitative factors to determine whether it is more likely than not that the fair value of such reporting unit is less than its carrying amount. For our other reporting units with goodwill, we bypass the qualitative assessment and perform the quantitative assessment by comparing the fair values of the reporting units with their carrying amounts, including goodwill. We determine fair values generally based on a weighting of income and market approaches. For purposes of the income approach, fair values are determined based upon the present value of the reporting unit's estimated future cash flows, including an estimate of the reporting unit's terminal value based upon these cash flows, discounted at appropriate risk-adjusted rates. We use our internal forecasts to estimate future cash flows which may include estimates of long-term future growth rates based upon our most recent reviews of the long-term outlook for each reporting unit. Cash flow estimates used to establish fair values under our income approach involve management judgments based on a broad range of information and historical results. In addition, external economic and competitive conditions can influence future performance. For purposes of the market approach, we use valuation multiples for companies comparable to our reporting units. The market approach requires judgment to determine the appropriate valuation multiples. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to such excess but not to exceed the total amount of the goodwill of the reporting unit.

There were no accumulated impairment losses at September 30, 2017 and 2016, and no provisions for goodwill or other intangible asset impairments were recorded during Fiscal 2017, Fiscal 2016 or Fiscal 2015.

### **Impairment of Long-Lived Assets and Cost Basis Investments**

We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We evaluate recoverability based upon undiscounted future cash flows expected to be generated by such assets. No material provisions for impairments were recorded during Fiscal 2017, Fiscal 2016 or Fiscal 2015.

We reduce the carrying values of our cost basis investments when we determine that a decline in fair value is other than temporary. During Fiscal 2017, we recorded a pre-tax loss of \$11.0 associated with an other-than-temporary impairment of our investment in a private equity partnership that invests in renewable energy companies. This loss is reflected in "Other operating income, net" on the Consolidated Statements of Income. No other-than-temporary impairment losses were recognized during Fiscal 2016 or Fiscal 2015.

### **Deferred Debt Issuance Costs**

We defer and amortize debt issuance costs and debt premiums and discounts over the expected lives of the respective debt issues considering maturity dates. Deferred debt issuance costs associated with long-term debt are reflected as a direct deduction from the carrying amount of such debt. Deferred debt issuance costs associated with line of credit facilities are classified as "Other assets" on our Consolidated Balance Sheets. Amortization of the issuance costs is reported as interest expense. Unamortized costs associated with redemptions of debt prior to their stated maturity are generally recognized and recorded in loss on extinguishment of debt. As permitted by regulatory authorities, gains or losses resulting from refinancings of UGI Utilities' debt are deferred and amortized over the lives of the new issuances.

### **Refundable Tank and Cylinder Deposits**

Included in "Other noncurrent liabilities" on our Consolidated Balance Sheets are customer paid deposits on tanks and cylinders primarily owned by subsidiaries of France SAS of \$279.9 and \$267.2 at September 30, 2017 and 2016, respectively. Deposits are refundable to customers when the tanks or cylinders are returned in accordance with contract terms.

### **Environmental Matters**

We are subject to environmental laws and regulations intended to mitigate or remove the effects of past operations and improve or maintain the quality of the environment. These laws and regulations require the removal or remedy of the effect on the environment of the disposal or release of certain specified hazardous substances at current or former operating sites.

Environmental reserves are accrued when assessments indicate that it is probable that a liability has been incurred and an amount can be reasonably estimated. Amounts recorded as environmental liabilities on the balance sheets represent our best estimate of costs expected to be incurred or, if no best estimate can be made, the minimum liability associated with a range of expected environmental investigation and remediation costs. Our estimated liability for environmental contamination is reduced to reflect anticipated participation of other responsible parties but is not reduced for possible recovery from insurance carriers. In those instances for which the amount and timing of cash payments associated with environmental investigation and cleanup are reliably

determinable, we discount such liabilities to reflect the time value of money. We intend to pursue recovery of incurred costs through all appropriate means, including regulatory relief. UGI Gas, CPG and PNG receive ratemaking recognition of environmental investigation and remediation costs associated with their environmental sites. This ratemaking recognition balances the accumulated difference between historical costs and rate recoveries with an estimate of future costs associated with the sites. For further information, see Note 15.

**Employee Retirement Plans**

We use a market-related value of plan assets and an expected long-term rate of return to determine the expected return on assets of our U.S. pension and other postretirement plans. The market-related value of plan assets, other than equity investments, is based upon fair values. The market-related value of equity investments is calculated by rolling forward the prior-year's market-related value with contributions, disbursements and the expected return on plan assets. One third of the difference between the expected and the actual value is then added to or subtracted from the expected value to determine the new market-related value (see Note 7).

**Equity-Based Compensation**

All of our equity-based compensation, principally comprising UGI stock options, grants of UGI stock-based equity instruments and grants of AmeriGas Partners equity instruments (together with UGI stock-based equity instruments, "Units" or "Unit awards"), are measured at fair value on the grant date, date of modification or end of the period, as applicable. Compensation expense is recognized on a straight-line basis over the requisite service period. Depending upon the settlement terms of the awards, all or a portion of the fair value of equity-based awards may be presented as a liability or as equity on our Consolidated Balance Sheets. Equity-based compensation costs associated with the portion of Unit awards classified as equity are measured based upon their estimated fair value on the date of grant or modification. Equity-based compensation costs associated with the portion of Unit awards classified as liabilities are measured based upon their estimated fair value at the grant date and remeasured as of the end of each period.

We record deferred tax assets for awards that we expect will result in deductions on our income tax returns based on the amount of compensation cost recognized and the statutory tax rate in the jurisdiction in which we will receive a deduction. Prior to the adoption of new accounting guidance effective October 1, 2016, differences between the deferred tax assets recognized for financial reporting purposes and the actual tax benefit received on the income tax return were recorded in Common Stock (if the tax benefit exceeded the deferred tax asset) or in the Consolidated Statements of Income (if the deferred tax asset exceeded the tax benefit and no tax windfall pool existed from previous awards). We calculated this tax windfall pool using the shortcut method.

Effective October 1, 2016, we adopted Accounting Standards Update ("ASU") No. 2016-09, "Improvements to Employee Share-Based Payments Accounting" ("ASU 2016-09") issued to simplify several aspects of accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. Among other things, excess tax benefits and tax deficiencies associated with employee share-based awards that vest or are exercised are recognized as income tax benefit or expense and treated as discrete items in the reporting period in which they occur. In addition, assumed proceeds under the treasury stock method used for computing diluted shares outstanding no longer include windfall tax benefits in the diluted shares calculation.

In accordance with the required prospective method of transition relating to excess tax benefits, we recognized income tax benefits of \$10.3 related to excess tax benefits for share-based awards that were exercised or vested during Fiscal 2017. This amount is reflected in "Income taxes" on the Consolidated Statements of Income. In addition, upon the adoption of ASU 2016-09, we recorded a \$4.9 increase to retained earnings and decrease to deferred income tax liabilities for excess tax benefits related to prior period unrecognized state tax benefits. We elected to use the prospective method of transition for classifying excess tax benefits as cash flow from operating activities on the Consolidated Statements of Cash Flows and prior periods were not adjusted. We have historically presented employee taxes paid for net settled awards as a financing activity on the Consolidated Statements of Cash Flows and therefore there is no transition impact from this requirement. In addition, as provided by the new guidance, we elected to account for forfeitures of share-based payments when they occur.

For additional information on our equity-based compensation plans and related disclosures, see Note 13.

**Note 3 — Accounting Changes****Adoption of New Accounting Standards**

**Definition of a Business.** During the fourth quarter of Fiscal 2017, the Company adopted new accounting guidance which clarifies the definition of a business. The new guidance is intended to assist entities with evaluating whether a set of transferred assets and activities comprises a business. The guidance is required to be applied prospectively. The adoption of the new guidance did not impact our consolidated financial statements.

**Cash Flow Classification.** During the fourth quarter of Fiscal 2017, the Company adopted new accounting guidance on the classification of certain cash receipts and payments in the statement of cash flows. The guidance is generally required to be applied retrospectively. The adoption of the new guidance did not impact our consolidated financial statements.

**Goodwill Impairment.** During the fourth quarter of Fiscal 2017, the Company adopted new accounting guidance regarding the test for goodwill impairment. Under the new accounting guidance, an entity will perform its goodwill impairment tests by comparing the fair value of a reporting unit with its carrying amount. An entity will recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value but not to exceed the total amount of the goodwill of the reporting unit. The guidance is required to be applied prospectively. The adoption of the new guidance did not impact our consolidated financial statements.

**Employee Share-based Payments.** Effective October 1, 2016, the Company adopted ASU 2016-09 regarding share-based payments. See Note 2 for a detailed description of the impact of the new guidance.

**Equity Method Accounting.** Effective October 1, 2016, the Company adopted new accounting guidance regarding the accounting for an investment that qualifies for use of the equity method as a result of an increase in an investor's level of ownership or influence. The guidance requires that the equity method investor add the cost of acquiring an additional interest to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date such investment qualifies for equity method accounting. The new guidance eliminates the previous requirement in such circumstances to apply the effects of the equity method of accounting retrospectively. The guidance is required to be applied prospectively. The adoption of the new guidance did not impact our consolidated financial statements.

**Accounting Standards Not Yet Adopted**

**Derivatives and Hedging.** In August 2017, the FASB issued ASU No. 2017-12, "Targeted Improvements to Accounting for Hedging Activities." This ASU amends and simplifies existing guidance to allow companies to more accurately present the economic effects of risk management activities in the financial statements. The amendments in this ASU are effective for interim and annual periods beginning after December 15, 2018 (Fiscal 2020). Early adoption is permitted. For cash flow and net investment hedges as of the adoption date, the guidance requires a modified retrospective approach. The amended presentation and disclosure guidance is required only prospectively. The Company is in the process of assessing the impact on its financial statements from the adoption of the new guidance and determining the period in which the new guidance will be adopted.

**Pension and Other Postretirement Benefit Costs.** In March 2017, the FASB issued ASU No. 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." This ASU requires entities to disaggregate the service cost component from the other components of net periodic benefit costs and present it with compensation costs for related employees in the income statement. The other components are required to be presented elsewhere in the income statement and outside of operating income. The amendments in this ASU permit only the service cost component to be eligible for capitalization when applicable. The amendments in this ASU are effective for interim and annual periods beginning after December 15, 2017 (Fiscal 2019). Early adoption is permitted. The amendments in the ASU should generally be adopted on a retrospective basis. The Company is in the process of assessing the impact on its financial statements from the adoption of the new guidance and determining the period in which the new guidance will be adopted.

**Restricted Cash.** In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows: Restricted Cash." This ASU provides guidance on the classification of restricted cash in the statement of cash flows. The amendments in this ASU are effective for interim and annual periods beginning after December 15, 2017 (Fiscal 2019). Early adoption is permitted. The amendments in the ASU are required to be adopted on a retrospective basis. The Company is in the process of assessing the impact on its financial statements from the adoption of the new guidance and determining the period in which the new guidance will be adopted.

**Leases.** In February 2016, the FASB issued ASU No. 2016-02, "Leases." This ASU amends existing guidance to require entities that lease assets to recognize the assets and liabilities for the rights and obligations created by those leases on the balance sheet. The new guidance also requires additional disclosures about the amount, timing and uncertainty of cash flows from leases. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018 (Fiscal 2020). Early adoption is permitted. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company is in the process of assessing the impact on its financial statements from the adoption of the new guidance and determining the period in which the new guidance will be adopted but anticipates an increase in the recognition of right-of-use assets and lease liabilities.

**Revenue Recognition.** In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). The guidance provided under ASU 2014-09, as amended, supersedes the revenue recognition requirements in ASC No. 605, "Revenue Recognition," and most industry-specific guidance included in the ASC. ASU 2014-09 requires that an entity recognize revenue 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 new guidance is effective for the Company for interim and annual periods beginning after December 15, 2017 (Fiscal 2019) and allows for either full retrospective adoption or modified retrospective adoption.

The Company is in the process of analyzing the impact of the new guidance using an integrated approach which includes evaluating differences in the amount and timing of revenue recognition from applying the requirements of the new guidance, reviewing its accounting policies and practices, and assessing the need for changes to its processes, accounting systems and design of internal controls. The Company has completed the assessment of a significant number of its contracts with customers under the new guidance to determine the effect of the adoption of the new guidance. Although the Company has not completed its assessment of the impact of the new guidance, the Company does not expect its adoption will have a material impact on its consolidated financial statements. The Company continues to monitor developments associated with certain utility industry specific guidance for possible impacts on the recognition of revenue by UGI Utilities.

The Company currently anticipates that it will adopt the new standard using the modified retrospective transition method effective October 1, 2018. The ultimate decision with respect to the transition method that it will use will depend upon the completion of the Company's analysis including confirming its preliminary conclusion that the adoption of the new guidance will not have a material impact on its consolidated financial statements.

#### **Note 4 — Acquisitions**

##### **Acquisition of Totalgaz**

On May 29, 2015 (the "Acquisition Date"), UGI, through its wholly owned indirect subsidiary, France SAS, acquired all of the outstanding shares of Totalgaz SAS, a retail distributor of LPG in France, for €451.8 (\$496.6) in cash, including €30.0 (\$33.0) for estimated Acquisition Date working capital. In November 2015, France SAS received €1.1 (\$1.2) of cash as a result of the completion of the final working capital amount. The Totalgaz Acquisition was consummated pursuant to the terms of a Share Purchase Agreement dated November 11, 2014, between Total Marketing Services, a subsidiary of global energy company, Total, and France SAS. The Totalgaz Acquisition nearly doubled our retail LPG distribution business in France and was consistent with our growth strategies, one of which is to grow our core business through acquisitions. The Totalgaz Acquisition was funded from existing cash balances and a portion of loan proceeds from France SAS's May 29, 2015, issuance of a €600 term loan under its 2015 Senior Facilities Agreement (see Note 5).

The Company accounted for the Totalgaz Acquisition using the acquisition method. The components of the final Totalgaz purchase price allocation are as follows:

<b>Assets acquired:</b>		
Cash	\$	86.8
Accounts receivable (a)		170.3
Prepaid expenses and other current assets		11.0
Property, plant and equipment		375.6
Intangible assets (b)		91.3
Other assets		21.4
Total assets acquired	\$	756.4
<b>Liabilities assumed:</b>		
Accounts payable		109.2
Other current liabilities		103.5
Deferred income taxes		117.5
Other noncurrent liabilities		113.4
Total liabilities assumed	\$	443.6
Goodwill		183.8
Net consideration transferred (including working capital adjustments)	\$	496.6

(a) Approximates the gross contractual amounts of receivables acquired.

(b) Comprises \$79.3 of customer relationships and \$12.0 of tradenames (\$8.3 of which is subject to amortization), having average amortization periods of 15 years.

We allocated the purchase price of the acquisition to identifiable intangible assets and property, plant and equipment based on estimated fair values as follows:

- Customer relationships were valued using a multi-period, excess earnings method. Key assumptions used in this method include discount rates, growth rates and cash flow projections. These assumptions are most sensitive and susceptible to change as they require significant management judgment;
- Tradenames were valued using the relief from royalty method, which estimates our theoretical royalty savings from ownership of the tradenames. Key assumptions used in this method include discount rates, royalty rates, growth rates and sales projections. These assumptions are most sensitive and susceptible to change as they require significant management judgment; and
- Property, plant and equipment were valued based on estimated fair values primarily using depreciated replacement cost and market value methods.

The excess of the purchase price for the Totalgaz Acquisition over the fair values of the assets acquired and liabilities assumed has been reflected as goodwill, assigned to the UGI International reportable segment, and results principally from anticipated synergies and value creation resulting from the Company's combined LPG businesses in France. The goodwill is not deductible for income tax purposes.

The Company recognized \$16.1 of direct transaction-related costs associated with the Totalgaz Acquisition during Fiscal 2015, which are reflected primarily in "Operating and administrative expenses" on the Consolidated Statements of Income. The acquisition of Totalgaz did not have a material impact on the Company's revenues or net income attributable to UGI for the year ended September 30, 2015.



**UGI Corporation and Subsidiaries**
**Notes to Consolidated Financial Statements**

(Currency in millions, except per share amounts and where indicated otherwise)

The following table presents unaudited pro forma revenues, net income attributable to UGI Corporation and earnings per share data for Fiscal 2015 as if the Totalgaz Acquisition had occurred on October 1, 2014. The unaudited pro forma consolidated information reflects the historical results of Totalgaz SAS and its subsidiaries after giving effect to adjustments directly attributable to the transaction, including depreciation, amortization, interest expense, intercompany eliminations and related income tax effects. The unaudited pro forma net income also reflects the effects of the issuance of the €600 term loan under France SAS's 2015 Senior Facilities Agreement and the associated repayment of the term loan outstanding under Antargaz' 2011 Senior Facilities Agreement as if such transactions had occurred on October 1, 2014. Amounts in the table below exclude costs associated with extinguishment of debt under Antargaz' 2011 Senior Facilities Agreement (see Note 5):

	2015	
	As Reported	Pro Forma Adjusted
Revenues	\$ 6,691.1	\$ 7,065.8
Net income attributable to UGI Corporation	\$ 281.0	\$ 341.2
Earnings per common share attributable to UGI Corporation stockholders:		
Basic	\$ 1.62	\$ 1.97
Diluted	\$ 1.60	\$ 1.94

The unaudited pro forma consolidated information is not necessarily indicative of the results that would have occurred had the Totalgaz Acquisition occurred on the date indicated nor are they necessarily indicative of future operating results.

**Other Acquisitions**

During Fiscal 2017, UGI International acquired an energy marketing business with operations in the Netherlands and an LPG distribution business with operations in Sweden, and AmeriGas Propane acquired several retail propane distribution businesses. During Fiscal 2016, UGI International acquired several LPG distribution businesses with operations in Austria, Norway and the United Kingdom, and AmeriGas Propane acquired several retail propane distribution businesses. During Fiscal 2015, in addition to the Totalgaz Acquisition in France, UGI International acquired an LPG distribution business with operations in Hungary, and AmeriGas Propane acquired several retail propane distribution businesses.

Total cash paid and liabilities incurred in connection with these acquisitions were as follows:

	2017		2016		2015	
	AmeriGas Propane	UGI International	AmeriGas Propane	UGI International	AmeriGas Propane	UGI International
Total cash paid	\$ 36.8	\$ 99.7	\$ 37.6	\$ 24.1	\$ 20.8	\$ 17.6
Liabilities incurred (a)	10.8	20.6	11.8	—	4.2	—
Total purchase price	\$ 47.6	\$ 120.3	\$ 49.4	\$ 24.1	\$ 25.0	\$ 17.6

(a) Reflects notes payable to seller and liabilities associated with noncompete agreements.

**Note 5 — Debt**
**Significant Financing Activities**

**AmeriGas Propane.** During Fiscal 2017, AmeriGas Partners issued, in underwritten offerings, \$700 principal amount of 5.50% Senior Notes due May 2025 and \$525 principal amount of 5.75% Senior Notes due May 2027 (collectively, the "AmeriGas 2017 Senior Notes"). The AmeriGas 2017 Senior Notes rank equally with AmeriGas Partners' existing outstanding senior notes. The net proceeds from the issuance of the AmeriGas 2017 Senior Notes were used (1) for the early repayment, pursuant to tender offers and notices of redemption, of all of AmeriGas Partners' 7.00% Senior Notes, having an aggregate principal balance of \$980.8 plus accrued and unpaid interest and early redemption premiums, and (2) for general corporate purposes.

During Fiscal 2016, AmeriGas Partners issued in an underwritten offering \$675 principal amount of 5.625% Senior Notes due May 2024 and \$675 principal amount of 5.875% Senior Notes due August 2026 (collectively, the “AmeriGas 2016 Senior Notes”). The AmeriGas 2016 Senior Notes rank equally with AmeriGas Partners’ existing outstanding senior notes. The net proceeds from the issuance of the AmeriGas 2016 Senior Notes were used (1) for the early repayment, pursuant to tender offers and notices of redemption, of all of AmeriGas Partners’ previously issued 6.50% Senior Notes, 6.75% Senior Notes and 6.25% Senior Notes, having an aggregate principal balance of \$1,270.0 plus accrued and unpaid interest and early redemption premiums and (2) for general corporate purposes.

In connection with the early repayments of AmeriGas’ Senior Notes, during Fiscal 2017 and 2016, the Partnership recognized pre-tax losses which are reflected in “Loss on extinguishments of debt” on the Consolidated Statements of Income and comprise the following:

	2017	2016
Early redemption premiums	\$ 51.3	\$ 39.6
Write-off of unamortized debt issuance costs	8.4	9.3
Loss on extinguishments of debt	\$ 59.7	\$ 48.9

**UGI International.** In April 2015, France SAS entered into a new five-year Senior Facilities Agreement with a consortium of banks consisting of a €600 variable-rate term loan and a €60 revolving credit facility (“2015 Senior Facilities Agreement”) in anticipation of its then-pending acquisition of Totalgaz, which was consummated in May 2015 (see Note 4). On May 29, 2015, France SAS borrowed €600 (\$659.6) under the 2015 Senior Facilities Agreement. The term loan proceeds were used (1) to fund a portion of the Totalgaz Acquisition, including related fees and expenses; (2) to make a capital contribution from France SAS to its wholly owned subsidiary, AGZ Holding, to prepay €342 principal amount, plus accrued interest, outstanding under Antargaz’ 2011 Senior Facilities Agreement due March 2016 (the “2011 Senior Facilities Agreement”); (3) to settle Antargaz’ existing pay-fixed, receive-variable interest rate swaps associated with the 2011 Senior Facilities Agreement; and (4) for general corporate purposes. As a result of prepaying the term loan outstanding under the 2011 Senior Facilities Agreement and concurrently settling the associated pay-fixed, receive-variable interest rate swaps, we recorded a pre-tax loss of \$10.3 comprising a \$9.0 loss on interest rate swaps and the write-off of \$1.3 of debt issuance costs. These amounts are included in “Interest expense” on the Fiscal 2015 Consolidated Statement of Income.

In October 2015, Flaga entered into a €100.8 Credit Facility Agreement (“Flaga Credit Facility Agreement”) with a bank. The Flaga Credit Facility Agreement includes a €25 multi-currency revolving credit facility, a €5 overdraft facility, a €25 guarantee facility and a €45.8 term loan facility. Concurrent with entering into the Flaga Credit Facility Agreement, Flaga terminated its then-existing €46 multi-currency working capital facility.

In October 2015, borrowings under the Flaga Credit Facility Agreement’s €45.8 term loan were used to refinance a €19.1 (\$21.4) term loan and a €26.7 (\$29.8) term loan. Because the cash flows associated with the refinancing of the then-existing term loans were with the same bank, such cash flows have been reflected “net” on the Consolidated Statement of Cash Flows.

In September 2015, Flaga terminated its then-existing \$52 U.S. dollar-denominated variable-rate term loan due September 2016 and concurrently entered into a \$59.1 U.S. dollar-denominated variable-rate term loan with the same bank. The \$59.1 term loan matures in September 2018. Because the cash flows from the termination of the \$52 term loan and the concurrent issuance of the \$59.1 term loan were with the same bank, such cash flows have been reflected “net” in the financing activities section of the Fiscal 2015 Consolidated Statement of Cash Flows.

**UGI Utilities.** In April 2016, UGI Utilities entered into a Note Purchase Agreement (the “2016 Note Purchase Agreement”) with a consortium of lenders. Pursuant to the 2016 Note Purchase Agreement, UGI Utilities issued \$100 aggregate principal amount of 2.95% Senior Notes due June 2026 and \$200 aggregate principal amount of 4.12% Senior Notes due September 2046 in June 2016 and September 2016, respectively. In October 2016, UGI Utilities issued \$100 aggregate principal amount of 4.12% Senior Notes due October 2046. The net proceeds of the issuance of these senior notes were used (1) to repay UGI Utilities’ maturing 5.75% Senior Notes, 7.37% Medium-term Notes and 5.64% Medium-term Notes; (2) to provide additional financing for UGI Utilities’ infrastructure replacement and betterment capital program and the information technology initiatives; and (3) for general corporate purposes. The UGI Utilities Senior Notes are unsecured and rank equally with UGI Utilities’ existing outstanding senior debt.

On October 31, 2017, UGI Utilities entered into a \$125 unsecured term loan (the “Utilities Term Loan”) with a group of banks which initially matures on October 30, 2018. Such maturity will be automatically extended to October 30, 2022 once UGI Utilities delivers to the agent a copy of the securities certificate registered with the PUC authorizing UGI Utilities’ incurring indebtedness with such maturity date. Proceeds from the Utilities Term Loan were used to repay revolving credit balances and for general corporate purposes. The outstanding principal amount of the Utilities Term Loan is payable in equal quarterly installments of \$1.6 with the balance of the principal being due and payable in full on the maturity date. Under the Utilities Term Loan, UGI Utilities may borrow at various prevailing market interest rates, including LIBOR and the banks’ prime rate, plus a margin. The margin on such borrowings ranges from 0.0% to 1.875% and is based upon the credit ratings of certain indebtedness of UGI Utilities. The Utilities Term Loan requires UGI Utilities to not exceed a ratio of Consolidated Debt to Consolidated Total Capital, as defined.

**UGI Corporation and Subsidiaries**
**Notes to Consolidated Financial Statements**

(Currency in millions, except per share amounts and where indicated otherwise)

**Long-term Debt**

Long-term debt comprises the following at September 30:

	2017	2016
<b>AmeriGas Propane:</b>		
AmeriGas Partners Senior Notes:		
5.50% due May 2025	\$ 700.0	\$ —
5.875% due August 2026	675.0	675.0
5.625% due May 2024	675.0	675.0
5.75% due May 2027	525.0	—
7.00%, due May 2022	—	980.8
HOLP Senior Secured Notes, including unamortized premium of \$0.4 and \$0.7, respectively (a)	11.3	15.2
Other	17.3	14.2
Unamortized debt issuance costs	(31.3)	(26.6)
<b>Total AmeriGas Propane</b>	<b>2,572.3</b>	<b>2,333.6</b>
<b>UGI International:</b>		
France SAS Senior Facilities term loan, due through April 2020 (b)	708.9	674.4
Flaga variable-rate term loan, due October 2020 (c)	54.1	51.4
Flaga U.S. dollar variable-rate term loan, due September 2018 (d)	59.1	59.1
Other	21.3	1.4
Unamortized debt issuance costs	(4.6)	(6.7)
<b>Total UGI International</b>	<b>838.8</b>	<b>779.6</b>
<b>UGI Utilities:</b>		
Senior Notes:		
4.12%, due September 2046	200.0	200.0
4.98%, due March 2044	175.0	175.0
4.12%, due October 2046	100.0	—
6.21%, due September 2036	100.0	100.0
2.95%, due June 2026	100.0	100.0
Medium-Term Notes:		
6.13%, due October 2034	20.0	20.0
6.50%, due August 2033	20.0	20.0
5.67%, due January 2018	20.0	20.0
7.25%, due November 2017	20.0	20.0
6.17%, due June 2017	—	20.0
Unamortized debt issuance costs	(3.9)	(3.5)
<b>Total UGI Utilities</b>	<b>751.1</b>	<b>671.5</b>
Other	9.9	10.8
<b>Total long-term debt</b>	<b>4,172.1</b>	<b>3,795.5</b>
Less: current maturities	(177.5)	(29.5)
<b>Total long-term debt due after one year</b>	<b>\$ 3,994.6</b>	<b>\$ 3,766.0</b>

(a) At September 30, 2017 and 2016, the effective interest rate on the HOLP Senior Secured Notes was 6.75%. These notes are collateralized by AmeriGas OLP's receivables, contracts, equipment, inventory, general intangibles and cash.

(b) Borrowings bear interest at rates per annum comprising the aggregate of the applicable margin and the associated euribor rate, which euribor rate has a floor of 0.0%. The margin on term loan borrowings (which ranges from 1.60% to 2.70%) is dependent upon the ratio of France SAS' consolidated total net debt to EBITDA, each as defined in the 2015 Senior Facilities Agreement. At September 30, 2017 and 2016, such margin was 1.90%. France SAS has entered into pay-fixed, receive-variable interest rate swaps through April 30, 2019, to fix the underlying euribor rate on term loan borrowings at 0.18%. At

September 30, 2017 and 2016, the effective interest rate on the term loan was approximately 2.10%. Principal amounts outstanding under the term loan are due as follows: €60 due April 2018; €60 due April 2019; and €480 due April 2020.

- (c) Borrowings bear interest at three-month euribor rates, plus a margin and other fees. The margin and other fees range from 1.20% to 2.60% and are based upon certain consolidated equity, return on assets and debt to EBITDA ratios, as defined, as well as fees defined by the local jurisdiction. Flaga has entered into pay-fixed, receive-variable interest rate swaps that generally fix the underlying market rate at 0.23%, effective October 2016. The effective interest rate on this term loan at September 30, 2017 and 2016, was 1.80% and 2.11%, respectively.
- (d) Borrowings bear interest at a one-month LIBOR rate plus a margin of 1.125%. Flaga has effectively fixed the LIBOR component of the interest rate, and has effectively fixed the U.S. dollar value of the interest and principal payments by entering into a cross-currency swap arrangement with a bank. At September 30, 2017 and 2016, the effective interest rate on this term loan was 0.87%.

Scheduled principal repayments of long-term debt due in fiscal years 2018 to 2022 follows:

	2018	2019	2020	2021	2022
AmeriGas Propane	\$ 8.6	\$ 8.2	\$ 7.5	\$ 3.2	\$ 1.2
UGI International	130.3	71.5	567.1	54.1	20.4
UGI Utilities	40.0	—	—	—	—
Other	0.7	0.8	0.8	0.9	0.9
<b>Total</b>	<b>\$ 179.6</b>	<b>\$ 80.5</b>	<b>\$ 575.4</b>	<b>\$ 58.2</b>	<b>\$ 22.5</b>

### Credit Facilities and Short-term Borrowings

Information about the Company's principal credit agreements (excluding Energy Services, LLC's Receivables Facility which is discussed below) as of September 30, 2017 and 2016, is presented in the following table. Borrowings outstanding under these agreements are classified as "Short-term borrowings" on the Consolidated Balance Sheets.

	Expiration Date	Total Capacity	Borrowings Outstanding	Letters of Credit and Guarantees Outstanding	Available Borrowing Capacity	Weighted Average Interest Rate - End of Year
<b>September 30, 2017</b>						
AmeriGas OLP (a)	June 2019	\$ 525.0	\$ 140.0	\$ 67.2	\$ 317.8	3.74%
France SAS (b)	April 2020	€ 60.0	—	—	€ 60.0	N.A.
Flaga (c)	October 2020	€ 55.0	—	€ 6.5	€ 48.5	N.A.
Energy Services, LLC (d)	March 2021	\$ 240.0	—	—	\$ 240.0	N.A.
UGI Utilities (e)	March 2020	\$ 300.0	\$ 170.0	\$ 2.0	\$ 128.0	2.11%
<b>September 30, 2016</b>						
AmeriGas OLP (a)	June 2019	\$ 525.0	\$ 153.2	\$ 67.2	\$ 304.6	2.79%
France SAS (b)	April 2020	€ 60.0	—	—	€ 60.0	N.A.
Flaga (c)	October 2020	€ 55.0	—	€ 9.6	€ 45.4	N.A.
Energy Services, LLC (d)	March 2021	\$ 240.0	—	—	\$ 240.0	N.A.
UGI Utilities (e)	March 2020	\$ 300.0	\$ 112.5	\$ 2.0	\$ 185.5	1.42%

- (a) The AmeriGas OLP Credit Agreement includes a \$125 sublimit for letters of credit and permits AmeriGas OLP to borrow at prevailing interest rates, including the base rate, defined as the higher of the Federal Funds rate plus 0.50% or the agent bank's prime rate, or at a one-week, or one-, two-, three-, or six-month Eurodollar Rate, as defined, plus a margin. The applicable margin on base rate borrowings ranges from 0.50% to 1.50%; the applicable margin on Eurodollar Rate borrowings ranges from 1.50% to 2.50%; and the facility fee ranges from 0.30% to 0.45%. The aforementioned margins and facility fees are dependent upon AmeriGas Partners' ratio of debt to EBITDA, as defined.
- (b) Borrowings under the 2015 Senior Facilities Agreement revolving credit facility bear interest at market rates (one-, two-, three-, or six-month euribor) plus a margin. The margin on credit facility borrowings ranges from 1.45% to 2.55% based upon France SAS's ratio of consolidated total net debt to EBITDA, as defined.

- (c) The Flaga Credit Facility Agreement includes a €25 multi-currency revolving credit facility, a €5 overdraft facility and a €25 guarantee facility. Revolving credit facility borrowings bear interest at market rates (generally one, three or six-month euribor rates) plus margins. The margins on revolving facility borrowings, which range from 1.45% to 3.65%, are based upon the actual currency borrowed and certain consolidated equity, return on assets and debt to EBITDA ratios, each as defined. Facility fees on the unused amount of the revolving credit facility are 30% of the lowest applicable margin. Guarantees outstanding reduce the available capacity on the €25 guarantee facility.
- (d) The Energy Services, LLC Credit Agreement (“Energy Services Credit Agreement”) includes a \$50 sublimit for letters of credit and can be used for general corporate purposes of Energy Services, LLC and its subsidiaries. Energy Services, LLC may not pay a dividend unless, after giving effect to such dividend payment, the ratio of Consolidated Total Indebtedness to EBITDA, each as defined, does not exceed 3.00 to 1.00. Borrowings bear interest at either (i) the Alternate Base Rate plus a margin or (ii) a rate derived from LIBOR (“Adjusted LIBOR”) plus a margin. The Alternate Base Rate, as defined, is the highest of (a) the prime rate, (b) the federal funds rate plus 0.50%, and (c) Adjusted LIBOR plus 1.00%. The margin on such borrowings is currently 2.25%. The Energy Services Credit Agreement is guaranteed by certain subsidiaries of Energy Services, LLC.
- (e) The UGI Utilities Credit Agreement includes a \$100 sublimit for letters of credit. Borrowings bear interest at prevailing market interest rates, including LIBOR and the banks’ prime rate, plus a margin. The margin on such borrowings ranges from 0.0% to 1.75% and is based upon the credit ratings of certain indebtedness of UGI Utilities.

**Accounts Receivable Securitization Facility.** Energy Services, LLC has a receivables purchase facility (“Receivables Facility”) with an issuer of receivables-backed commercial paper currently scheduled to expire in October 2018. The Receivables Facility, as amended, provides Energy Services, LLC with the ability to borrow up to \$150 of eligible receivables during the period November to April, and up to \$75 of eligible receivables during the period May to October. Energy Services, LLC uses the Receivables Facility to fund working capital, margin calls under commodity futures contracts, capital expenditures, dividends and for general corporate purposes.

Under the Receivables Facility, Energy Services, LLC transfers, on an ongoing basis and without recourse, its trade accounts receivable to its wholly owned, special purpose subsidiary, Energy Services Funding Corporation (“ESFC”), which is consolidated for financial statement purposes. ESFC, in turn, has sold and, subject to certain conditions, may from time to time sell, an undivided interest in some or all of the receivables to a major bank. Amounts sold to the bank are reflected as “Short-term borrowings” on the Consolidated Balance Sheets. ESFC was created and has been structured to isolate its assets from creditors of Energy Services, LLC and its affiliates, including UGI. Trade receivables sold to the bank remain on the Company’s balance sheet and the Company reflects a liability equal to the amount advanced by the bank. The Company records interest expense on amounts owed to the bank. Energy Services continues to service, administer and collect trade receivables on behalf of the bank, as applicable. Losses on sales of receivables to the bank during Fiscal 2017, Fiscal 2016 and Fiscal 2015, which amounts are included in “Interest expense” on the Consolidated Statements of Income, were not material.

Information regarding the amounts of trade receivables transferred to ESFC and the amounts sold to the bank during Fiscal 2017, Fiscal 2016 and Fiscal 2015, as well as the balance of ESFC trade receivables at September 30, 2017, 2016 and 2015 follows:

	2017	2016	2015
Trade receivables transferred to ESFC during the year	\$ 1,017.3	\$ 756.4	\$ 1,037.8
ESFC trade receivables sold to the bank during the year	243.0	204.0	306.5
ESFC trade receivables - end of year (a)	44.8	35.7	44.1

- (a) At September 30, 2017 and 2016, the amounts of ESFC trade receivables sold to the bank were \$39.0 and \$25.5, respectively, and are reflected as “Short-term borrowings” on the Consolidated Balance Sheets.

## Restrictive Covenants

Our long-term debt and credit facility agreements generally contain customary covenants and default provisions which may include, among other things, restrictions on the incurrence of additional indebtedness and also restrict liens, guarantees, investments, loans and advances, payments, mergers, consolidations, asset transfers, transactions with affiliates, sales of assets, acquisitions and other transactions.

The AmeriGas Propane Credit Agreement requires that AmeriGas OLP and AmeriGas Partners maintain ratios of total indebtedness to EBITDA, as defined, below certain thresholds. In addition, the Partnership must maintain a minimum ratio of EBITDA to

interest expense, as defined and as calculated on a rolling four-quarter basis. Generally, as long as no default exists or would result therefrom, AmeriGas OLP is permitted to make cash distributions not more frequently than quarterly in an amount not to exceed available cash, as defined, for the immediately preceding calendar quarter.

Under the AmeriGas Partners Senior Notes Indentures, AmeriGas Partners is generally permitted to make cash distributions equal to available cash, as defined, as of the end of the immediately preceding quarter, if certain conditions are met. At September 30, 2017, these restrictions did not limit the amount of Available Cash. See Note 14 for the definition of Available Cash included in the Fourth Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, L.P., as amended (“Partnership Agreement”).

The HOLP Senior Secured Notes financial covenants require AmeriGas OLP to maintain a ratio of Consolidated Funded Indebtedness to Consolidated EBITDA (as defined) below certain thresholds and to maintain a minimum ratio of Consolidated EBITDA to Consolidated Interest Expense (as defined).

The 2015 Senior Facilities Agreement requires France SAS and its consolidated subsidiaries to maintain a ratio of total net debt to EBITDA, each as defined in the 2015 Senior Facilities Agreement, that shall not exceed 3.50 to 1.00 as determined semiannually. France SAS will generally be permitted to make restricted payments, such as dividends, if no event of default exists or would exist upon payment of such dividend.

Borrowings under the Flaga Credit Facility Agreement are guaranteed by UGI. The Flaga U.S. dollar term loan and associated interest rate and cross-currency swap agreements are guaranteed by UGI. In addition, under certain conditions regarding changes in certain financial ratios of UGI, the lending banks may accelerate repayment of the debt.

The UGI Utilities Credit Agreement requires UGI Utilities not to exceed a ratio of Consolidated Debt to Consolidated Total Capital, as defined, of 0.65 to 1.00. Certain of UGI Utilities’ Senior Notes contain financial covenants including a requirement that UGI Utilities not exceed a ratio of Consolidated Debt to Consolidated Total Capital, as defined, of 0.65 to 1.00.

The Energy Services Credit Agreement requires that Energy Services, LLC and subsidiaries not exceed a ratio of total indebtedness to EBITDA, as defined, of 3.50 to 1.00, and maintain a minimum ratio of EBITDA to interest expense, as defined, of 3.50 to 1.00.

### **Restricted Net Assets**

At September 30, 2017, the amount of net assets of UGI’s consolidated subsidiaries that were restricted from transfer to UGI under debt agreements, subsidiary partnership agreements and regulatory requirements under foreign laws totaled approximately \$1,500.

### **Note 6 — Income Taxes**

Income before income taxes comprises the following:

	2017	2016	2015
Domestic	\$ 527.3	\$ 518.9	\$ 552.3
Foreign	174.1	191.1	39.5
Total income before income taxes	<u>\$ 701.4</u>	<u>\$ 710.0</u>	<u>\$ 591.8</u>

The provisions for income taxes consist of the following:

	2017	2016	2015
Current expense (benefit):			
Federal	\$ (2.7)	\$ 44.2	\$ 97.1
State	14.0	20.9	32.2
Foreign	56.2	78.7	36.0
Investment tax credit	—	—	(1.2)
Total current expense	67.5	143.8	164.1
Deferred expense (benefit):			
Federal	125.8	81.2	28.1
State	16.4	1.3	2.9
Foreign	(31.8)	(4.8)	(17.0)
Investment tax credit amortization	(0.3)	(0.3)	(0.3)
Total deferred expense	110.1	77.4	13.7
Total income tax expense	<u>\$ 177.6</u>	<u>\$ 221.2</u>	<u>\$ 177.8</u>

Federal income taxes for Fiscal 2017, Fiscal 2016 and Fiscal 2015 are net of foreign tax credits of \$40.9, \$25.6 and \$63.0, respectively.

A reconciliation from the U.S. federal statutory tax rate to our effective tax rate is as follows:

	2017	2016	2015
U.S. federal statutory tax rate	35.0 %	35.0 %	35.0 %
Difference in tax rate due to:			
Noncontrolling interests not subject to tax	(4.3)	(6.2)	(7.9)
State income taxes, net of federal benefit	2.9	3.0	3.3
Valuation allowance adjustments	(1.1)	(0.9)	0.8
Effects of foreign operations	(1.1)	0.6	0.2
Deferred tax effects of French tax rate change	(4.1)	—	—
Excess tax benefits on share-based payments	(1.3)	—	—
Other, net	(0.7)	(0.3)	(1.4)
Effective tax rate	<u>25.3 %</u>	<u>31.2 %</u>	<u>30.0 %</u>

Earnings of the Company's foreign subsidiaries are generally subject to U.S. taxation upon repatriation to the U.S. and the Company's tax provisions reflect the related incremental U.S. tax except for certain foreign subsidiaries whose unremitted earnings are considered to be indefinitely reinvested. At September 30, 2017, unremitted earnings of foreign subsidiaries of approximately \$119.7 were deemed to be indefinitely reinvested. No deferred tax liability has been recognized with regard to the remittance of such earnings. Because of the availability of U.S. foreign tax credits, it is likely no U.S. tax would be due if such earnings were repatriated.

Pennsylvania utility ratemaking practice permits the flow through to ratepayers of state tax benefits resulting from accelerated tax depreciation. For Fiscal 2017, Fiscal 2016 and Fiscal 2015, the beneficial effects of state tax flow through of accelerated depreciation reduced income tax expense by \$2.5, \$1.3 and \$1.5, respectively.



Deferred tax liabilities (assets) comprise the following at September 30:

	2017	2016
Excess book basis over tax basis of property, plant and equipment	\$ 975.8	\$ 873.9
Investment in AmeriGas Partners	326.8	323.2
Intangible assets and goodwill	98.2	87.1
Utility regulatory assets	132.2	148.3
Other	11.7	11.9
Gross deferred tax liabilities	1,544.7	1,444.4
Pension plan liabilities	(57.7)	(79.7)
Employee-related benefits	(65.4)	(63.1)
Operating loss carryforwards	(30.9)	(31.5)
Foreign tax credit carryforwards	(106.1)	(105.1)
Utility regulatory liabilities	(9.3)	(13.9)
Derivative instruments	(1.7)	(14.7)
Utility environmental liabilities	(22.2)	(22.8)
Other	(27.8)	(28.3)
Gross deferred tax assets	(321.1)	(359.1)
Deferred tax assets valuation allowance	107.1	114.3
Net deferred tax liabilities	\$ 1,330.7	\$ 1,199.6

In December 2016, the French Parliament approved the Finance Bill for 2017 and amended the Finance Bill for 2016 (collectively the “Finance Bills”). The Finance Bills, among other things, will reduce the French corporate income tax rate from the current 34.43% to 28.92%, effective for fiscal years starting after January 1, 2020 (Fiscal 2021). As a result of the future income tax rate reduction, during Fiscal 2017 the Company reduced its net deferred income tax liabilities and recognized a deferred tax benefit of \$29.0.

At September 30, 2017, foreign net operating loss carryforwards principally relating to Flaga, UGI International Holdings BV and certain subsidiaries of France SAS totaled \$24.5, \$2.5 and \$22.6, respectively, with no expiration dates. We have state net operating loss carryforwards primarily relating to certain subsidiaries which approximate \$187.9 and expire through 2037. We also have operating loss carryforwards of \$19.7 for certain operations of AmeriGas Propane that expire through 2037. At September 30, 2017, deferred tax assets relating to operating loss carryforwards include \$5.6 for Flaga, \$7.8 for certain subsidiaries of France SAS, \$0.7 for UGI International Holdings BV, \$6.8 for AmeriGas Propane and \$10.0 for certain other subsidiaries.

The valuation allowance for all deferred tax assets decreased by \$7.2 in Fiscal 2017 due to the reversal of \$7.6 of valuation allowances associated with future utilization of foreign tax credits and a decrease in foreign operating loss carryforwards of \$1.5, partially offset by an increase in foreign tax credits of \$1.1, and an increase in state capital loss carryforwards of \$0.8. A valuation allowance of \$0.2 remains for deferred tax assets related to other state net operating loss carryforwards and other state deferred tax assets of certain subsidiaries because, on a state reportable basis, it is more likely than not that these assets will expire unused. A valuation allowance of \$7.5 also exists for deferred tax assets related to certain subsidiaries of France SAS, and certain subsidiaries of Flaga and UGI International Holdings BV.

In Fiscal 2017, the Company reversed \$7.6 in valuation allowances associated with foreign tax credit carryforwards whose utilization before expiration had previously not met a more-likely-than-not threshold. In Fiscal 2016, the Company reversed valuation allowances associated with certain state tax net operating loss carryforwards of approximately \$5.5 as a result of certain tax planning strategies that were related to legal entity classification. Operating activities and tax deductions related to the exercise of non-qualified stock options contributed to the state net operating losses disclosed above. Prior to the adoption of ASU 2016-09, we would first recognize the utilization of state net operating losses from operations (which exclude the impact of tax deductions for exercises of non-qualified stock options) to reduce income tax expense. Then, to the extent state net operating loss carryforwards, if realized, related to non-qualified stock option deductions, the resulting benefits were credited to UGI Corporation stockholders’

equity. The Fiscal 2016 table of deferred tax assets and liabilities does not include \$7.7 of deferred tax assets and a corresponding valuation allowance for unrealized state tax benefits for share-based compensation deductions.

We have foreign tax credit carryforwards of approximately \$106.1 expiring through 2027 resulting from the actual and planned repatriation of France SAS's accumulated earnings since acquisition which are includable in U.S. taxable income. Prior to Fiscal 2017, we expected that these credits would expire unused and a valuation allowance had been provided for the entire foreign tax credit carryforward amount. The Company continuously monitors the potential utilization of these credits and performs the appropriate weighing of positive and negative evidence in reaching a conclusion of whether utilization reaches a level of more likely than not. In Fiscal 2017, the Company concluded it was more likely than not that \$98.5 of the credits will expire before utilization and therefore reversed \$7.6 of the prior year valuation allowance against these credits. The amount of the deferred tax asset considered realizable could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased.

We conduct business and file tax returns in the U.S., numerous states, local jurisdictions and in France and certain other European countries. Our U.S. federal income tax returns are settled through the 2013 tax year, our French tax returns are settled through the 2013 tax year, our Austrian tax returns are settled through 2014 and our other European tax returns are effectively settled for various years from 2008 to 2015. State and other income tax returns in the U.S. are generally subject to examination for a period of three to five years after the filing of the respective returns.

As of September 30, 2017, we have unrecognized income tax benefits totaling \$12.2 including related accrued interest of \$0.5. If these unrecognized tax benefits were subsequently recognized, \$8.1 would be recorded as a benefit to income taxes on the Consolidated Statement of Income and, therefore, would impact the reported effective tax rate. Generally, a net reduction in unrecognized tax benefits could occur because of the expiration of the statute of limitations in certain jurisdictions or as a result of settlements with tax authorities. There is no material change expected in unrecognized tax benefits and related interest in the next twelve months.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

	2017	2016	2015
Unrecognized tax benefits — beginning of year	\$ 7.2	\$ 3.2	\$ 2.4
Additions for tax positions of the current year	1.9	2.2	0.9
Additions for tax positions taken in prior years	4.6	2.3	0.5
Settlements with tax authorities/statute lapses	(1.5)	(0.5)	(0.6)
Unrecognized tax benefits — end of year	<u>\$ 12.2</u>	<u>\$ 7.2</u>	<u>\$ 3.2</u>

## **Note 7 — Employee Retirement Plans**

### **Defined Benefit Pension and Other Postretirement Plans**

In the U.S., we sponsor a defined benefit pension plan for employees hired prior to January 1, 2009, of UGI, UGI Utilities, PNG, CPG and certain of UGI's other domestic wholly owned subsidiaries ("U.S. Pension Plan"). U.S. Pension Plan benefits are based on years of service, age and employee compensation.

We also provide postretirement health care benefits to certain retirees and postretirement life insurance benefits to nearly all U.S. active and retired employees. In addition, certain UGI International employees in France, Belgium and the Netherlands are covered by defined benefit pension and postretirement plans. Although the disclosures in the tables below include amounts related to the UGI International plans, such amounts are not material.

The following table provides a reconciliation of the projected benefit obligations ("PBOs") of the U.S. Pension Plan and the UGI International pension plans, the accumulated benefit obligations ("ABOs") of our other postretirement benefit plans, plan assets, and the funded status of pension and other postretirement plans as of September 30, 2017 and 2016. ABO is the present value of benefits earned to date with benefits based upon current compensation levels. PBO is ABO increased to reflect estimated future compensation.

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	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
<b>Change in benefit obligations:</b>				
Benefit obligations — beginning of year	\$ 707.7	\$ 614.7	\$ 30.9	\$ 25.4
Service cost	11.9	10.1	1.0	0.7
Interest cost	25.0	26.8	0.8	0.9
Actuarial (gain) loss	(19.6)	83.3	(4.8)	6.6
Plan amendments	1.2	—	—	(1.5)
Curtailement	(3.6)	(1.4)	(0.4)	(0.3)
Foreign currency	2.9	0.1	0.4	—
Benefits paid	(27.7)	(25.9)	(0.9)	(0.9)
Benefit obligations — end of year	\$ 697.8	\$ 707.7	\$ 27.0	\$ 30.9
<b>Change in plan assets:</b>				
Fair value of plan assets — beginning of year	\$ 493.7	\$ 453.8	\$ 13.7	\$ 12.5
Actual gain on plan assets	47.0	53.4	1.3	1.3
Foreign currency	1.6	0.1	—	—
Employer contributions	14.6	11.4	0.6	0.6
Benefits paid	(27.7)	(25.0)	(0.8)	(0.7)
Fair value of plan assets — end of year	\$ 529.2	\$ 493.7	\$ 14.8	\$ 13.7
<b>Funded status of the plans — end of year</b>	<b>\$ (168.6)</b>	<b>\$ (214.0)</b>	<b>\$ (12.2)</b>	<b>\$ (17.2)</b>
<b>Assets (liabilities) recorded in the balance sheet:</b>				
Assets in excess of liabilities — included in other noncurrent assets	\$ —	\$ —	\$ 5.4	\$ 4.1
Unfunded liabilities — included in other noncurrent liabilities	(168.6)	(214.0)	(17.6)	(21.3)
Net amount recognized	\$ (168.6)	\$ (214.0)	\$ (12.2)	\$ (17.2)
<b>Amounts recorded in UGI Corporation stockholders' equity (pre-tax):</b>				
Prior service cost (credit)	\$ 0.7	\$ (0.6)	\$ (1.5)	\$ (1.5)
Net actuarial loss (gain)	21.3	31.4	(0.6)	3.8
Total	\$ 22.0	\$ 30.8	\$ (2.1)	\$ 2.3
<b>Amounts recorded in regulatory assets and liabilities (pre-tax):</b>				
Prior service cost (credit)	\$ 1.0	\$ 1.2	\$ (1.6)	\$ (2.2)
Net actuarial loss	139.5	181.0	1.2	2.4
Total	\$ 140.5	\$ 182.2	\$ (0.4)	\$ 0.2

In Fiscal 2018, we estimate that we will amortize approximately \$13.5 of net actuarial losses, primarily associated with the U.S. Pension Plan, and \$0.5 of net prior service credits from UGI stockholders' equity and regulatory assets into retiree benefit cost.

Actuarial assumptions for our U.S. plans are described below. Assumptions for the UGI International plans are based upon market conditions in France, Belgium and the Netherlands. The discount rate assumption was determined by selecting a hypothetical portfolio of high quality corporate bonds appropriate to provide for the projected benefit payments of the plans. The discount rate was then developed as the single rate that equates the market value of the bonds purchased to the discounted value of the plans' benefit payments. The expected rate of return on assets assumption is based on current and expected asset allocations as well as historical and expected returns on various categories of plan assets (as further described below).

	Pension Plan			Other Postretirement Benefits		
	2017	2016	2015	2017	2016	2015
<b>Weighted-average assumptions:</b>						
Discount rate – benefit obligations	4.00%	3.80%	4.60%	4.00%	3.80%	4.70%
Discount rate – benefit cost	3.80%	4.60%	4.60%	3.80%	4.70%	4.60%
Expected return on plan assets	7.50%	7.55%	7.75%	5.00%	5.00%	5.00%
Rate of increase in salary levels	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%

The ABOs for the U.S. Pension Plan were \$605.2 and \$601.3 as of September 30, 2017 and 2016, respectively.

Net periodic pension expense and other postretirement benefit cost include the following components:

	Pension Benefits			Other Postretirement Benefits		
	2017	2016	2015	2017	2016	2015
Service cost	\$ 11.9	\$ 10.1	\$ 10.0	\$ 1.0	\$ 0.7	\$ 0.7
Interest cost	25.0	26.8	25.5	0.8	0.9	0.8
Expected return on assets	(33.6)	(32.4)	(32.2)	(0.7)	(0.6)	(0.6)
Curtailment gain	(1.4)	(1.2)	(0.8)	—	—	—
<b>Amortization of:</b>						
Prior service cost (benefit)	0.3	0.3	0.3	(0.6)	(0.6)	(0.5)
Actuarial loss	16.7	10.9	10.0	0.3	—	0.1
Net benefit cost	18.9	14.5	12.8	0.8	0.4	0.5
Change in associated regulatory liabilities	—	—	—	(0.5)	1.0	3.7
Net benefit cost after change in regulatory liabilities	\$ 18.9	\$ 14.5	\$ 12.8	\$ 0.3	\$ 1.4	\$ 4.2

The U.S. Pension Plan’s assets are held in trust and consist principally of publicly traded, diversified equity and fixed income mutual funds and, to a much lesser extent, UGI Common Stock and smallcap common stocks (prior to their liquidation during Fiscal 2017). It is our general policy to fund amounts for U.S. Pension Plan benefits equal to at least the minimum required contribution set forth in applicable employee benefit laws. From time to time we may, at our discretion, contribute additional amounts. During Fiscal 2017, Fiscal 2016 and Fiscal 2015, we made cash contributions to the U.S. Pension Plan of \$11.4, \$9.9 and \$11.1 respectively. The minimum required contributions in Fiscal 2018 are not expected to be material.

UGI Utilities has established a Voluntary Employees’ Beneficiary Association (“VEBA”) trust to pay retiree health care and life insurance benefits by depositing into the VEBA the annual amount of postretirement benefits costs, if any, determined under GAAP. The difference between such amount and amounts included in UGI Gas’ and Electric Utility’s rates, if any, is deferred for future recovery from, or refund to, ratepayers. Any required contributions to the VEBA during Fiscal 2018 are not expected to be material.

Expected payments for pension and other postretirement welfare benefits are as follows:

	Pension Benefits	Other Postretirement Benefits
Fiscal 2018	\$ 29.5	\$ 1.1
Fiscal 2019	\$ 29.9	\$ 1.1
Fiscal 2020	\$ 31.5	\$ 1.1
Fiscal 2021	\$ 39.0	\$ 1.1
Fiscal 2022	\$ 39.6	\$ 1.0
Fiscal 2023 - 2027	\$ 196.2	\$ 4.9

The assumed domestic health care cost trend rates at September 30 are as follows:

	2017	2016
Health care cost trend rate assumed for next year	7.00%	7.25%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	5.0%	5.0%
Fiscal year that the rate reaches the ultimate trend rate	2026	2026

A one percentage point change in the assumed health care cost trend rate would not have a material impact on the Fiscal 2017 other postretirement benefit cost or September 30, 2017, other postretirement benefit ABO.

We also sponsor unfunded and non-qualified supplemental executive defined benefit retirement plans (“Supplemental Defined Benefit Plans”). At September 30, 2017 and 2016, the PBOs of these plans, including obligations for amounts held in grantor trusts, were \$50.7 and \$47.4, respectively. We recorded pre-tax costs for these plans of \$3.1 in Fiscal 2017, \$2.6 in Fiscal 2016 and \$2.3 in Fiscal 2015. These costs are not included in the tables above. Amounts recorded in UGI’s stockholders’ equity for these plans include pre-tax losses of \$11.3 and \$13.0 at September 30, 2017 and 2016, respectively, principally representing unrecognized actuarial losses. We expect to amortize approximately \$1.1 of such pre-tax actuarial losses into retiree benefit cost in Fiscal 2018. During Fiscal 2017 and 2016 the Company made payments with respect to the Supplemental Defined Benefit Plans totaling \$1.3 and \$0.4, respectively. There were no such payments made in Fiscal 2015. The total fair value of the grantor trust investment assets associated with the Supplemental Defined Benefit Plans, which are included in “Other assets” on the Consolidated Balance Sheets, totaled \$31.8 and \$28.4 at September 30, 2017 and 2016, respectively.

#### U.S. Pension Plan and VEBA Assets

The assets of the U.S. Pension Plan and the VEBA are held in trust. The investment policies and asset allocation strategies for the assets in these trusts are determined by an investment committee comprising officers of UGI and UGI Utilities. The overall investment objective of the U.S. Pension Plan and the VEBA is to achieve the best long-term rates of return within prudent and reasonable levels of risk. To achieve the stated objective, investments are made principally in publicly traded, diversified equity and fixed income mutual funds and, to a much lesser extent, smallcap common stocks (prior to their liquidation in Fiscal 2017) and UGI Common Stock. Assets associated with the UGI International plans are excluded from the disclosures in the tables below as such assets are not material.

The targets, target ranges and actual allocations for the U.S. Pension Plan and VEBA trust assets at September 30 are as follows:

***U.S. Pension Plan***

	Actual		Target Asset Allocation	Permitted Range
	2017	2016		
Equity investments:				
Domestic	55.2%	54.1%	52.5%	40.0% – 65.0%
International	12.4%	10.2%	12.5%	7.5% – 17.5%
Total	67.6%	64.3%	65.0%	60.0% – 70.0%
Fixed income funds & cash equivalents	32.4%	35.7%	35.0%	30.0% – 40.0%
Total	100.0%	100.0%	100.0%	

***VEBA***

	Actual		Target Asset Allocation	Permitted Range
	2017	2016		
Domestic equity investments	63.1%	69.9%	65.0%	60.0% – 70.0%
Fixed income funds & cash equivalents	36.9%	30.1%	35.0%	30.0% – 40.0%
Total	100.0%	100.0%	100.0%	

Domestic equity investments include investments in large-cap mutual funds indexed to the S&P 500, actively managed mid- and small-cap mutual funds, and a separately managed account comprising small-cap common stocks (prior to their liquidation in Fiscal 2017). Investments in international equity mutual funds seek to track performance of companies primarily in developed markets. The fixed income investments comprise investments designed to match the performance and duration of the Barclays U.S. Aggregate Index. According to statute, the aggregate holdings of all qualifying employer securities may not exceed 10% of the fair value of trust assets at the time of purchase. UGI Common Stock represented 7.7% and 8.0% of U.S. Pension Plan assets at September 30, 2017 and 2016, respectively.

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The fair values of U.S. Pension Plan and VEBA trust assets are derived from quoted market prices as substantially all of these instruments have active markets. Cash equivalents are valued at the fund's unit net asset value as reported by the trustee. The fair values of the U.S. Pension Plan and VEBA trust assets by asset class and level within the fair value hierarchy, as described in Note 2, as of September 30, 2017 and 2016 are as follows:

	U.S. Pension Plan				
	Level 1	Level 2	Level 3	Other <sup>(a)</sup>	Total
<b>September 30, 2017:</b>					
Domestic equity investments:					
S&P 500 Index equity mutual funds	\$ 171.6	\$ —	\$ —	\$ —	\$ 171.6
Small and midcap equity mutual funds	65.2	—	—	—	65.2
UGI Corporation Common Stock	38.1	—	—	—	38.1
Total domestic equity investments	274.9	—	—	—	274.9
International index equity mutual funds	61.6	—	—	—	61.6
Fixed income investments:					
Bond index mutual funds	156.2	—	—	—	156.2
Cash equivalents	—	—	—	5.3	5.3
Total fixed income investments	156.2	—	—	5.3	161.5
Total	\$ 492.7	\$ —	\$ —	\$ 5.3	\$ 498.0
<b>September 30, 2016:</b>					
Domestic equity investments:					
S&P 500 Index equity mutual funds	\$ 158.9	\$ —	\$ —	\$ —	\$ 158.9
Small and midcap equity mutual funds	43.2	—	—	—	43.2
Smallcap common stocks	11.4	—	—	—	11.4
UGI Corporation Common Stock	37.0	—	—	—	37.0
Total domestic equity investments	250.5	—	—	—	250.5
International index equity mutual funds	47.3	—	—	—	47.3
Fixed income investments:					
Bond index mutual funds	147.8	—	—	—	147.8
Cash equivalents	—	—	—	17.8	17.8
Total fixed income investments	147.8	—	—	17.8	165.6
Total	\$ 445.6	\$ —	\$ —	\$ 17.8	\$ 463.4

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	VEBA				
	Level 1	Level 2	Level 3	Other (a)	Total
<b>September 30, 2017:</b>					
S&P 500 Index equity mutual fund	\$ 9.3	\$ —	\$ —	\$ —	\$ 9.3
Bond index mutual fund	5.1	—	—	—	5.1
Cash equivalents	—	—	—	0.4	0.4
Total	\$ 14.4	\$ —	\$ —	\$ 0.4	\$ 14.8
<b>September 30, 2016:</b>					
S&P 500 Index equity mutual fund	\$ 9.6	\$ —	\$ —	\$ —	\$ 9.6
Bond index mutual fund	4.0	—	—	—	4.0
Cash equivalents	—	—	—	0.1	0.1
Total	\$ 13.6	\$ —	\$ —	\$ 0.1	\$ 13.7

(a) Assets measured at net asset value (“NAV”) and therefore excluded from the fair value hierarchy.

The expected long-term rates of return on U.S. Pension Plan and VEBA trust assets have been developed using a best estimate of expected returns, volatilities and correlations for each asset class. The estimates are based on historical capital market performance data and future expectations provided by independent consultants. Future expectations are determined by using simulations that provide a wide range of scenarios of future market performance. The market conditions in these simulations consider the long-term relationships between equities and fixed income as well as current market conditions at the start of the simulation. The expected rate begins with a risk-free rate of return with other factors being added such as inflation, duration, credit spreads and equity risk premiums. The rates of return derived from this process are applied to our target asset allocation to develop a reasonable return assumption.

**Defined Contribution Plans**

We sponsor 401(k) savings plans for eligible employees of UGI and certain of UGI’s domestic subsidiaries. Generally, participants in these plans may contribute a portion of their compensation on either a before-tax basis, or on both a before-tax and after-tax basis. These plans also provide for employer matching contributions at various rates. The cost of benefits under the savings plans totaled \$15.1 in Fiscal 2017, \$14.3 in Fiscal 2016 and \$15.2 in Fiscal 2015. The Company also sponsors certain nonqualified supplemental defined contribution executive retirement plans. These plans generally provide supplemental benefits to certain executives that would otherwise be provided under retirement plans but are prohibited due to limitations imposed by the Internal Revenue Code. The Company makes payments to self-directed grantor trusts with respect to these supplemental defined contribution plans. Such payments during Fiscal 2017, Fiscal 2016 and Fiscal 2015 were not material. At September 30, 2017 and 2016, the total fair values of these grantor trust investment assets, which amounts are included in “Other assets” on the Consolidated Balance Sheets, were \$3.6 and \$4.6, respectively.



**Note 8 — Utility Regulatory Assets and Liabilities and Regulatory Matters**

The following regulatory assets and liabilities associated with UGI Utilities are included in our Consolidated Balance Sheets at September 30:

	2017	2016
<b>Regulatory assets:</b>		
Income taxes recoverable	\$ 121.4	\$ 115.7
Underfunded pension and postretirement plans	141.3	183.1
Environmental costs	61.6	59.4
Deferred fuel and power costs	7.7	0.2
Removal costs, net	31.0	27.9
Other	5.9	8.8
Total regulatory assets	<u>\$ 368.9</u>	<u>\$ 395.1</u>
<b>Regulatory liabilities (a):</b>		
Postretirement benefit overcollections	\$ 17.5	\$ 17.5
Deferred fuel and power refunds	10.6	22.3
State income tax benefits — distribution system repairs	18.4	15.1
Other	2.7	0.7
Total regulatory liabilities	<u>\$ 49.2</u>	<u>\$ 55.6</u>

(a) Regulatory liabilities are recorded in “Other current liabilities” and “Other noncurrent liabilities” on the Consolidated Balance Sheets.

Other than removal costs, UGI Utilities currently does not recover a rate of return on the regulatory assets included in the table above.

**Income taxes recoverable.** This regulatory asset is the result of recording deferred tax liabilities pertaining to temporary tax differences principally as a result of the pass through to ratepayers of the tax benefit on accelerated tax depreciation for state income tax purposes, and the flow through of accelerated tax depreciation for federal income tax purposes for certain years prior to 1981. These deferred taxes have been reduced by deferred tax assets pertaining to utility deferred investment tax credits. UGI Utilities has recorded regulatory income tax assets related to these deferred tax liabilities representing future revenues recoverable through the ratemaking process over the average remaining depreciable lives of the associated property ranging from 1 to approximately 65 years.

**Underfunded pension and other postretirement plans.** This regulatory asset represents the portion of net actuarial losses and prior service costs (credits) associated with pension and other postretirement benefits which are probable of being recovered through future rates based upon established regulatory practices. These regulatory assets are adjusted annually or more frequently under certain circumstances when the funded status of the plans is recorded in accordance with GAAP. These costs are amortized over the average remaining future service lives of plan participants.

**Environmental costs.** Environmental costs principally represent estimated probable future environmental remediation and investigation costs that UGI Gas, CPG and PNG expect to incur, primarily at MGP sites in Pennsylvania, in conjunction with remediation consent orders and agreements with the Pennsylvania Department of Environmental Protection (“DEP”). Pursuant to base rate orders, UGI Gas, PNG and CPG receive ratemaking recognition of estimated environmental investigation and remediation costs associated with their environmental sites. This ratemaking recognition balances the accumulated difference between historical costs and rate recoveries with an estimate of future costs associated with the sites. At September 30, 2017, the period over which UGI Gas, PNG and CPG expect to recover these costs will depend upon future remediation activity. For additional information on environmental costs, see Note 15.

**Removal costs, net.** This regulatory asset represents costs incurred, net of salvage, associated with the retirement of depreciable utility plant. As required by PUC ratemaking, removal costs include actual costs incurred associated with asset retirement obligations. Consistent with prior ratemaking treatment, UGI Utilities expects to recover these costs over five years.

**Postretirement benefit overcollections.** This regulatory liability represents the difference between amounts recovered through rates by UGI Gas and Electric Utility and actual costs incurred in accordance with accounting for postretirement benefits. With respect to UGI Gas, postretirement benefit overcollections are generally being refunded to customers over a ten-year period beginning October 19, 2016, the date UGI Gas' Joint Petition pursuant to its January 19, 2016 base rate filing became effective (see "Base Rate Filings" below). With respect to Electric Utility, the excess of the amounts recovered through rates and the actual costs incurred in accordance with accounting for postretirement benefits is being deferred for future rate refund to customers.

**Deferred fuel and power refunds.** Gas Utility's and Electric Utility's tariffs contain clauses that permit recovery of all prudently incurred purchased gas and power costs through the application of purchased gas cost ("PGC") rates in the case of Gas Utility and default service ("DS") tariffs in the case of Electric Utility. The clauses provide for periodic adjustments to PGC and DS rates for differences between the total amount of purchased gas and electric generation supply costs collected from customers and recoverable costs incurred. Net undercollected costs are classified as a regulatory asset and net overcollections are classified as a regulatory liability.

Gas Utility uses derivative instruments to reduce volatility in the cost of gas it purchases for firm- residential, commercial and industrial ("retail core-market") customers. Realized and unrealized gains or losses on natural gas derivative instruments are included in deferred fuel costs or refunds. Net unrealized gains on such contracts at September 30, 2017 and 2016 were \$0.1 and \$4.3, respectively.

In order to reduce volatility associated with a substantial portion of its electric transmission congestion costs, Electric Utility obtains financial transmission rights ("FTRs"). FTRs are derivative instruments that entitle the holder to receive compensation for electricity transmission congestion charges when there is insufficient electricity transmission capacity on the electric transmission grid. Because Electric Utility is entitled to fully recover its DS costs, realized and unrealized gains or losses on FTRs are included in deferred fuel and power costs or deferred fuel and power refunds. Unrealized gains or losses on FTRs at September 30, 2017 and 2016, were not material.

**State income tax benefits — distribution system repairs.** This regulatory liability represents Pennsylvania state income tax benefits, net of federal benefit, resulting from the deduction for income tax purposes of repair and maintenance costs associated with Gas Utility or Electric Utility assets which are capitalized for regulatory and GAAP reporting. The tax benefits associated with these repair and maintenance deductions will be reflected as a reduction to income tax expense over the remaining tax lives of the related book assets.

**Other.** Other regulatory assets and liabilities comprise a number of deferred items including, among others, a portion of preliminary stage information technology costs, energy efficiency conservation costs and rate case expenses.

#### Other Regulatory Matters

**Base Rate Filings.** On January 19, 2017, PNG filed a rate request with the PUC to increase PNG's annual base operating revenues for residential, commercial and industrial customers by \$21.7 annually. The increased revenues would fund ongoing system improvements and operations necessary to maintain safe and reliable natural gas service. On June 30, 2017, all active parties supported the filing of a Joint Petition for Approval of Settlement of all issues with the PUC providing for an \$11.3 PNG annual base distribution rate increase. On August 31, 2017, the PUC approved the Joint Petition and the increase became effective October 20, 2017.

On January 19, 2016, UGI Utilities filed a rate request with the PUC to increase UGI Gas's annual base operating revenues for residential, commercial and industrial customers by \$58.6. The increased revenues would fund ongoing system improvements and operations necessary to maintain safe and reliable natural gas service. On June 30, 2016, a Joint Petition for Approval of Settlement of all issues providing for a \$27.0 UGI Gas annual base distribution rate increase, to be effective October 19, 2016, was filed with the PUC ("Joint Petition"). On October 14, 2016, the PUC approved the Joint Petition with a minor modification which had no effect on the \$27.0 base distribution rate increase. The increase became effective on October 19, 2016.

**Distribution System Improvement Charge.** On April 14, 2012, legislation became effective enabling gas and electric utilities in Pennsylvania, under certain circumstances, to recover the cost of eligible capital investment in distribution system infrastructure improvement projects between base rate cases. The charge enabled by the legislation is known as a distribution system improvement charge ("DSIC"). The primary benefit to a company from a DSIC charge is the elimination of regulatory lag, or delayed rate recognition, that occurs under traditional ratemaking relating to qualifying capital expenditures. To be eligible for a DSIC, a utility

must have filed a general rate filing within five years of its petition seeking permission to include a DSIC in its tariff, and not exceed certain earnings tests. Absent PUC permission, the DSIC is capped at 5% of distribution charges billed to customers.

PNG and CPG received PUC approval on a DSIC tariff, initially set at zero, in 2014. PNG and CPG began charging a DSIC at a rate other than zero beginning on April 1, 2015 and April 1, 2016, respectively. In March 2016, PNG and CPG filed petitions, seeking approval to increase the maximum allowable DSIC from 5% to 10% of billed distribution revenues. On May 10, 2017, the PUC issued a final Order to approve an increase of the maximum allowable DSIC to 7.5% of billed distribution revenues effective July 1, 2017, for PNG and CPG, pending reconsideration at each company's Long-term Infrastructure Improvement Plan filing in 2018.

On November 9, 2016, UGI Gas received PUC approval to establish a DSIC tariff mechanism, capped at 5% of distribution charges billed to customers, effective January 1, 2017. UGI Gas will be permitted to recover revenue under the mechanism for the amount of DSIC-eligible plant placed into service in excess of the threshold amount of DSIC-eligible plant agreed upon in the settlement of its recent base rate case.

**Preliminary Stage Information Technology Costs.** During Fiscal 2016, we determined that certain preliminary project stage costs associated with an ongoing information technology project at UGI Utilities were probable of future recovery in rates in accordance with GAAP related to regulated entities. As a result, during Fiscal 2016, we capitalized \$5.8 of such project costs (\$5.4 of which had been expensed prior to Fiscal 2016) and recorded associated increases to utility property, plant and equipment (\$2.7) and regulatory assets (\$3.1). Subsequent to this determination, we continue to capitalize such preliminary stage project costs in accordance with GAAP related to regulated entities.

## **Note 9 — Inventories**

Inventories comprise the following at September 30:

	2017	2016
Non-utility LPG and natural gas	\$ 188.4	\$ 129.8
Gas Utility natural gas	39.5	29.2
Materials, supplies and other	50.7	51.3
Total inventories	<u>\$ 278.6</u>	<u>\$ 210.3</u>

At September 30, 2017, UGI Utilities was a party to five principal storage contract administrative agreements ("SCAAs") having terms ranging from one to three years. Pursuant to SCAAs, UGI Utilities has, among other things, released certain storage and transportation contracts for the terms of the SCAAs. UGI Utilities also transferred certain associated storage inventories upon commencement of the SCAAs, will receive a transfer of storage inventories at the end of the SCAAs, and makes payments associated with refilling storage inventories during the terms of the SCAAs. The historical cost of natural gas storage inventories released under the SCAAs, which represents a portion of Gas Utility's total natural gas storage inventories, and any exchange receivable (representing amounts of natural gas inventories used by the other parties to the agreement but not yet replenished for which UGI Utilities has the rights), are included in the caption "Gas Utility natural gas" in the table above.

As of September 30, 2017, UGI Utilities had SCAAs with Energy Services, LLC, the effects of which are eliminated in consolidation, and with a non-affiliate. The carrying value of gas storage inventories released under the SCAAs with the non-affiliate at September 30, 2017 and 2016, comprising 2.3 billion cubic feet ("bcf") and 3.5 bcf of natural gas, was \$6.7 and \$7.6, respectively.

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**Note 10 — Property, Plant and Equipment**

Property, plant and equipment comprise the following at September 30:

	2017	2016
Utilities:		
Distribution	\$ 2,835.3	\$ 2,634.2
Transmission	96.4	93.5
Work in process	112.6	103.9
General and other	241.0	167.3
Total Utilities	3,285.3	2,998.9
Non-utility:		
Land	180.1	169.9
Buildings and improvements	351.2	382.2
Transportation equipment	289.3	301.7
Equipment, primarily cylinders and tanks	3,529.4	3,421.5
Electric generation	310.0	309.4
Pipeline and related assets	454.5	235.8
Work in process	95.3	201.6
Other	354.8	324.3
Total non-utility	5,564.6	5,346.4
Total property, plant and equipment	\$ 8,849.9	\$ 8,345.3

**Note 11 — Goodwill and Intangible Assets**

Changes in the carrying amount of goodwill by reportable segment are as follows:

	AmeriGas Propane	UGI International	Midstream & Marketing	UGI Utilities	Total
Balance September 30, 2015	\$ 1,956.0	\$ 803.7	\$ 11.6	\$ 182.1	\$ 2,953.4
Acquisitions	24.2	16.9	—	—	41.1
Dispositions	—	(1.6)	—	—	(1.6)
Purchase accounting adjustments	(1.9)	(2.6)	—	—	(4.5)
Foreign currency translation	—	0.6	—	—	0.6
Balance September 30, 2016	1,978.3	817.0	11.6	182.1	2,989.0
Acquisitions	23.0	55.5	—	—	78.5
Purchase accounting adjustments	—	(1.7)	—	—	(1.7)
Foreign currency translation	—	41.4	—	—	41.4
Balance September 30, 2017	\$ 2,001.3	\$ 912.2	\$ 11.6	\$ 182.1	\$ 3,107.2

Intangible assets comprise the following at September 30:

	2017	2016
Customer relationships, noncompete agreements and other	\$ 817.8	\$ 773.5
Trademarks and tradenames (not subject to amortization)	134.1	131.6
Gross carrying amount	951.9	905.1
Accumulated amortization	(340.2)	(324.8)
Intangible assets, net	\$ 611.7	\$ 580.3

**UGI Corporation and Subsidiaries**
**Notes to Consolidated Financial Statements**

(Currency in millions, except per share amounts and where indicated otherwise)

Amortization expense of intangible assets was \$50.8, \$54.3 and \$52.0 for Fiscal 2017, Fiscal 2016 and Fiscal 2015, respectively. Estimated amortization expense of intangible assets during the next five fiscal years is as follows: Fiscal 2018 — \$53.5; Fiscal 2019 — \$51.6; Fiscal 2020 — \$50.2; Fiscal 2021 — \$48.3; Fiscal 2022 — \$46.6.

**Note 12 — Series Preferred Stock**

UGI has 10,000,000 shares of UGI Series Preferred Stock authorized for issuance, including both series subject to and series not subject to mandatory redemption. We had no shares of UGI Series Preferred Stock outstanding at September 30, 2017 or 2016.

UGI Utilities has 2,000,000 shares of UGI Utilities Series Preferred Stock authorized for issuance, including both series subject to and series not subject to mandatory redemption. At September 30, 2017 and 2016, there were no shares of UGI Utilities Series Preferred Stock outstanding.

**Note 13 — Common Stock and Equity-Based Compensation**
**Common Stock**

On January 30, 2014, the Company's Board of Directors authorized the repurchase of up to 15,000,000 shares of UGI Corporation Common Stock over a four-year period. Pursuant to such authorization, during Fiscal 2017, Fiscal 2016 and Fiscal 2015, the Company purchased and placed in treasury stock 900,000, 1,250,000 and 1,000,000 shares at a total cost of \$43.3, \$47.6 and \$34.1, respectively.

UGI Common Stock share activity for Fiscal 2015, Fiscal 2016 and Fiscal 2017 follows:

	Issued	Treasury	Outstanding
Balance, September 30, 2014	173,770,641	(1,496,860)	172,273,781
Issued:			
Employee and director plans	36,350	1,155,376	1,191,726
Repurchases of common stock	—	(1,000,000)	(1,000,000)
Reacquired common stock – employee and director plans	—	(77,004)	(77,004)
Balance, September 30, 2015	173,806,991	(1,418,488)	172,388,503
Issued:			
Employee and director plans	87,150	2,355,202	2,442,352
Repurchases of common stock	—	(1,250,000)	(1,250,000)
Reacquired common stock – employee and director plans	—	(620,406)	(620,406)
Balance, September 30, 2016	173,894,141	(933,692)	172,960,449
Issued:			
Employee and director plans	93,550	1,051,704	1,145,254
Sale of reacquired common stock	—	50,000	50,000
Repurchases of common stock	—	(900,000)	(900,000)
Reacquired common stock – employee and director plans	—	(111,966)	(111,966)
Balance, September 30, 2017	173,987,691	(843,954)	173,143,737

**Equity-Based Compensation**

The Company grants equity-based awards to employees and non-employee directors comprising UGI stock options, UGI Common Stock-based equity instruments and AmeriGas Partners Common Unit-based equity instruments as further described below. We recognized total pre-tax equity-based compensation expense of \$19.3 (\$11.8 after-tax), \$23.8 (\$15.4 after-tax) and \$29.2 (\$18.9 after-tax) in Fiscal 2017, Fiscal 2016 and Fiscal 2015, respectively.

**UGI Equity-Based Compensation Plans and Awards.** On January 24, 2013, the Company's shareholders approved the UGI Corporation 2013 Omnibus Incentive Compensation Plan (the "2013 OICP"). The 2013 OICP succeeds the UGI Corporation 2004 Omnibus Equity Compensation Plan Amended and Restated as of December 5, 2006 (the "2004 OECP") for awards granted on

or after January 24, 2013. The 2004 OECF will continue in effect but all future grants issued pursuant to it will be solely in the form of options to acquire UGI Common Stock. Under the 2013 OICP, we may grant options to acquire shares of UGI Common Stock, stock appreciation rights (“SARs”), UGI Units (comprising “Stock Units” and “UGI Performance Units”), other equity-based awards and cash to employees and non-employee directors. The exercise price for options may not be less than the fair market value on the grant date. Awards granted under the 2013 OICP may vest immediately or ratably over a period of years, and stock options can be exercised no later than ten years from the grant date. In addition, the 2013 OICP provides that awards of UGI Units may also provide for the crediting of dividend equivalents to participants’ accounts. Except in the event of retirement, death or disability, each grant, unless paid, will terminate when the participant ceases to be employed. There are certain change of control and retirement eligibility conditions that, if met, generally result in accelerated vesting or elimination of further service requirements.

Under the 2004 OECF, we could grant options to acquire shares of UGI Common Stock, UGI Units and other equity-based awards to employees and non-employee directors through January 23, 2013 (except with respect to the granting of stock option awards as previously mentioned). Under the 2004 OECF, the exercise price for stock options could not be less than the fair market value on the grant date. Awards granted under the 2004 OECF could vest immediately or ratably over a period of years, and stock options could be exercised no later than ten years from the date of grant. In addition, the 2004 OECF provided that the awards of UGI Units could include the crediting of dividend equivalents to participants’ accounts.

Under the 2013 OICP, awards representing up to 21,750,000 shares of UGI Common Stock may be granted. Dividend equivalents on UGI Unit awards to employees will be paid in cash. Dividend equivalents on non-employee director awards are accumulated in additional Stock Units. UGI Unit awards granted to employees and non-employee directors are settled in shares of UGI Common Stock and cash. Substantially all UGI Unit awards granted to France SAS employees are settled in shares of UGI Common Stock and do not accrue dividend equivalents. With respect to UGI Performance Unit awards, the actual number of shares (or their cash equivalent) ultimately issued, and the actual amount of dividend equivalents paid, is generally dependent upon the achievement of market performance goals and service conditions. It is currently our practice to issue treasury shares to satisfy substantially all option exercises and UGI Unit awards. Stock options may be net exercised whereby shares equal to the option price and the grantee’s minimum applicable payroll tax withholding are withheld from the number of shares payable (“net exercise”). We record shares withheld pursuant to a net exercise as shares reacquired.

**UGI Stock Option Awards.** Stock option transactions under equity-based compensation plans during Fiscal 2015, Fiscal 2016 and Fiscal 2017 follow:

	Shares	Weighted Average Option Price	Total Intrinsic Value	Weighted Average Contract Term (Years)
Shares under option — September 30, 2014	8,957,290	\$ 21.44	\$ 113.3	7.0
Granted	1,336,985	\$ 37.70		
Canceled	(85,365)	\$ 30.45		
Exercised	(953,533)	\$ 19.10	\$ 15.4	
Shares under option — September 30, 2015	9,255,377	\$ 23.97	\$ 104.5	6.6
Granted	1,510,625	\$ 34.67		
Canceled	(84,213)	\$ 34.13		
Exercised	(2,193,338)	\$ 20.38	\$ 40.1	
Shares under option — September 30, 2016	8,488,451	\$ 26.68	\$ 157.6	6.6
Granted	1,343,800	\$ 46.51		
Canceled	(60,236)	\$ 41.86		
Exercised	(990,267)	\$ 21.40	\$ 26.7	
Shares under option — September 30, 2017	8,781,748	\$ 30.20	\$ 146.7	6.3
Options exercisable — September 30, 2015	6,050,946	\$ 20.74		
Options exercisable — September 30, 2016	5,522,370	\$ 22.94		
Options exercisable — September 30, 2017	5,973,668	\$ 25.53	\$ 127.4	5.3
Options not exercisable — September 30, 2017	2,808,080	\$ 40.13	\$ 19.3	7.8

Cash received from stock option exercises and associated tax benefits were \$17.7 and \$9.6, \$27.3 and \$14.9, and \$16.2 and \$5.8 in Fiscal 2017, Fiscal 2016 and Fiscal 2015, respectively. As of September 30, 2017, there was \$7.0 of unrecognized compensation cost associated with unvested stock options that is expected to be recognized over a weighted-average period of 1.9 years.

The following table presents additional information relating to stock options outstanding and exercisable at September 30, 2017:

	Range of exercise prices				
	Under \$20.00	\$20.00 – \$25.00	\$25.01 – \$30.00	\$30.01 – \$35.00	Over \$35.00
Options outstanding at September 30, 2017:					
Number of options	1,351,925	1,947,779	1,462,977	1,402,988	2,616,079
Weighted average remaining contractual life (in years)	3.3	4.6	6.1	8.1	8.3
Weighted average exercise price	\$ 18.26	\$ 21.57	\$ 27.43	\$ 33.66	\$ 42.93
Options exercisable at September 30, 2017:					
Number of options	1,351,925	1,947,779	1,342,377	499,351	832,236
Weighted average exercise price	\$ 18.26	\$ 21.57	\$ 27.42	\$ 33.52	\$ 38.81

**UGI Stock Option Fair Value Information.** The per share weighted-average fair value of stock options granted under our option plans was \$7.62 in Fiscal 2017, \$4.87 in Fiscal 2016 and \$5.47 in Fiscal 2015. These amounts were determined using a Black-Scholes option pricing model which values options based on the stock price at the grant date, the expected life of the option, the estimated volatility of the stock, expected dividend payments and the risk-free interest rate over the expected life of the option. The expected life of option awards represents the period of time during which option grants are expected to be outstanding and is derived from historical exercise patterns. Expected volatility is based on historical volatility of the price of UGI's Common Stock. Expected dividend yield is based on historical UGI dividend rates. The risk free interest rate is based on U.S. Treasury bonds with terms comparable to the options in effect on the date of grant.

The assumptions we used for valuing option grants during Fiscal 2017, Fiscal 2016 and Fiscal 2015 are as follows:

	2017	2016	2015
Expected life of option	5.75 years	5.75 years	5.75 years
Weighted average volatility	19.8%	19.5%	19.5%
Weighted average dividend yield	2.1%	2.6%	2.5%
Expected volatility	19.8%	19.3%	19.1% -19.5%
Expected dividend yield	2.1%	2.6%	2.5%
Risk free rate	1.8% - 2.1%	1.2% - 1.9%	1.5% - 1.8%

**UGI Unit Awards.** UGI Stock Unit and UGI Performance Unit awards entitle the grantee to shares of UGI Common Stock or cash once the service condition is met and, with respect to UGI Performance Unit awards, subject to market performance conditions. UGI Performance Unit grant recipients are awarded a target number of Performance Units. The number of UGI Performance Units ultimately paid at the end of the performance period (generally three years) may be higher or lower than the target amount, or even zero, based on UGI's Total Shareholder Return ("TSR") percentile rank relative to the Russell Midcap Utility Index, excluding telecommunication companies ("UGI comparator group"). For grants issued on or after January 1, 2013, grantees may receive 0% to 200% of the target award granted. For such grants, if UGI's TSR ranks below the 25th percentile compared to the UGI comparator group, the employee will not be paid. At the 25th percentile, the employee will be paid an award equal to 25% of the target award; at the 40th percentile, 70%; at the 50th percentile, 100%; and at the 90th percentile and above, 200%. For grants issued prior to January 1, 2013, grantees may receive 0% to 200% of the target award granted. For such grants, if UGI's TSR ranks below the 40th percentile compared to the UGI comparator group, the employee will not be paid. At the 40th percentile, the employee will be paid an award equal to 50% of the target award; at the 50th percentile, 100%; and at the 100th percentile, 200%. The actual amount of the award is interpolated between these percentile rankings. Dividend equivalents are paid in cash only on UGI Performance Units that eventually vest.

The fair value of UGI Stock Units on the grant date is equal to the market price of UGI Stock on the grant date plus the fair value of dividend equivalents if applicable. Under GAAP, UGI Performance Units are equity awards with a market-based condition

which, if settled in shares, results in the recognition of compensation cost over the requisite employee service period regardless of whether the market-based condition is satisfied. The fair values of UGI Performance Units are estimated using a Monte Carlo valuation model. The fair value associated with the target award is accounted for as equity and the fair value of the award over the target, as well as all dividend equivalents, is accounted for as a liability. The expected term of the UGI Performance Unit awards is three years based on the performance period. Expected volatility is based on the historical volatility of UGI Common Stock over a three-year period. The risk-free interest rate is based on the yields on U.S. Treasury bonds at the time of grant. Volatility for all companies in the UGI comparator groups is based on historical volatility.

The following table summarizes the weighted average assumptions used to determine the fair value of UGI Performance Unit awards and related compensation costs:

	Grants Awarded in Fiscal Year		
	2017	2016	2015
Risk free rate	1.5%	1.3%	1.1%
Expected life	3 years	3 years	3 years
Expected volatility	18.9%	17.5%	15.9%
Dividend yield	2.1%	2.7%	2.3%

The weighted-average grant date fair value of UGI Performance Unit awards was estimated to be \$50.91 for Units granted in Fiscal 2017, \$32.64 for Units granted in Fiscal 2016 and \$38.43 for Units granted in Fiscal 2015.

The following table summarizes UGI Unit award activity for Fiscal 2017:

	Total		Vested		Non-Vested	
	Number of UGI Units	Weighted Average Grant Date Fair Value (per Unit)	Number of UGI Units	Weighted Average Grant Date Fair Value (per Unit)	Number of UGI Units	Weighted Average Grant Date Fair Value (per Unit)
September 30, 2016	999,083	\$ 25.44	672,075	\$ 21.17	327,008	\$ 34.21
UGI Performance Units:						
Granted	143,300	\$ 50.91	20,283	\$ 50.94	123,017	\$ 50.90
Forfeited	(7,768)	\$ 41.33	—	\$ —	(7,768)	\$ 41.33
Vested	—	\$ —	131,409	\$ 33.67	(131,409)	\$ 33.67
Unit awards paid	(178,450)	\$ 32.47	(178,450)	\$ 32.47	—	\$ —
UGI Stock Units:						
Granted (a)	42,079	\$ 47.25	34,979	\$ 46.44	7,100	\$ 51.23
Unit awards paid	(19,410)	\$ 18.69	(19,410)	\$ 18.69	—	\$ —
September 30, 2017	978,834	\$ 28.83	660,886	\$ 23.93	317,948	\$ 41.10

(a) Generally, shares granted under UGI Stock Unit awards are paid approximately 70% in shares. UGI Stock Unit awards granted in Fiscal 2016 and Fiscal 2015 were 52,493 and 39,801, respectively.



During Fiscal 2017, Fiscal 2016 and Fiscal 2015, the Company paid UGI Performance Unit and UGI Stock Unit awards in shares and cash as follows:

	2017	2016	2015
<b>UGI Performance Unit awards:</b>			
Number of original awards granted	178,450	308,362	294,300
Fiscal year granted	2014	2013	2012
Payment of awards:			
Shares of UGI Common Stock issued, net of shares withheld for taxes	138,985	209,592	188,418
Cash paid	\$ 10.9	\$ 13.9	\$ 13.3
<b>UGI Stock Unit awards:</b>			
Number of original awards granted	43,699	51,037	67,419
Payment of awards:			
Shares of UGI Common Stock issued, net of shares withheld for taxes	15,990	39,422	44,034
Cash paid	\$ 0.3	\$ 0.7	\$ 0.8

During Fiscal 2017, Fiscal 2016 and Fiscal 2015, we granted UGI Unit awards representing 185,379, 230,653 and 180,724 shares, respectively, having weighted-average grant date fair values per Unit of \$50.08, \$33.04 and \$38.20, respectively.

As of September 30, 2017, there was a total of approximately \$8.4 of unrecognized compensation cost associated with 978,834 UGI Unit awards outstanding that is expected to be recognized over a weighted-average period of 1.9 years. The total fair values of UGI Units that vested during Fiscal 2017, Fiscal 2016 and Fiscal 2015 were \$7.1, \$9.7 and \$15.3, respectively. As of September 30, 2017 and 2016, total liabilities of \$13.1 and \$18.5, respectively, associated with UGI Unit awards are reflected in “Employee compensation and benefits accrued” and “Other noncurrent liabilities” in the Consolidated Balance Sheets.

At September 30, 2017, 10,851,819 shares of Common Stock were available for future grants under the 2013 OICP, and up to 4,116 shares of Common Stock were available for future grants of stock options under the 2004 OECF.

**AmeriGas Partners Equity-Based Compensation Plans and Awards.** Under the AmeriGas Propane, Inc. 2010 Long-Term Incentive Plan on Behalf of AmeriGas Partners, L.P. (“2010 Propane Plan”), the General Partner may award to employees and non-employee directors grants of AmeriGas Partners Units (comprising “AmeriGas Stock Units” and “AmeriGas Performance Units”), options, phantom units, unit appreciation rights and other Common Unit-based awards. The total aggregate number of Common Units that may be issued under the 2010 Propane Plan is 2,800,000. The exercise price for options may not be less than the fair market value on the date of grant. Awards granted under the 2010 Propane Plan may vest immediately or ratably over a period of years, and options can be exercised no later than ten years from the grant date. In addition, the 2010 Propane Plan provides that Common Unit-based awards may also provide for the crediting of Common Unit distribution equivalents to participants’ accounts.

AmeriGas Stock Unit and AmeriGas Performance Unit awards entitle the grantee to AmeriGas Partners Common Units or cash once the service condition is met and, with respect to AmeriGas Performance Units, subject to market performance conditions, and for certain awards granted on or after January 1, 2015, actual net customer acquisition and retention performance. Recipients of AmeriGas Performance Unit awards are awarded a target number of AmeriGas Performance Units. The number of AmeriGas Performance Units ultimately paid at the end of the performance period (generally three years) may be higher or lower than the target number, or it may be zero. For that portion of Performance Unit awards whose ultimate payout is based upon market-based conditions (as further described below), the number of awards ultimately paid is based upon AmeriGas Partners’ Total Unitholder Return (“TUR”) percentile rank relative to entities in a master limited partnership peer group (“Alerian MLP Group”) and, for certain AmeriGas Performance Unit awards granted in January 2014, based upon AmeriGas Partners’ TUR relative to the two other publicly traded propane master limited partnerships in the Alerian MLP Group (“Propane MLP Group”). For Performance Unit awards granted on or after January 1, 2015, the number of AmeriGas Performance Units ultimately paid is based upon AmeriGas Partner’s TUR percentile rank relative to entities in the Alerian MLP Group as modified by AmeriGas Partners’ performance relative to the Propane MLP Group.

With respect to AmeriGas Performance Unit awards subject to measurement compared with the Alerian MLP Group, grantees may receive from 0% to 200% of the target award granted. For such grants issued on or after January 1, 2013, if AmeriGas

Partners' TUR is below the 25th percentile compared to the peer group, the grantee will not be paid. At the 25th percentile, the employee will be paid an award equal to 25% of the target award; at the 40th percentile, 70%; at the 50th percentile, 100%; at the 60th percentile, 125%; at the 75th percentile, 162.5%; and at the 90th percentile or above, 200%. The actual amount of the award is interpolated between these percentile rankings. For such grants issued on or after January 1, 2015, the amount ultimately paid shall be modified based upon AmeriGas Partners' TUR ranking relative to the Propane MLP Group over the performance period ("MLP Modifier"). Such modification ranges from 70% to 130%, but in no event shall the amount ultimately paid, after such modification, exceed 200% of the target award grant.

With respect to AmeriGas Performance Unit awards granted in January 2014 subject to measurement compared with the Propane MLP Group, grantees were eligible to receive 150% of the target award if AmeriGas Partners' TUR exceeded the TUR of all the other members in the Propane MLP Group. Otherwise there would be no payout of such AmeriGas Performance Units. If one of the other two members of the Propane MLP Group ceased to exist as a publicly traded company or declares bankruptcy ("MLP Event") and depending upon the timing of such MLP Event, the ultimate amount of such AmeriGas Performance Unit awards to be issued pursuant to the January 2014 grant, and the amount of distribution equivalents to be paid, would depend upon AmeriGas Partners' TUR rank relative to (1) the Alerian MLP Group for the entire performance period; (2) the Alerian MLP Group for the entire performance period and the Propane MLP Group (through the date of the MLP Event); or (3) the Propane MLP Group through the date of the MLP Event. For those performance awards granted on or after January 1, 2015, that are subject to the MLP Modifier, if an MLP Event were to occur during the performance period such MLP Modifier would be based upon AmeriGas Partners' TUR rank as determined in (1),(2) or (3) above, as appropriate.

With respect to AmeriGas Performance Unit awards granted in January 2015 whose payout is based upon net customer gain and retention performance, grantees may ultimately receive between 0% and 200% of the target award based upon the annual actual net customer gain and retention performance as adjusted for the net customer gain and retention performance over the three-year performance period. With respect to AmeriGas Performance Unit awards granted in January 2016 and 2017 whose payout is based upon net customer gain and retention performance, grantees may ultimately receive between 0% and 200% of the target award based upon the actual net customer gain and retention performance over the entire three-year performance period.

Common Unit distribution equivalents are paid in cash only on AmeriGas Performance Units that eventually vest. Generally, except in the event of retirement, death or disability, each grant, unless paid, will terminate when the participant ceases to be employed. There are certain change of control and retirement eligibility conditions that, if met, generally result in accelerated vesting or elimination of further service requirements.

Under GAAP, AmeriGas Performance Units awards that are subject to market-based conditions are equity awards that, if settled in Common Units, result in the recognition of compensation cost over the requisite employee service period regardless of whether the market-based condition is satisfied. The fair values of AmeriGas Performance Units subject to market-based conditions are estimated using a Monte Carlo valuation model. The fair value associated with the target award, which will be paid in Common Units, is accounted for as equity and the fair value of the award over the target, as well as all Common Unit distribution equivalents, which will be paid in cash, is accounted for as a liability. For purposes of valuing AmeriGas Performance Unit awards that are subject to market-based conditions, expected volatility is based on the historical volatility of Common Units over a three-year period. The risk-free interest rate is based on the rates on U.S. Treasury bonds at the time of grant. Volatility for all entities in the peer group is based on historical volatility. The expected term of the AmeriGas Performance Unit awards is three years based on the performance period. AmeriGas Performance Unit awards whose ultimate payout is based upon net customer acquisition and retention performance measures are recorded as expense when it is probable all or a portion of the award will be paid. The fair value associated with the target award is the market price of the Common Units on the date of grant. The fair value of the award over the target, as well as all Common Unit distribution equivalents, which will be paid in cash, is accounted for as a liability.

The following table summarizes the weighted-average assumptions used to determine the fair value of AmeriGas Performance Unit awards subject to market-based conditions and related compensation costs:

	Grants Awarded in Fiscal Year		
	2017	2016	2015
Risk-free rate	1.5%	1.3%	0.9%
Expected life	3 years	3 years	3 years
Expected volatility	21.7%	20.6%	19.2%
Dividend yield	7.8%	10.7%	6.8%

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(Currency in millions, except per share amounts and where indicated otherwise)

The General Partner granted awards under the 2010 Propane Plan representing 67,563, 73,080 and 80,336 Common Units in Fiscal 2017, Fiscal 2016 and Fiscal 2015, respectively, having weighted-average grant date fair values per Common Unit subject to award of \$52.37, \$37.93 and \$61.00, respectively. At September 30, 2017, 2,287,879 Common Units were available for future award grants under the 2010 Propane Plan.

The following table summarizes AmeriGas Common Unit-based award activity for Fiscal 2017:

	Total		Vested		Non-Vested	
	Number of AmeriGas Partners Common Units Subject to Award	Weighted Average Grant Date Fair Value (per Unit)	Number of AmeriGas Partners Common Units Subject to Award	Weighted Average Grant Date Fair Value (per Unit)	Number of AmeriGas Partners Common Units Subject to Award	Weighted Average Grant Date Fair Value (per Unit)
September 30, 2016	210,549	\$ 47.24	55,622	\$ 45.67	154,927	\$ 47.80
AmeriGas Performance Units:						
Granted	49,225	\$ 54.24	633	\$ 54.45	48,592	\$ 54.24
Forfeited	(9,151)	\$ 48.76	—	\$ —	(9,151)	\$ 48.76
Vested	—	\$ —	40,933	\$ 42.55	(40,933)	\$ 42.55
Awards paid	(44,732)	\$ 41.53	(44,732)	\$ 41.53	—	\$ —
AmeriGas Stock Units:						
Granted	18,338	\$ 47.33	12,738	\$ 48.06	5,600	\$ 45.66
Vested	—	\$ —	6,800	\$ 46.13	(6,800)	\$ 46.13
Awards paid	(6,005)	\$ 43.64	(6,005)	\$ 43.64	—	\$ —
September 30, 2017	218,224	\$ 50.03	65,989	\$ 47.31	152,235	\$ 51.21

During Fiscal 2017, Fiscal 2016 and Fiscal 2015, the Partnership paid AmeriGas Performance Unit and AmeriGas Stock Unit awards in Common Units and cash as follows:

	2017	2016	2015
<b>AmeriGas Performance Unit awards:</b>			
Number of Common Units subject to original awards granted	53,800	44,800	55,750
Fiscal year granted	2014	2013	2012
Payment of awards:			
AmeriGas Partners Common Units issued, net of units withheld for taxes	29,489	23,017	—
Cash paid	\$ 2.9	\$ 1.7	\$ —
<b>AmeriGas Stock Unit awards:</b>			
Number of Common Units subject to original awards granted	32,658	20,336	42,532
Payment of awards:			
AmeriGas Partners Common Units issued, net of units withheld for taxes	3,932	9,272	21,509
Cash paid	\$ 0.1	\$ 0.4	\$ 0.8

As of September 30, 2017, there was a total of approximately \$1.7 of unrecognized compensation cost associated with 218,224 Common Units subject to award that is expected to be recognized over a weighted-average period of 1.7 years. The total fair values of Common Unit-based awards that vested during Fiscal 2017, Fiscal 2016 and Fiscal 2015 were \$2.1, \$2.0 and \$2.6, respectively. As of September 30, 2017 and 2016, total liabilities of \$2.5 and \$3.5 associated with Common Unit-based awards are reflected in “Employee compensation and benefits accrued” and “Other noncurrent liabilities” in the Consolidated Balance Sheets. It is the Partnership’s practice to issue new AmeriGas Partners Common Units for the portion of any Common Unit-based awards paid in AmeriGas Partners Common Units.

**Note 14 — Partnership Distributions**

The Partnership makes distributions to its partners approximately 45 days after the end of each fiscal quarter in a total amount equal to its Available Cash (as defined in the Partnership Agreement) for such quarter. Available Cash generally means:

1. all cash on hand at the end of such quarter, plus
2. all additional cash on hand as of the date of determination resulting from borrowings after the end of such quarter, less
3. the amount of cash reserves established by the General Partner in its reasonable discretion.

The General Partner may establish reserves for the proper conduct of the Partnership’s business and for distributions during the next four quarters.

Distributions of Available Cash are made 98% to limited partners and 2% to the General Partner (representing a 1% General Partner interest in AmeriGas Partners and 1.01% interest in AmeriGas OLP) until Available Cash exceeds the Minimum Quarterly Distribution of \$0.55 and the First Target Distribution of \$0.055 per Common Unit (or a total of \$0.605 per Common Unit). When Available Cash exceeds \$0.605 per Common Unit in any quarter, the General Partner will receive a greater percentage of the total Partnership distribution (the “incentive distribution”) but only with respect to the amount by which the distribution per Common Unit to limited partners exceeds \$0.605.

During Fiscal 2017, Fiscal 2016 and Fiscal 2015, the Partnership made quarterly distributions to Common Unitholders in excess of \$0.605 per limited partner unit. As a result, the General Partner has received a greater percentage of the total Partnership distribution than its aggregate 2% general partner interest in AmeriGas OLP and AmeriGas Partners. During Fiscal 2017, Fiscal 2016 and Fiscal 2015, the total amount of distributions received by the General Partner with respect to its aggregate 2% general partner ownership interests totaled \$52.7, \$47.4 and \$39.3, respectively. Included in these amounts are incentive distributions received by the General Partner during Fiscal 2017, Fiscal 2016 and Fiscal 2015 of \$43.5, \$38.2 and \$30.4, respectively.

**Note 15 — Commitments and Contingencies****Commitments****Leases**

We lease various buildings and other facilities and vehicles, computer and office equipment under operating leases. Certain of our leases contain renewal and purchase options and also contain step-rent provisions. Our aggregate rental expense for such leases was \$99.5 in Fiscal 2017, \$102.0 in Fiscal 2016 and \$86.1 in Fiscal 2015.

Minimum future payments under operating leases that have initial or remaining noncancelable terms in excess of one year are as follows:

	2018	2019	2020	2021	2022	After 2022
AmeriGas Propane	\$ 70.0	\$ 61.7	\$ 56.5	\$ 48.9	\$ 40.7	\$ 110.3
UGI Utilities	7.5	6.0	4.4	2.7	0.8	0.2
UGI International	11.2	8.1	6.6	4.7	3.2	3.2
Other	2.3	2.0	1.9	0.9	0.5	0.6
Total	\$ 91.0	\$ 77.8	\$ 69.4	\$ 57.2	\$ 45.2	\$ 114.3

**UGI Standby Commitment to Purchase AmeriGas Partners Class B Common Units**

On November 7, 2017, UGI entered into a Standby Equity Commitment Agreement (the “Commitment Agreement”) with AmeriGas Partners and AmeriGas Propane, Inc. Under the terms of the Commitment Agreement, UGI has committed to make up to \$225 of capital contributions to the Partnership through July 1, 2019 (the “Commitment Period”). UGI’s capital contributions may be made from time to time during the Commitment Period upon request of the Partnership.

In consideration for any capital contributions made pursuant to the Commitment Agreement, the Partnership will issue to UGI or a wholly owned subsidiary new Class B Common Units representing limited partner interests in the Partnership (“Class B Units”). The Class B Units will be issued at a price per unit equal to the 20-day volume-weighted average price of the Partnership’s common units (“Common Units”) prior to the date of the Partnership’s related capital call. The Class B Units will be entitled to

cumulative quarterly distributions at a rate equal to the annualized Common Unit yield at the time of the applicable capital call, plus 130 basis points. The Partnership may choose to make the distributions in cash or in the form of additional Class B Units. While outstanding, the Class B Units will not be subject to any incentive distributions from the Partnership.

At any time after five years from the initial issuance of the Class B Units, holders may elect to convert all or any portion of the Class B Units they own into Common Units on a one-for-one basis, and at any time after six years from the initial issuance of the Class B Units, the Partnership may elect to convert all or any portion of the Class B Units into Common Units if (i) the closing trading price of the Common Units is greater than 110% of the applicable purchase price for the Class B Units and (ii) the Common Units are listed or admitted for trading on a National Securities Exchange. Upon certain events involving a change of control and immediately prior to a liquidation or winding up of the Partnership, the Class B Units will automatically convert into Common Units on a one-for-one basis.

## **Contingencies**

### ***Environmental Matters***

#### **UGI Utilities**

From the late 1800s through the mid-1900s, UGI Utilities and its current and former subsidiaries owned and operated a number of MGPs prior to the general availability of natural gas. Some constituents of coal tars and other residues of the manufactured gas process are today considered hazardous substances under the Superfund Law and may be present on the sites of former MGPs. Between 1882 and 1953, UGI Utilities owned the stock of subsidiary gas companies in Pennsylvania and elsewhere and also operated the businesses of some gas companies under agreement. By the early 1950s, UGI Utilities divested all of its utility operations other than certain Pennsylvania operations, including those which now constitute UGI Gas and Electric Utility. UGI Utilities also has two acquired subsidiaries (CPG and PNG) with similar histories of owning, and in some cases operating, MGPs in Pennsylvania.

Each of UGI Utilities and its subsidiaries, CPG and PNG, has entered a consent order and agreement (“COA”) with the DEP to address the remediation of former MGPs in Pennsylvania. In accordance with the COAs, UGI Utilities, CPG, and PNG are each required to either obtain a certain number of points per calendar year based on defined eligible environmental investigatory and/or remedial activities at the MGPs or make expenditures for such activities in an amount equal to an annual environmental cost cap. The CPG COA includes an obligation to plug specified natural gas wells. The COA environmental costs caps are \$2.5, \$1.8 and \$1.1, for UGI Utilities, CPG and PNG, respectively. The COAs for UGI Utilities, CPG and PNG are scheduled to terminate at the end of 2031, 2018 and 2019, respectively. At September 30, 2017 and 2016, our estimated accrued liabilities for environmental investigation and remediation costs related to the COAs for UGI Utilities, CPG and PNG totaled \$54.3 and \$55.1, respectively. UGI Utilities, CPG and PNG have recorded associated regulatory assets for these costs because recovery of these costs from customers is probable (see Note 8).

We do not expect the costs for investigation and remediation of hazardous substances at Pennsylvania MGP sites to be material to UGI Utilities’ results of operations because UGI Utilities, CPG and PNG receive ratemaking recovery of actual environmental investigation and remediation costs associated with the sites covered by the COAs. This ratemaking recognition reconciles the accumulated difference between historical costs and rate recoveries with an estimate of future costs associated with the sites.

From time to time, UGI Utilities is notified of sites outside Pennsylvania on which private parties allege MGPs were formerly owned or operated by UGI Utilities or owned or operated by a former subsidiary. Such parties generally investigate the extent of environmental contamination or perform environmental remediation. Management believes that under applicable law UGI Utilities should not be liable in those instances in which a former subsidiary owned or operated an MGP. There could be, however, significant future costs of an uncertain amount associated with environmental damage caused by MGPs outside Pennsylvania that UGI Utilities directly operated, or that were owned or operated by a former subsidiary of UGI Utilities if a court were to conclude that (1) the subsidiary’s separate corporate form should be disregarded, or (2) UGI Utilities should be considered to have been an operator because of its conduct with respect to its subsidiary’s MGP. At September 30, 2017 and 2016, neither the undiscounted nor the accrued liability for environmental investigation and cleanup costs for UGI Utilities’ MGP sites outside of Pennsylvania was material.

AmeriGas Propane

**AmeriGas OLP Saranac Lake.** By letter dated March 6, 2008, the New York State Department of Environmental Conservation (“DEC”) notified AmeriGas OLP that the DEC had placed property purportedly owned by AmeriGas OLP in Saranac Lake, New York on the New York State Registry of Inactive Hazardous Waste Disposal Sites. A site characterization study performed by the DEC disclosed contamination related to a former MGP. At that time, AmeriGas OLP reviewed the study and researched the history of the site, including the extent of AmeriGas OLP’s ownership. In its written response to the DEC in early 2009, AmeriGas OLP disputed DEC’s contention it was a potentially responsible party (“PRP”) as it did not operate the MGP and appeared to only own a portion of the site. The DEC did not respond to the 2009 communication. In March 2017, the DEC communicated to AmeriGas OLP that the DEC had previously issued three Records of Decision (“RODs”) related to the site and requested additional information regarding AmeriGas OLP’s purported ownership. The selected remedies identified in the RODs total approximately \$27.7. To AmeriGas OLP’s knowledge, the DEC has not yet commenced implementation of the remediation plan but remediation is currently expected to commence in 2018. AmeriGas OLP responded to the DEC’s March 2017 request for ownership information, renewing its challenge to designation as a PRP and identifying potential defenses. In October 2017, the DEC identified a third party PRP with respect to the site. Based on our evaluation of the available information, during Fiscal 2017, the Partnership accrued an environmental remediation liability of \$7.5 related to the site, which amount is included in “Operating and administrative expenses” on the Consolidated Statements of Income. Our share of the actual remediation costs could be significantly more or less than the accrued amount.

**Other Matters**

**Purported Class Action Lawsuits.** Between May and October of 2014, more than 35 purported class action lawsuits were filed in multiple jurisdictions against the Partnership/UGI Corporation and a competitor by certain of their direct and indirect customers. The class action lawsuits allege, among other things, that the Partnership and its competitor colluded, beginning in 2008, to reduce the fill level of portable propane cylinders from 17 pounds to 15 pounds and combined to persuade their common customer, Walmart Stores, Inc., to accept that fill reduction, resulting in increased cylinder costs to retailers and end-user customers in violation of federal and certain state antitrust laws. The claims seek treble damages, injunctive relief, attorneys’ fees and costs on behalf of the putative classes.

On October 16, 2014, the United States Judicial Panel on Multidistrict Litigation transferred all of these purported class action cases to the Western Division of the United States District Court for the Western District of Missouri (“District Court”). In July 2015, the District Court dismissed all claims brought by direct customers. In June 2017, the United States Court of Appeals for the Eighth Circuit (“Eighth Circuit”) ruled en banc to reverse the dismissal by the District Court, which had previously been affirmed by a panel of the Eighth Circuit. In September 2017, we filed a Petition for a Writ of Certiorari to the U.S. Supreme Court appealing the decision of the Eighth Circuit.

In July 2015, the District Court also dismissed all claims brought by the indirect customers other than those for injunctive relief. The indirect customers filed an amended complaint with the District Court claiming injunctive relief and state law claims under Wisconsin, Maine and Vermont law. In September 2016, the District Court dismissed the amended complaint in its entirety. The indirect customers appealed this decision to the Eighth Circuit; such appeal was subject to a stay pending the en banc review of the direct purchasers’ claims. In light of the Eighth Circuit decision with respect to the direct purchasers’ claims, the briefing schedule in respect of the indirect purchaser appeal will now resume. On July 21, 2016, several new indirect customer plaintiffs filed an antitrust class action lawsuit against the Partnership in the Western District of Missouri. The new indirect customer class action lawsuit was dismissed in September 2016 and certain indirect customer plaintiffs appealed the decision, consolidating their appeal with the indirect customer appeal still pending in the Eighth Circuit. Now that the Eighth Circuit ruled on the direct purchasers’ claims, the stay has been lifted for the indirect claims and the parties submitted briefs in October 2017 to the Eighth Circuit and are waiting the court’s ruling.

We are unable to reasonably estimate the impact, if any, arising from such litigation. We believe we have strong defenses to the claims and intend to vigorously defend against them.

In addition to the matters described above, there are other pending claims and legal actions arising in the normal course of our businesses. Although we cannot predict the final results of these pending claims and legal actions, we believe, after consultation with counsel, that the final outcome of these matters will not have a material effect on our financial statements.

**Note 16 — Fair Value Measurements**
**Recurring Fair Value Measurements**

The following table presents, on a gross basis, our financial assets and liabilities including both current and noncurrent portions, that are measured at fair value on a recurring basis within the fair value hierarchy as described in Note 2, as of September 30, 2017 and 2016:

	Asset (Liability)			
	Level 1	Level 2	Level 3	Total
<b>September 30, 2017:</b>				
Derivative instruments:				
Assets:				
Commodity contracts	\$ 27.2	\$ 76.9	\$ —	\$ 104.1
Foreign currency contracts	\$ —	\$ 12.2	\$ —	\$ 12.2
Liabilities:				
Commodity contracts	\$ (27.7)	\$ (11.4)	\$ —	\$ (39.1)
Foreign currency contracts	\$ —	\$ (38.2)	\$ —	\$ (38.2)
Cross-currency swaps	\$ —	\$ (2.9)	\$ —	\$ (2.9)
Interest rate contracts	\$ —	\$ (2.3)	\$ —	\$ (2.3)
Non-qualified supplemental postretirement grantor trust investments (a)				
	\$ 35.6	\$ —	\$ —	\$ 35.6
<b>September 30, 2016</b>				
Derivative instruments:				
Assets:				
Commodity contracts	\$ 28.9	\$ 26.0	\$ —	\$ 54.9
Foreign currency contracts	\$ —	\$ 17.8	\$ —	\$ 17.8
Liabilities:				
Commodity contracts	\$ (76.8)	\$ (21.8)	\$ —	\$ (98.6)
Foreign currency contracts	\$ —	\$ (2.4)	\$ —	\$ (2.4)
Interest rate contracts	\$ —	\$ (3.9)	\$ —	\$ (3.9)
Cross-currency swaps	\$ —	\$ (0.5)	\$ —	\$ (0.5)
Non-qualified supplemental postretirement grantor trust investments (a)				
	\$ 33.0	\$ —	\$ —	\$ 33.0

(a) Consists primarily of mutual fund investments held in grantor trusts associated with non-qualified supplemental retirement plans (see Note 7).

The fair values of our Level 1 exchange-traded commodity futures and option contracts and non-exchange-traded commodity futures and forward contracts are based upon actively quoted market prices for identical assets and liabilities. The remainder of our derivative instruments are designated as Level 2. The fair values of certain non-exchange-traded commodity derivatives designated as Level 2 are based upon indicative price quotations available through brokers, industry price publications or recent market transactions and related market indicators. For commodity option contracts designated as Level 2 that are not traded on an exchange, we use a Black Scholes option pricing model that considers time value and volatility of the underlying commodity. The fair values of our Level 2 interest rate contracts, foreign currency contracts and cross-currency contracts are based upon third-party quotes or indicative values based on recent market transactions. The fair values of investments held in grantor trusts are derived from quoted market prices as substantially all of the investments in these trusts have active markets. There were no transfers between Level 1 and Level 2 during the periods presented.



**Other Financial Instruments**

The carrying amounts of other financial instruments included in current assets and current liabilities (except for current maturities of long-term debt) approximate their fair values because of their short-term nature. We estimate the fair value of long-term debt by using current market rates and by discounting future cash flows using rates available for similar type debt (Level 2). The carrying amount and estimated fair value of our long-term debt (including current maturities but excluding unamortized debt issuance costs) at September 30, 2017 and 2016 were as follows:

	2017		2016	
Carrying amount	\$	4,211.9	\$	3,832.3
Estimated fair value	\$	4,346.8	\$	4,052.3

Financial instruments other than derivative instruments, such as short-term investments and trade accounts receivable, could expose us to concentrations of credit risk. We limit credit risk from short-term investments by investing only in investment-grade commercial paper, money market mutual funds, securities guaranteed by the U.S. Government or its agencies and FDIC insured bank deposits. The credit risk arising from concentrations of trade accounts receivable is limited because we have a large customer base that extends across many different U.S. markets and a number of foreign countries. For information regarding concentrations of credit risk associated with our derivative instruments, see Note 17. Our investment in a private equity partnership is measured at fair value on a non-recurring basis. Generally this measurement uses Level 3 fair value inputs because the investment does not have a readily available market value. See Note 2 for additional information on this investment.

**Note 17 — Derivative Instruments and Hedging Activities**

We are exposed to certain market risks related to our ongoing business operations. Management uses derivative financial and commodity instruments, among other things, to manage these risks. The primary risks managed by derivative instruments are (1) commodity price risk, (2) interest rate risk, and (3) foreign currency exchange rate risk. Although we use derivative financial and commodity instruments to reduce market risk associated with forecasted transactions, we do not use derivative financial and commodity instruments for speculative or trading purposes. The use of derivative instruments is controlled by our risk management and credit policies, which govern, among other things, the derivative instruments we can use, counterparty credit limits and contract authorization limits. Although our commodity derivative instruments extend over a number of years, a significant portion of our commodity derivative instruments economically hedge commodity price risk during the next twelve months. For information on the accounting for our derivative instruments, see Note 2.

**Commodity Price Risk**Regulated Utility Operations*Natural Gas*

Gas Utility's tariffs contain clauses that permit recovery of all of the prudently incurred costs of natural gas it sells to retail core-market customers, including the cost of financial instruments used to hedge PGC. As permitted and agreed to by the PUC pursuant to Gas Utility's annual PGC filings, Gas Utility currently uses New York Mercantile Exchange ("NYMEX") natural gas futures and option contracts to reduce commodity price volatility associated with a portion of the natural gas it purchases for its retail core-market customers. Gains and losses on Gas Utility's natural gas futures contracts and natural gas option contracts are recorded in regulatory assets or liabilities on the Consolidated Balance Sheets because it is probable such gains or losses will be recoverable from, or refundable to, customers through the PGC recovery mechanism (see Note 8).

*Electricity*

Electric Utility's DS tariffs permit the recovery of all prudently incurred costs of electricity it sells to DS customers, including the cost of financial instruments used to hedge electricity costs. Electric Utility enters into forward electricity purchase contracts to meet a substantial portion of its electricity supply needs. At September 30, 2017 and 2016, all Electric Utility forward electricity purchase contracts were subject to the NPNS exception.

In order to reduce volatility associated with a substantial portion of its electricity transmission congestion costs, Electric Utility obtains FTRs through an annual allocation process. Gains and losses on Electric Utility FTRs are recorded in regulatory assets or



liabilities because it is probable such gains or losses will be recoverable from, or refundable to, customers through the DS mechanism (see Note 8).

### Non-utility Operations

#### *LPG*

In order to manage market price risk associated with the Partnership's fixed-price programs, the Partnership uses over-the-counter derivative commodity instruments, principally price swap contracts. In addition, the Partnership, certain other domestic businesses and our UGI International operations also use over-the-counter price swap and option contracts to reduce commodity price volatility associated with a portion of their forecasted LPG purchases. The Partnership from time to time enters into price swap and put option agreements to reduce the effects of short-term commodity price volatility. Also, Midstream & Marketing uses NYMEX futures contracts to economically hedge the gross margin associated with the purchase and anticipated later near-term sale of propane.

#### *Natural Gas*

In order to manage market price risk relating to fixed-price sales contracts for natural gas, Midstream & Marketing enters into NYMEX and over-the-counter natural gas futures and forward contracts and Intercontinental Exchange ("ICE") natural gas basis swap contracts. In addition, Midstream & Marketing uses NYMEX futures contracts to economically hedge the gross margin associated with the purchase and anticipated later near-term sale of natural gas. UGI International also uses natural gas futures and forward contracts to economically hedge market price risk associated with fixed-price sales contracts with its customers.

#### *Electricity*

In order to manage market price risk relating to fixed-price sales contracts for electricity, Midstream & Marketing enters into electricity futures and forward contracts. Midstream & Marketing also uses NYMEX and over-the-counter electricity futures contracts to economically hedge the price of a portion of its anticipated future sales of electricity from its electric generation facilities. From time to time, Midstream & Marketing purchases FTRs to economically hedge electricity transmission congestion costs associated with its fixed-price electricity sales contracts and from time to time also enters into New York Independent System Operator ("NYISO") capacity swap contracts to economically hedge the locational basis differences for customers it serves on the NYISO electricity grid. UGI International also uses electricity futures and forward contracts to economically hedge market price risk associated with fixed-price sales and purchase contracts for electricity.

### **Interest Rate Risk**

France SAS' and Flaga's long-term debt agreements have interest rates that are generally indexed to short-term market interest rates. France SAS and Flaga have each entered into pay-fixed, receive-variable interest rate swap agreements to hedge the underlying euribor and LIBOR rates of interest on their variable-rate term loans. The France SAS swaps were originally executed in Fiscal 2015, at which time such swaps were designated in a cash flow hedging relationship associated with €600 notional amount of term loan debt issued in conjunction with the Totalgaz Acquisition. In March 2016, France SAS amended the terms of its pay-fixed, receive-variable interest rate swap agreements associated with the €600 term loan debt to purchase a 0% floor that is identical to the 0% floor embedded in France SAS' term loan debt. In conjunction with the amendments, in March 2016, France SAS paid its interest rate swap counterparties €7.7, which amount substantially equaled the interest rate swaps' fair value. Concurrent with the amendments to the interest rate swaps, the swaps were simultaneously de-designated and re-designated as cash flow hedges of future anticipated interest payments associated with the €600 term loan debt. The amended swaps fix the underlying euribor rate on the €600 term loan at 0.18%.

Our domestic businesses' long-term debt is typically issued at fixed rates of interest. As these long-term debt issues mature, we typically refinance such debt with new debt having interest rates reflecting then-current market conditions. In order to reduce market rate risk on the underlying benchmark rate of interest associated with near- to medium-term forecasted issuances of fixed-rate debt, from time to time we enter into interest rate protection agreements ("IRPAs"). We account for interest rate swaps and IRPAs as cash flow hedges. On March 31, 2016, concurrent with the pricing of UGI Utilities' Senior Notes to be issued under the 2016 Note Purchase Agreement, UGI Utilities settled all of its then-existing IRPA contracts associated with such debt at a loss of \$36.0. Because these IRPA contracts qualified for and were designated as cash flow hedges, the loss recognized in connection with the settled IRPAs was recorded in AOCI and is being recognized in interest expense as the associated future interest expense impacts earnings.

At September 30, 2017 and 2016, we had no unsettled IRPAs. At September 30, 2017, the amount of net losses associated with interest rate hedges (excluding pay-fixed, receive-variable interest rate swaps) expected to be reclassified into earnings during the next twelve months is \$3.5.

### **Foreign Currency Exchange Rate Risk**

#### *Forward Foreign Currency Exchange Contracts*

In order to reduce exposure to foreign exchange rate volatility related to our foreign LPG operations, through September 30, 2016, we entered into forward foreign currency exchange contracts to hedge a portion of anticipated U.S. dollar-denominated LPG product purchases primarily during the heating-season months of October through March. We account for these foreign currency exchange contracts associated with anticipated purchases of U.S. dollar-denominated LPG as cash flow hedges. At September 30, 2017, the amount of net losses associated with currency rate risk expected to be reclassified into earnings during the next twelve months based upon current fair values is \$0.9.

Beginning October 1, 2016, in order to reduce the volatility in net income associated with our foreign operations, principally as a result of changes in the U.S. dollar exchange rate between the euro and British pound sterling, we have entered into forward foreign currency exchange contracts. The fair value of these forward foreign currency contracts are recorded as assets or liabilities on the Consolidated Balance Sheets. Changes in the fair value of these foreign currency exchange contracts are recorded in “Losses on foreign currency contracts, net” on the Consolidated Statements of Income.

From time to time we also enter into forward foreign currency exchange contracts to reduce the volatility of the U.S. dollar value of a portion of our UGI International euro-denominated net investments. We account for these foreign currency exchange contracts as net investment hedges. At September 30, 2017 and 2016, there were no unsettled net investment hedges outstanding.

#### *Cross-currency Swaps*

From time to time, Flaga enters into cross-currency swaps to hedge its exposure to the variability in expected future cash flows associated with the foreign currency and interest rate risk of U.S. dollar-denominated debt. These cross-currency hedges include initial and final exchanges of principal from a fixed euro denomination to a fixed U.S. dollar-denominated amount, to be exchanged at a specified rate, which was determined by the market spot rate on the date of issuance. These cross-currency swaps also include interest rate swaps of a floating U.S. dollar-denominated interest rate to a fixed euro-denominated interest rate. We designate these cross-currency swaps as cash flow hedges.

At September 30, 2017, the amount of net losses associated with such cross-currency swaps expected to be reclassified into earnings during the next twelve months is not material.

**Quantitative Disclosures Related to Derivative Instruments**

The following table summarizes by derivative type the gross notional amounts related to open derivative contracts at September 30, 2017 and 2016 and the final settlement date of the Company's open derivative transactions as of September 30, 2017, excluding those derivatives that qualified for the NPNS exception:

Type	Units	Settlements Extending Through	Notional Amounts (in millions)	
			2017	2016
<b>Commodity Price Risk:</b>				
<i>Regulated Utility Operations</i>				
Gas Utility NYMEX natural gas futures and option contracts	Dekatherms	September 2018	14.8	18.4
FTRs contracts	Kilowatt hours	May 2018	101.2	58.3
<i>Non-utility Operations</i>				
LPG swaps & options	Gallons	March 2020	325.5	396.9
Natural gas futures, forward and pipeline contracts (a)	Dekatherms	December 2021	75.9	71.1
Natural gas basis swap contracts	Dekatherms	March 2022	104.2	118.3
NYMEX natural gas storage	Dekatherms	March 2019	1.9	1.9
NYMEX propane storage	Gallons	March 2018	0.3	—
Electricity long forward and futures contracts (a)	Kilowatt hours	May 2021	4,440.3	761.2
Electricity short forward and futures contracts	Kilowatt hours	May 2021	447.0	264.6
<b>Interest Rate Risk:</b>				
Interest rate swaps	Euro	October 2020	€ 645.8	€ 645.8
<b>Foreign Currency Exchange Rate Risk:</b>				
Forward foreign currency exchange contracts	USD	September 2020	\$ 424.8	\$ 314.3
Cross-currency swaps	USD	September 2018	\$ 59.1	\$ 59.1

(a) Amounts in 2017 include derivative contracts held by a natural gas and electricity marketing business in the Netherlands acquired in Fiscal 2017.

**Derivative Instrument Credit Risk**

We are exposed to risk of loss in the event of nonperformance by our derivative instrument counterparties. Our derivative instrument counterparties principally comprise large energy companies and major U.S. and international financial institutions. We maintain credit policies with regard to our counterparties that we believe reduce overall credit risk. These policies include evaluating and monitoring our counterparties' financial condition, including their credit ratings, and entering into agreements with counterparties that govern credit limits or entering into netting agreements that allow for offsetting counterparty receivable and payable balances for certain financial transactions, as deemed appropriate. Certain of these agreements call for the posting of collateral by the counterparty or by the Company in the forms of letters of credit, parental guarantees or cash. Additionally, our commodity exchange-traded futures contracts generally require cash deposits in margin accounts. At September 30, 2017 and 2016, restricted cash in brokerage accounts totaled \$10.3 and \$15.6, respectively. Although we have concentrations of credit risk associated with derivative instruments, the maximum amount of loss we would incur if these counterparties failed to perform according to the terms of their contracts, based upon the gross fair values of the derivative instruments, was not material at September 30, 2017. Certain of the Partnership's derivative contracts have credit-risk-related contingent features that may require the posting of additional collateral in the event of a downgrade of the Partnership's debt rating. At September 30, 2017, if the credit-risk-related contingent features were triggered, the amount of collateral required to be posted would not be material.

**Offsetting Derivative Assets and Liabilities**

Derivative assets and liabilities are presented net by counterparty on the Consolidated Balance Sheets if the right of offset exists. We offset amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against amounts recognized for derivative instruments executed with the same counterparty. Our derivative instruments include both those that are executed on an exchange through brokers and centrally cleared and over-the-counter transactions. Exchange contracts utilize a financial intermediary, exchange, or clearinghouse to enter, execute, or clear the transactions. Over-the-counter contracts are bilateral contracts that are transacted directly with a third party. Certain over-the-counter and exchange contracts contain contractual rights of offset through master netting arrangements, derivative clearing agreements, and contract default provisions. In addition, the contracts are subject to conditional rights of offset through counterparty nonperformance, insolvency or other conditions.

In general, most of our over-the-counter transactions and all exchange contracts are subject to collateral requirements. Types of collateral generally include cash or letters of credit. Cash collateral paid by us to our over-the-counter derivative counterparties, if any, is reflected in the table below to offset derivative liabilities. Cash collateral received by us from our over-the-counter derivative counterparties, if any, is reflected in the table below to offset derivative assets. Certain other accounts receivable and accounts payable balances recognized on the Consolidated Balance Sheets with our derivative counterparties are not included in the table below but could reduce our net exposure to such counterparties because such balances are subject to master netting or similar arrangements.

**Fair Value of Derivative Instruments**

The following table presents the Company's derivative assets and liabilities by type, as well as the effects of offsetting, as of September 30, 2017 and 2016:

	2017	2016
<b>Derivative assets:</b>		
<b>Derivatives designated as hedging instruments:</b>		
Foreign currency contracts	\$ 3.2	\$ 17.8
<b>Derivatives subject to PGC and DS mechanisms:</b>		
Commodity contracts	1.7	4.5
<b>Derivatives not designated as hedging instruments:</b>		
Commodity contracts	102.4	50.4
Foreign currency contracts	9.0	—
	<u>111.4</u>	<u>50.4</u>
Total derivative assets – gross	116.3	72.7
Gross amounts offset in the balance sheet	(35.7)	(35.0)
Cash collateral received	(8.3)	(0.3)
Total derivative assets – net	<u>\$ 72.3</u>	<u>\$ 37.4</u>
<b>Derivative liabilities:</b>		
<b>Derivatives designated as hedging instruments:</b>		
Foreign currency contracts	\$ (5.5)	\$ (2.4)
Cross-currency contracts	(2.9)	(0.5)
Interest rate contracts	(2.3)	(3.9)
	<u>(10.7)</u>	<u>(6.8)</u>
<b>Derivatives subject to PGC and DS mechanisms:</b>		
Commodity contracts	(1.5)	(0.5)
<b>Derivatives not designated as hedging instruments:</b>		
Commodity contracts	(37.6)	(98.1)
Foreign currency contracts	(32.7)	—
	<u>(70.3)</u>	<u>(98.1)</u>
Total derivative liabilities – gross	(82.5)	(105.4)
Gross amounts offset in the balance sheet	35.7	35.0
Total derivative liabilities – net	<u>\$ (46.8)</u>	<u>\$ (70.4)</u>

**Effects of Derivative Instruments**

The following tables provide information on the effects of derivative instruments on the Consolidated Statements of Income and changes in AOCI and noncontrolling interests for Fiscal 2017, Fiscal 2016 and Fiscal 2015:

	Gain (Loss) Recognized in AOCI			Gain (Loss) Reclassified from AOCI and Noncontrolling Interests into Income			Location of Gain (Loss) Reclassified from AOCI and Noncontrolling Interests into Income						
	2017	2016	2015	2017	2016	2015							
<b>Cash Flow Hedges:</b>													
Commodity contracts	\$	—	\$	—	\$	—	\$ (2.2)	Cost of sales					
Foreign currency contracts		0.2		3.6		26.0		17.8		17.2		9.7	Cost of sales
Cross-currency contracts		0.5		0.1		5.4		(0.1)		0.4		8.5	Interest expense /other operating income, net
Interest rate contracts		1.5		(32.5)		(6.6)		(3.9)		(4.5)		(20.4)	Interest expense
Total	\$	2.2	\$	(28.8)	\$	24.8	\$	13.8	\$	13.1	\$	(4.4)	

	Gain (Loss) Recognized in Income			Location of Gain (Loss) Recognized in Income
	2017	2016	2015	
<b>Derivatives Not Designated as Hedging Instruments:</b>				
Commodity contracts	\$ 166.0	\$ (65.0)	\$ (375.8)	Cost of sales
Commodity contracts	(2.0)	(2.2)	0.3	Revenues
Commodity contracts	0.2	(0.1)	(0.8)	Operating and administrative expenses / other operating income, net
Foreign currency contracts	(23.8)	—	—	Losses on foreign currency contracts, net
Total	\$ 140.4	\$ (67.3)	\$ (376.3)	

For Fiscal 2017 and Fiscal 2015, the amounts of derivative gains or losses representing ineffectiveness, and the amounts of gains or losses recognized in income as a result of excluding derivatives from ineffectiveness testing, were not material. For Fiscal 2016 the amounts of derivative gains or losses representing ineffectiveness were losses of \$5.5, which were recorded in “Other operating income, net,” on the Consolidated Statements of Income and are related to interest rate swap agreements at France SAS prior to their amendments in March 2016.

In May 2015, the Company prepaid term loans outstanding under Antargaz’ 2011 Senior Facilities Agreement. In conjunction with the prepayment, the Company also settled associated pay-fixed, receive-variable interest rate swaps, and discontinued cash flow hedge accounting treatment for such swaps. During Fiscal 2015, the Company recorded a pre-tax loss of \$9.0 associated with the discontinuance of cash flow hedge accounting for the swaps, which amount is included in “Interest expense” on the Consolidated Statements of Income.

We are also a party to a number of other contracts that have elements of a derivative instrument. These contracts include, among others, binding purchase orders, contracts that provide for the purchase and delivery, or sale, of energy products, and service contracts that require the counterparty to provide commodity storage, transportation or capacity service to meet our normal sales commitments. Although certain of these contracts have the requisite elements of a derivative instrument, these contracts qualify for NPNS exception accounting under GAAP because they provide for the delivery of products or services in quantities that are expected to be used in the normal course of operating our business and the price in the contract is based on an underlying that is directly associated with the price of the product or service being purchased or sold.

**Note 18 — Accumulated Other Comprehensive Income (Loss)**

Other comprehensive income (loss) principally comprises (1) gains and losses on derivative instruments qualifying as cash flow hedges, net of reclassifications to net income; (2) actuarial gains and losses on postretirement benefit plans, net of associated amortization; and (3) foreign currency translation and long-term intra-company transaction adjustments.

Changes in AOCI during Fiscal 2017, Fiscal 2016 and Fiscal 2015 are as follows:

	Postretirement Benefit Plans	Derivative Instruments	Foreign Currency	Total
<b>AOCI - September 30, 2014</b>	\$ (20.6)	\$ (9.3)	\$ 8.7	\$ (21.2)
Other comprehensive (loss) income before reclassification adjustments (after-tax)	(1.2)	16.8	(114.1)	(98.5)
Amounts reclassified from AOCI and noncontrolling interests:				
Reclassification adjustments (pre-tax)	2.2	4.4	—	6.6
Reclassification adjustments tax benefit	(0.8)	(2.8)	—	(3.6)
Reclassification adjustments (after-tax)	1.4	1.6	—	3.0
Other comprehensive income (loss)	0.2	18.4	(114.1)	(95.5)
Add comprehensive loss attributable to noncontrolling interests, principally in AmeriGas Partners	—	2.1	—	2.1
Other comprehensive income (loss) attributable to UGI	0.2	20.5	(114.1)	(93.4)
<b>AOCI - September 30, 2015</b>	\$ (20.4)	\$ 11.2	\$ (105.4)	\$ (114.6)
Other comprehensive loss before reclassification adjustments (after-tax)	(10.9)	(16.5)	(6.8)	(34.2)
Amounts reclassified from AOCI:				
Reclassification adjustments (pre-tax)	2.6	(13.1)	—	(10.5)
Reclassification adjustments tax (benefit) expense	(0.4)	5.0	—	4.6
Reclassification adjustments (after-tax)	2.2	(8.1)	—	(5.9)
Other comprehensive loss attributable to UGI	(8.7)	(24.6)	(6.8)	(40.1)
<b>AOCI - September 30, 2016</b>	\$ (29.1)	\$ (13.4)	\$ (112.2)	\$ (154.7)
Other comprehensive income before reclassification adjustments (after-tax)	6.5	1.7	59.4	67.6
Amounts reclassified from AOCI:				
Reclassification adjustments (pre-tax)	5.5	(13.8)	—	(8.3)
Reclassification adjustments tax (benefit) expense	(2.1)	4.1	—	2.0
Reclassification adjustments (after-tax)	3.4	(9.7)	—	(6.3)
Other comprehensive income (loss) attributable to UGI	9.9	(8.0)	59.4	61.3
<b>AOCI - September 30, 2017</b>	\$ (19.2)	\$ (21.4)	\$ (52.8)	\$ (93.4)

For additional information on amounts reclassified from AOCI relating to derivative instruments, see Note 17.

**Note 19 — Other Operating Income, Net**

Other operating income, net, comprises the following:

	2017	2016	2015
Finance charges	\$ 11.8	\$ 15.2	\$ 12.7
AFUDC associated with pipeline projects	5.5	3.3	—
Interest and interest-related income	1.7	0.2	0.8
Utility non-tariff service income	1.5	2.6	4.8
Loss on private equity partnership investment	(11.0)	—	—
(Losses) gains on sales of fixed assets, net	(3.9)	3.3	11.1
Other, net	4.9	(2.2)	15.0
Total other operating income, net	<u>\$ 10.5</u>	<u>\$ 22.4</u>	<u>\$ 44.4</u>

**Note 20 — Quarterly Data (unaudited)**

The following unaudited quarterly data includes adjustments (consisting only of normal recurring adjustments with the exception of those indicated below) which we consider necessary for a fair presentation unless otherwise indicated. Our quarterly results fluctuate primarily because of the seasonal nature of our businesses and the effects of unrealized gains and losses on commodity and certain foreign currency derivative instruments (see Note 17).

	December 31,		March 31,		June 30,		September 30,	
	2016	2015	2017	2016	2017	2016	2017	2016
	(a)(b)		(b)(c)		(b)	(d)	(a)(c)	(d)
Revenues	\$ 1,679.5	\$ 1,606.6	\$ 2,173.8	\$ 1,972.1	\$ 1,153.5	\$ 1,130.8	\$ 1,113.9	\$ 976.2
Operating income (loss)	\$ 466.2	\$ 305.5	\$ 513.2	\$ 615.4	\$ (2.8)	\$ 155.7	\$ 27.6	\$ (88.6)
(Loss) income from equity investees	\$ (0.2)	\$ (0.1)	\$ 2.3	\$ —	\$ 0.9	\$ —	\$ 1.3	\$ (0.1)
Loss on extinguishments of debt	\$ (33.2)	\$ —	\$ (22.1)	\$ —	\$ (4.4)	\$ (37.1)	\$ —	\$ (11.8)
Net income (loss) including noncontrolling interests	\$ 290.9	\$ 167.9	\$ 311.8	\$ 408.0	\$ (62.2)	\$ 28.6	\$ (16.7)	\$ (115.7)
Net income (loss) attributable to UGI Corporation	\$ 230.7	\$ 114.6	\$ 219.9	\$ 233.2	\$ (19.0)	\$ 60.7	\$ 5.0	\$ (43.8)
Earnings (loss) per common share attributable to UGI Corporation stockholders:								
Basic	\$ 1.33	\$ 0.66	\$ 1.27	\$ 1.35	\$ (0.11)	\$ 0.35	\$ 0.03	\$ (0.25)
Diluted	\$ 1.30	\$ 0.65	\$ 1.24	\$ 1.33	\$ (0.11)	\$ 0.34	\$ 0.03	\$ (0.25)

(a) The quarter ended December 31, 2016 includes beneficial impact of adjustments to net deferred income tax liabilities associated with a change in French income tax rate which increased net income attributable to UGI Corporation by \$27.4 or \$0.15 per diluted share, and the impact of an income tax settlement refund in France which increased net income attributable to UGI Corporation by \$6.7 or \$0.04 per diluted share. The quarter ended September 30, 2017 includes the release of a valuation allowance against future uses of foreign tax credit carryforwards, which increased net income attributable to UGI Corporation by \$7.6 or \$0.04 per diluted share.

(b) The quarter ended December 31, 2016 includes loss on extinguishments of debt at AmeriGas Partners which decreased net income attributable to UGI Corporation by \$5.3 or \$0.03 per diluted share. The quarter ended March 31, 2017 includes loss on extinguishments of debt at AmeriGas Partners which decreased net income attributable to UGI Corporation by \$3.6 or \$0.02. The quarter ended June 30, 2017 includes loss on extinguishments of debt at AmeriGas Partners which increased net loss attributable to UGI Corporation by \$0.7 or \$0.01 per diluted share (see Note 5).

(c) The quarter ended March 31, 2017 includes impairment of a cost basis investment which decreased net income attributable to UGI Corporation by \$4.5 or \$0.03 per diluted share. The quarter ended September 30, 2017 includes impairment of a cost



basis investment which decreased net income attributable to UGI Corporation by \$2.6 or \$0.02 per diluted share for the quarter ended September 30, 2017 (see Note 2).

- (d) The quarter ended June 30, 2016 includes loss on extinguishments of debt at AmeriGas Partners which decreased net income attributable to UGI Corporation by \$6.1 or \$0.03 per diluted share. The quarter ended September 30, 2016 includes loss on extinguishments of debt at AmeriGas Partners which increased net loss attributable to UGI Corporation by \$1.8 or \$0.01 per diluted share for the quarter ended September 30, 2016 (see Note 5).

**Note 21 — Segment Information**

Our operations comprise four reportable segments generally based upon products or services sold, geographic location and regulatory environment: (1) AmeriGas Propane; (2) UGI International; (3) Midstream & Marketing; and (4) UGI Utilities.

As a result of changes in the composition of information reported to our chief operating decision maker (“CODM”), effective October 1, 2016, we combined (1) our UGI France reportable segment with our Flaga & Other reportable segment, collectively referred to as “UGI International,” and (2) our Energy Services reportable segment with our Electric Generation reportable segment, collectively referred to as “Midstream & Marketing.” In accordance with GAAP, prior-period amounts have been restated to reflect these changes.

AmeriGas Propane derives its revenues principally from the sale of propane and related equipment and supplies to retail customers in all 50 states. UGI International derives its revenues principally from the distribution of LPG to retail customers in France and in northern, central and eastern European countries. In addition, UGI International operates natural gas marketing businesses in France, Belgium and the United Kingdom and markets natural gas and electricity in the Netherlands. Midstream & Marketing derives its revenues principally from the sale of natural gas and, to a lesser extent, electricity, LPG and fuel oil as well as revenues and fees from storage, pipeline transportation and natural gas production activities primarily in the Mid-Atlantic region of the U.S. Midstream & Marketing also derives revenues from the sale of electricity through PJM, a regional electricity transmission organization in the eastern U.S., and, to a lesser extent, also from contracting services provided by HVAC to customers in portions of eastern and central Pennsylvania. UGI Utilities derives its revenues principally from the sale and distribution of natural gas to customers in eastern and central Pennsylvania and, to a lesser extent, from the sale and distribution of electricity in two northeastern Pennsylvania counties.

Corporate & Other principally comprise (1) net expenses of UGI’s captive general liability insurance company and UGI’s corporate headquarters facility, and UGI’s unallocated corporate and general expenses and interest income. In addition, Corporate & Other includes net gains and losses on commodity and certain foreign currency derivative instruments not associated with current-period transactions (including such amounts attributable to noncontrolling interests) because such items are excluded from profit measures evaluated by our CODM in assessing our reportable segments’ performance or allocating resources. Corporate & Other assets principally comprise cash and cash equivalents of UGI and its captive insurance company, and UGI corporate headquarters’ assets.

The accounting policies of our reportable segments are the same as those described in Note 2. We evaluate AmeriGas Propane’s performance principally based upon the Partnership’s earnings before interest expense, income taxes, depreciation and amortization as adjusted for the effects of gains and losses on commodity derivative instruments not associated with current-period transactions and other gains and losses that competitors do not necessarily have (“Partnership Adjusted EBITDA”). Although we use Partnership Adjusted EBITDA to evaluate AmeriGas Propane’s profitability, it should not be considered as an alternative to net income (as an indicator of operating performance) or as an alternative to cash flow (as a measure of liquidity or ability to service debt obligations) and is not a measure of performance or financial condition under GAAP. Our definition of Partnership Adjusted EBITDA may be different from that used by other companies. Our CODM evaluates the performance of our other reportable segments principally based upon their income before income taxes excluding gains and losses on commodity and certain foreign currency derivative instruments not associated with current-period transactions, as previously mentioned.

No single customer represents more than ten percent of our consolidated revenues. In addition, all of our reportable segments’ revenues, other than those of UGI International, are derived from sources within the United States, and all of our reportable segments’ long-lived assets, other than those of UGI International, are located in the United States.

**UGI Corporation and Subsidiaries**
**Notes to Consolidated Financial Statements**

(Currency in millions, except per share amounts and where indicated otherwise)

	Total	Eliminations	AmeriGas Propane	UGI International	Midstream & Marketing	UGI Utilities	Corporate & Other (b)
2017							
Revenues from external customers	\$ 6,120.7	\$ —	\$ 2,453.5	\$ 1,877.5	\$ 943.0	\$ 847.5	\$ (0.8)
Intersegment revenues	\$ —	\$ (222.7) (c)	\$ —	\$ —	\$ 178.2	\$ 40.1	\$ 4.4
Cost of sales	\$ 2,837.3	\$ (218.3) (c)	\$ 1,002.9	\$ 935.3	\$ 856.7	\$ 367.3	\$ (106.6)
Operating income	\$ 1,004.2	\$ 0.3	\$ 355.3	\$ 195.7	\$ 139.2	\$ 228.3	\$ 85.4
Income from equity investees	\$ 4.3	\$ —	\$ —	\$ —	\$ 4.3 (d)	\$ —	\$ —
Losses on foreign currency contracts, net	\$ (23.9)	\$ —	\$ —	\$ (0.1)	\$ —	\$ —	\$ (23.8)
Loss on extinguishments of debt	\$ (59.7)	\$ —	\$ (59.7)	\$ —	\$ —	\$ —	\$ —
Interest expense	\$ (223.5)	\$ —	\$ (160.2)	\$ (20.6)	\$ (2.1)	\$ (40.2)	\$ (0.4)
Income before income taxes	\$ 701.4	\$ 0.3	\$ 135.4	\$ 175.0	\$ 141.4	\$ 188.1	\$ 61.2
Net income attributable to UGI	\$ 436.6	\$ 0.1	\$ 44.6	\$ 158.6	\$ 86.9	\$ 116.0	\$ 30.4
Depreciation and amortization	\$ 416.3	\$ (0.2)	\$ 190.5	\$ 117.4	\$ 35.4	\$ 72.3	\$ 0.9
Noncontrolling interests' net income	\$ 87.2	\$ —	\$ 64.4	\$ 0.2	\$ —	\$ —	\$ 22.6
Partnership Adjusted EBITDA (a)			\$ 551.3				
Total assets	\$ 11,582.2	\$ (51.5)	\$ 4,069.4	\$ 3,132.0	\$ 1,165.5	\$ 2,994.0	\$ 272.8
Short-term borrowings	\$ 366.9	\$ —	\$ 140.0	\$ 17.9	\$ 39.0	\$ 170.0	\$ —
Capital expenditures (including the effects of accruals)	\$ 624.3	\$ —	\$ 98.1	\$ 90.3	\$ 117.5	\$ 317.7	\$ 0.7
Investments in equity investees	\$ 59.1	\$ —	\$ —	\$ 8.1	\$ 51.0	\$ —	\$ —
Goodwill	\$ 3,107.2	\$ —	\$ 2,001.3	\$ 912.2	\$ 11.6	\$ 182.1	\$ —
2016 (f)							
Revenues from external customers	\$ 5,685.7	\$ —	\$ 2,311.8	\$ 1,868.8	\$ 752.3	\$ 751.4	\$ 1.4
Intersegment revenues	\$ —	\$ (133.9) (c)	\$ —	\$ —	\$ 114.3	\$ 17.1	\$ 2.5
Cost of sales	\$ 2,437.5	\$ (131.5) (c)	\$ 864.8	\$ 903.8	\$ 602.2	\$ 289.8	\$ (91.6)
Operating income	\$ 988.0	\$ 0.2	\$ 356.3	\$ 206.6	\$ 146.7	\$ 200.9	\$ 77.3
Loss from equity investees	\$ (0.2)	\$ —	\$ —	\$ (0.2)	\$ —	\$ —	\$ —
Loss on extinguishments of debt	\$ (48.9)	\$ —	\$ (48.9)	\$ —	\$ —	\$ —	\$ —
Interest expense	\$ (228.9)	\$ —	\$ (164.1)	\$ (24.4)	\$ (2.1)	\$ (37.6)	\$ (0.7)
Income before income taxes	\$ 710.0	\$ 0.2	\$ 143.3	\$ 182.0	\$ 144.6	\$ 163.3	\$ 76.6
Net income attributable to UGI	\$ 364.7	\$ 0.1	\$ 43.2	\$ 111.6	\$ 87.1	\$ 97.4	\$ 25.3
Depreciation and amortization	\$ 400.9	\$ (0.2)	\$ 190.0	\$ 112.4	\$ 30.6	\$ 67.3	\$ 0.8
Noncontrolling interests' net income	\$ 124.1	\$ —	\$ 75.9	\$ —	\$ —	\$ —	\$ 48.2
Partnership Adjusted EBITDA (a)			\$ 543.0				
Total assets	\$ 10,847.2	\$ (136.6)	\$ 4,071.8	\$ 2,865.1	\$ 1,038.2	\$ 2,743.1	\$ 265.6
Short-term borrowings	\$ 291.7	\$ —	\$ 153.2	\$ 0.5	\$ 25.5	\$ 112.5	\$ —
Capital expenditures (including the effects of accruals)	\$ 604.6	\$ —	\$ 101.7	\$ 99.9	\$ 140.4	\$ 262.5	\$ 0.1
Investments in equity investees	\$ 25.9	\$ —	\$ —	\$ 8.5	\$ 17.4	\$ —	\$ —
Goodwill	\$ 2,989.0	\$ —	\$ 1,978.3	\$ 817.0	\$ 11.6	\$ 182.1	\$ —

**UGI Corporation and Subsidiaries**
**Notes to Consolidated Financial Statements**

(Currency in millions, except per share amounts and where indicated otherwise)

	Total	Eliminations	AmeriGas Propane	UGI International	Midstream & Marketing	UGI Utilities	Corporate & Other (b)
2015 (f)							
Revenues from external customers	\$ 6,691.1	\$ —	\$ 2,885.3	\$ 1,808.5	\$ 1,012.3	\$ 981.9	\$ 3.1
Intersegment revenues	\$ —	\$ (213.6) (c)	\$ —	\$ —	\$ 151.3	\$ 59.7	\$ 2.6
Cost of sales	\$ 3,736.5	\$ (209.8) (c)	\$ 1,340.0	\$ 1,120.0	\$ 854.6	\$ 510.8	\$ 120.9
Operating income (loss)	\$ 834.9	\$ (0.9)	\$ 427.6	\$ 112.8	\$ 182.6	\$ 241.7	\$ (128.9)
Loss from equity investees	\$ (1.2)	\$ —	\$ —	\$ (1.2)	\$ —	\$ —	\$ —
Interest expense	\$ (241.9)	\$ —	\$ (162.8)	\$ (35.2) (e)	\$ (2.1)	\$ (41.1)	\$ (0.7)
Income (loss) before income taxes	\$ 591.8	\$ (0.9)	\$ 264.8	\$ 76.4	\$ 180.5	\$ 200.6	\$ (129.6)
Net income (loss) attributable to UGI	\$ 281.0	\$ (0.6)	\$ 61.0	\$ 52.7	\$ 107.5	\$ 121.1	\$ (60.7)
Depreciation and amortization	\$ 374.1	\$ —	\$ 194.9	\$ 86.9	\$ 28.0	\$ 63.5	\$ 0.8
Noncontrolling interests' net income (loss)	\$ 133.0	\$ —	\$ 167.9	\$ (0.1)	\$ —	\$ —	\$ (34.8)
Partnership Adjusted EBITDA (a)			\$ 619.2				
Total assets	\$ 10,514.2	\$ (90.4)	\$ 4,128.4	\$ 2,860.9	\$ 969.6	\$ 2,506.0	\$ 139.7
Short-term borrowings	\$ 189.9	\$ —	\$ 68.1	\$ 0.6	\$ 49.5	\$ 71.7	\$ —
Capital expenditures (including the effects of accruals)	\$ 475.4	\$ —	\$ 102.0	\$ 87.5	\$ 88.0	\$ 197.7	\$ 0.2
Investments in equity investees	\$ 16.2	\$ —	\$ —	\$ 9.8	\$ 6.4	\$ —	\$ —
Goodwill	\$ 2,953.4	\$ —	\$ 1,956.0	\$ 803.7	\$ 11.6	\$ 182.1	\$ —

(a) The following table provides a reconciliation of Partnership Adjusted EBITDA to AmeriGas Propane income before income taxes:

	2017	2016	2015
Partnership Adjusted EBITDA	\$ 551.3	\$ 543.0	\$ 619.2
Depreciation and amortization	(190.5)	(190.0)	(194.9)
Interest expense	(160.2)	(164.1)	(162.8)
Loss on extinguishments of debt	(59.7)	(48.9)	—
MGP environmental accrual	(7.5)	—	—
Noncontrolling interest (i)	2.0	3.3	3.3
Income before income taxes	\$ 135.4	\$ 143.3	\$ 264.8

- (i) Principally represents the General Partner's 1.01% interest in AmeriGas OLP.
- (b) Includes net pre-tax gains (losses) on commodity and certain foreign currency derivative instruments not associated with current-period transactions (including such amounts attributable to noncontrolling interests) totaling \$82.0, \$91.6 and \$(119.1) in Fiscal 2017, Fiscal 2016 and Fiscal 2015, respectively. Fiscal 2017 also includes a pre-tax loss of \$11.0 associated with the impairment of a cost basis investment (see Note 2).
- (c) Represents the elimination of intersegment transactions principally among Midstream & Marketing, UGI Utilities and AmeriGas Propane.
- (d) Represents AFUDC associated with PennEast (see Note 2).
- (e) Includes pre-tax costs of \$10.3 associated with an extinguishment of debt (see Note 5).
- (f) Restated to reflect the current-year changes in the presentation of our UGI International and Midstream & Marketing reportable segments.

**UGI CORPORATION**  
**SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY)**

BALANCE SHEETS  
(Millions of dollars)

	September 30,	
	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 15.8	\$ 4.8
Accounts receivable – related parties	4.5	9.2
Prepaid expenses and other current assets	15.6	5.0
Total current assets	35.9	19.0
Property, plant and equipment, net	0.4	—
Investments in subsidiaries	3,119.7	2,825.7
Other assets	82.0	69.8
Total assets	\$ 3,238.0	\$ 2,914.5
<b>LIABILITIES AND COMMON STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts and notes payable	\$ 12.3	\$ 11.4
Accrued liabilities	5.9	4.4
Total current liabilities	18.2	15.8
Noncurrent liabilities	56.5	54.6
Commitments and contingencies (Note 1)		
Common stockholders' equity:		
Common Stock, without par value (authorized – 450,000,000 shares; issued – 173,987,691 and 173,894,141 shares, respectively)	1,188.6	1,201.6
Retained earnings	2,106.7	1,834.1
Accumulated other comprehensive loss	(93.4)	(154.7)
Treasury stock, at cost	(38.6)	(36.9)
Total common stockholders' equity	3,163.3	2,844.1
Total liabilities and common stockholders' equity	\$ 3,238.0	\$ 2,914.5

Note 1 — Commitments and Contingencies:

In addition to the guarantees of Flaga's debt as described in Note 5 to Consolidated Financial Statements, at September 30, 2017, UGI Corporation had agreed to indemnify the issuers of \$88.9 of surety bonds issued on behalf of certain UGI subsidiaries. UGI Corporation is authorized to guarantee up to \$500.0 of obligations to suppliers and customers of Energy Services, LLC and subsidiaries of which \$432.5 of such obligations were outstanding as of September 30, 2017. UGI Corporation has guaranteed the floating to fixed rate interest rate swaps at Flaga, which obligations totaled \$0.6 at September 30, 2017.

**UGI CORPORATION**  
**SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY)**

STATEMENTS OF INCOME  
(Millions of dollars, except per share amounts)

	Year Ended September 30,		
	2017	2016	2015
Revenues	\$ —	\$ —	\$ —
Costs and expenses:			
Operating and administrative expenses	46.3	45.7	48.7
Other operating income, net (a)	(45.9)	(45.3)	(48.5)
	0.4	0.4	0.2
Operating loss	(0.4)	(0.4)	(0.2)
Intercompany interest income	—	0.1	0.1
Loss before income taxes	(0.4)	(0.3)	(0.1)
Income tax (benefit) expense	(5.7)	(4.0)	1.9
Income (loss) before equity in income of unconsolidated subsidiaries	5.3	3.7	(2.0)
Equity in income of unconsolidated subsidiaries	431.3	361.0	283.0
Net income attributable to UGI Corporation	\$ 436.6	\$ 364.7	\$ 281.0
Other comprehensive income (loss)	1.3	(1.1)	0.1
Equity in other comprehensive income (loss) of unconsolidated subsidiaries	60.0	(39.0)	(93.5)
Comprehensive income attributable to UGI Corporation	\$ 497.9	\$ 324.6	\$ 187.6
Earnings per common share attributable to UGI Corporation stockholders:			
Basic	\$ 2.51	\$ 2.11	\$ 1.62
Diluted	\$ 2.46	\$ 2.08	\$ 1.60
Weighted - average common shares outstanding (thousands):			
Basic	173,662	173,154	173,115
Diluted	177,159	175,572	175,667

(a) UGI provides certain financial and administrative services to certain of its subsidiaries. UGI bills these subsidiaries monthly for all direct expenses incurred by UGI on behalf of its subsidiaries as well as allocated shares of indirect corporate expense incurred or paid with respect to services provided by UGI. The allocation of indirect UGI corporate expenses to certain of its subsidiaries utilizes a weighted, three-component formula comprising revenues, operating expenses, and net assets employed and considers the relative percentage of such items for each subsidiary to the total of such items for all UGI operating subsidiaries for which general and administrative services are provided. Management believes that this allocation method is reasonable and equitable to its subsidiaries. These billed expenses are classified as “Other operating income, net” in the Statements of Income above.

**UGI CORPORATION**  
**SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY)**

STATEMENTS OF CASH FLOWS  
(Millions of dollars)

	Year Ended September 30,		
	2017	2016	2015
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES (a)</b>	<b>\$ 253.2</b>	<b>\$ 195.6</b>	<b>\$ 277.2</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Expenditures for property, plant and equipment	(0.4)	—	—
Net investments in unconsolidated subsidiaries	(40.7)	(8.9)	(104.8)
Net cash used by investing activities	(41.1)	(8.9)	(104.8)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Payment of dividends on Common Stock	(168.9)	(160.7)	(153.5)
Repurchases of UGI Common Stock	(43.3)	(47.6)	(34.1)
Issuances of Common Stock	11.0	24.5	16.8
Other	0.1	—	(0.5)
Net cash used by financing activities	(201.1)	(183.8)	(171.3)
Cash and cash equivalents increase	\$ 11.0	\$ 2.9	\$ 1.1
Cash and cash equivalents:			
End of year	\$ 15.8	\$ 4.8	\$ 1.9
Beginning of year	4.8	1.9	0.8
Increase	\$ 11.0	\$ 2.9	\$ 1.1

(a) Includes dividends received from unconsolidated subsidiaries of \$241.9, \$193.1 and \$271.6 for the years ended September 30, 2017, 2016 and 2015, respectively.

**UGI CORPORATION AND SUBSIDIARIES**  
**SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS**  
(Millions of dollars)

	Balance at beginning of year	Charged (credited) to costs and expenses	Other	Balance at end of year
<b>Year Ended September 30, 2017</b>				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$ 27.3	\$ 30.7	\$ (31.1) (1)	\$ 26.9
Other reserves:				
Deferred tax assets valuation allowance	\$ 114.3	\$ (7.6)	\$ 0.4 (3)	\$ 107.1
<b>Year Ended September 30, 2016</b>				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$ 29.7	\$ 21.7	\$ (24.1) (1)	\$ 27.3
Other reserves:				
Deferred tax assets valuation allowance	\$ 131.3	\$ (5.8)	\$ (8.8) (3)	\$ 114.3
			(2.4) (4)	
<b>Year Ended September 30, 2015</b>				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$ 39.1	\$ 31.6	\$ (39.6) (1)	\$ 29.7
			(1.4) (2)	
Other reserves:				
Deferred tax assets valuation allowance	\$ 59.2	\$ 5.1	\$ 66.1 (3)	\$ 131.3
			(2.6) (4)	
			3.5 (5)	

(1) Uncollectible accounts written off, net of recoveries.

(2) Effects of currency exchange.

(3) Foreign tax credit valuation allowance adjustment.

(4) Decrease in unusable foreign operating loss carryforwards.

(5) Acquisitions

**AMERIGAS PROPANE, INC.**

**EXECUTIVE EMPLOYEE SEVERANCE PLAN**

**As amended as of June 15, 2017**



AMERIGAS PROPANE, INC.  
EXECUTIVE EMPLOYEE  
SEVERANCE PLAN

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## ARTICLE I

### PURPOSE AND TERM OF PLAN

Section 1.01 Purpose of the Plan. This Executive Employee Severance Plan is applicable to Executive Employees (as defined below) of AmeriGas Propane, Inc. and its Affiliates (as defined below). The Plan is intended to help alleviate financial hardships that may be experienced by Executive Employees whose employment is involuntary terminated. The Plan is intended to be a “severance pay plan” for purposes of ERISA (as defined below). The benefits paid by the Plan are not deferred compensation, and no employee shall have a vested right to such benefits. The Plan has been drafted to give the Company (as defined below) broad discretion in designating individuals who are eligible for benefits and the amount of such benefits. All actions taken by the Company shall be in its role as the plan sponsor and not as a fiduciary.

Section 1.02 Term of the Plan. The Plan has been amended and restated as of June 15, 2017. The Plan will continue until such time as the Company, acting in its sole discretion, elects to modify, supersede or terminate it in accordance with the further provisions hereof.

## ARTICLE II

### DEFINITIONS

Section 2.01 “Administrative Committee” shall mean the administrative committee designated pursuant to Article VI of the Plan to administer the Plan in accordance with its terms, or its delegate.

Section 2.02 “Affiliate” shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

Section 2.03 “Annual Compensation” shall mean the Participant’s annual base salary and applicable target annual bonus amount (if any) in effect on the Participant’s Employment Termination Date.

Section 2.04 “Benefit” or “Benefits” shall mean any or all of the benefits that a Participant is entitled to receive pursuant to Article IV of the Plan.

Section 2.05 “Board of Directors” shall mean the Board of Directors of the Company, or any successor thereto.

Section 2.06 “Change in Control” shall mean a change of control of the Company or UGI Corporation as defined in the attached Appendix A, as amended from time to time by the Committee, in its discretion.

Section 2.07 “Change in Control Agreement” shall mean a written Change in Control Agreement between an employee and the Company or an Affiliate.

Section 2.08 “COBRA Cost” shall mean the applicable premium under section 4980B(f)(4) of the Code for continued medical and dental COBRA coverage under the benefit plans of the Company or an Affiliate.

Section 2.09 “COBRA Coverage” shall mean continued medical and dental coverage under the benefit plans of the Company or an Affiliate, as determined under section 4980B of the Code.

Section 2.10 “Code” shall mean the Internal Revenue Code of 1986, as amended.

Section 2.11 “Company” shall mean AmeriGas Propane, Inc. and any corporation succeeding to the business of AmeriGas Propane, Inc. by merger, consolidation, liquidation, purchase of assets or stock or similar transaction.

Section 2.12 “Compensation Committee” shall mean the Compensation/Pension Committee of the Board of Directors.

Section 2.13 “Employment Commencement Date” shall mean the most recent date on which a Participant became an employee of the Company or an Affiliate of the Company or, if the Company determines that service before an acquisition shall be taken into account, the most recent date on which a Participant became an employee of an entity whose business or assets have been acquired by the Company or an Affiliate.

Section 2.14 “Employment Termination Date” shall mean the date on which the Participant separates from service with the Company and its Affiliates within the meaning of section 409A of the Code.

Section 2.15 “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

Section 2.16 “Executive Annual Bonus Plan” shall mean the AmeriGas Propane, Inc. Executive Annual Bonus Plan as in effect from time to time.

Section 2.17 “Executive Employee” shall mean any of the following employees who are employed in the United States:

(a) An executive level employee of the Company who participates in the Executive Annual Bonus Plan and who does not have a Change in Control Agreement in effect with the Company or an Affiliate; or

(b) An executive level employee of the Company or an Affiliate who is employed in the United States and who is designated in writing by the Compensation Committee as eligible to participate in this Plan.

Notwithstanding the foregoing, if an employee is employed by more than one company within the UGI Corporation controlled group and if the Company is not the employee’s primary employer, the employee shall not be eligible to participate in this Plan, unless otherwise designated in writing by the Compensation Committee. In no event shall any of the following persons be considered an employee for purposes of the Plan: (i) employees who are employed outside the United States, (ii) independent contractors, (iii) persons performing services pursuant to an arrangement with a third party leasing organization, (iv) any person whom the Company determines, in its sole discretion, is not a common law employee, whether or not any such person is later determined to have been a common law employee of the Company or an Affiliate, or (v) employees who are eligible to participate in another severance plan maintained by the Company or an Affiliate.

Section 2.18 “Just Cause” shall mean dismissal of an Executive Employee due to (i) theft or misappropriation of funds or conduct that has an adverse effect on the reputation of the Company or any Affiliate, (ii) conviction of a felony or a crime involving moral turpitude, (iii) material breach of the Company’s written code of conduct, or other material written employment policies, applicable to the Executive Employee, (iv) breach of any written confidentiality, non-competition or non-solicitation covenant between the Executive Employee and the Company or any Affiliate, (v) gross misconduct in the performance of duties, or (vi) intentional refusal or

failure to perform the material duties of the Executive Employee's position. Disputes with respect to whether Just Cause exists shall be resolved in accordance with Article IX.

Section 2.19 "Key Employee" shall mean an employee who, at any time during the 12-month period ending on the identification date, is a "specified employee" under section 409A of the Code, as determined by the Compensation Committee or its delegate. The determination of Key Employees, including the number and identity of persons considered specified employees and the identification date, shall be made by the Compensation Committee or its delegate in accordance with the provisions of section 409A of the Code and the regulations issued thereunder.

Section 2.20 "Monthly Compensation" shall mean the Participant's Annual Compensation divided by 12.

Section 2.21 "Paid Notice" shall mean the cash amount payable to a Participant in lieu of notice as determined pursuant to Section 4.01(a).

Section 2.22 "Participant" shall mean any Executive Employee who receives Benefits under the Plan.

Section 2.23 "Plan" shall mean the AmeriGas Propane, Inc. Executive Employee Severance Plan, as set forth herein, and as the same may from time to time be amended.

Section 2.24 "Plan Year" shall mean each fiscal year of the Company during which this Plan is in effect.

Section 2.25 "Postponement Period" shall mean, for a Key Employee, the period of six months after separation from service (or such other period as may be required by section 409A of the Code), during which deferred compensation may not be paid to the Key Employee under section 409A of the Code.

Section 2.26 "Release" shall mean a release and discharge of the Company, all of its Affiliates, and all affiliated persons and entities from any and all claims, demands and causes of action, other than as to amounts or benefits due to the Participant under any qualified employee retirement plan of the Company or an Affiliate, which shall be in such form as may be proscribed by the Company, acting as Plan sponsor and not as a fiduciary, from time to time and with such modifications as the Company deems appropriate for the Participant's particular situation.

Section 2.27 "Salary Continuation Period" shall mean (i) the number of months of Paid Notice plus (ii) the period for which a Participant receives Separation Pay under Section 4.01(b).

Section 2.28 "Separation Pay." shall mean the cash amount payable to a Participant as determined pursuant to Section 4.01(b).

Section 2.29 "Weekly Compensation" shall mean the Participant's Annual Compensation divided by 52.

Section 2.30 “Year of Service” shall mean each 12 month period (or part thereof) of continuous service with the Company and its Affiliates beginning on the Participant’s Employment Commencement Date and ending on each anniversary thereof. Years of Service with an entity whose business or assets have been acquired by the Company or an Affiliate shall be counted only if so determined by the Company.

ARTICLE III

PARTICIPATION  
AND ELIGIBILITY FOR BENEFITS

Section 3.01 General Eligibility Requirement. In its sole discretion, acting in its role as Plan sponsor and not as a fiduciary, the Company may grant a Benefit under this Plan to any Executive Employee whose employment is terminated by the Company or an Affiliate other than for Just Cause, death, or continuous illness, injury or incapacity for a period of six consecutive months. Notwithstanding anything herein to the contrary, an Executive Employee will not be considered to have incurred a termination by the Company or an Affiliate for purposes of this Plan if his or her employment is discontinued due to voluntary resignation or the expiration of a leave of absence, as determined by the Company, acting in its role as Plan sponsor and not as a fiduciary. In addition, the Executive Employee must meet the requirements of Section 3.03 in order to receive a Benefit under this Plan.

Section 3.02 Substantially Comparable Employment. Notwithstanding anything herein to the contrary, no Benefits shall be due hereunder to an Executive Employee in connection with the disposition of a business, division or affiliated company by the Company or an Affiliate if substantially comparable terms of employment, as determined by the Company, have been offered to the Executive Employee by the transferee; *provided, however*, that the Company, acting in its role as Plan sponsor and not as a fiduciary, may determine that the Company or an Affiliate will provide some or all of the Benefits to an Executive Employee whose employment with the Company and its Affiliates is terminated as described in Section 3.01. For purposes of this Plan, “substantially comparable terms of employment” shall mean an executive level position with (i) no reduction in the Executive Employee’s annual base salary as of the date of the transaction, and (ii) no material change in the geographic location at which the Executive Employee must perform services (which, for purposes of this Plan, means a location that is not more than 50 miles from the Executive Employee’s principal place of business immediately before the transaction).

Section 3.03 Conditions to Entitlement to Benefits.

(a) As further conditions to entitlement to Benefits under the Plan, all Participants must, prior to the payment of any Benefits due hereunder, (i) sign and not rescind or contest the enforceability of a Release; (ii) ratify any patent assignment, confidentiality, non-solicitation, non-competition and other post-employment activities agreement in effect between the Participant and the Company or an Affiliate; (iii) return to the Company and its Affiliates any and all property of the Company and its Affiliates held by the Participant, including, but not limited to, all reports, manuals, memoranda, computer disks, tapes and data made available to the Participant during the performance of the Participant’s duties, including all copies; (iv) hold confidential any and all information concerning the Company and its Affiliates, whether with respect to its business, subscribers, providers, customers, operations, finances, employees, contractors, or otherwise; and (v) cooperate fully with the Company and its Affiliates to complete the transition of matters with which the Participant is familiar or responsible to other employees

and make himself or herself available to answer questions or assist in matters which may require attention after the Participant's Employment Termination Date. Notwithstanding the foregoing, accrued vacation described in Section 4.01(d) shall be paid without regard to the Participant's execution of a Release, to the extent required by applicable state law.

(b) If the Administrative Committee determines, in its sole discretion, that the Participant has violated one or more of the foregoing conditions to entitlement to Benefits, the Administrative Committee may determine that the Participant will not receive the Benefits or the Company may discontinue the payment of Benefits under the Plan. Any remedy under this Section 3.03 shall be in addition to, and not in place of, any other remedy the Company and its Affiliates may have, at law or otherwise.



## ARTICLE IV

### BENEFITS

Section 4.01 Amount of Immediate Cash Benefit. The Company, acting in its role as Plan sponsor and not as a fiduciary, shall determine which Executive Employees shall be awarded a Benefit hereunder and the amount of any such Benefit. The Company may take into account any factors it determines to be relevant in deciding which Executive Employees shall be awarded Benefits and the amount of such Benefits, and need not apply its determinations in a uniform manner to terminated Executive Employees similarly situated. All such decisions shall be final, binding and conclusive with respect to the Executive Employee. Unless the Company determines otherwise, subject in all events to Section 3.03, the amount to be paid to a Participant eligible to receive Benefits under Section 3.01 hereof upon the Participant's separation from service shall be paid in a lump sum as provided in Section 5.01 hereof and shall equal the sum of the amounts described in subsections (a) through (d), and subject to subsection (g), except that any payment under paragraph (c) below will be excluded from the lump sum payment and paid separately as provided below:

(a) An amount of Paid Notice equal to three months of the Participant's Monthly Compensation.

(b) An amount of Separation Pay equal to two weeks of the Participant's Weekly Compensation for each Year of Service; provided, however, that such amount shall not be less than three months of the Participant's Monthly Compensation and shall not exceed 100% of the Participant's Annual Compensation.

(c) The Administrative Committee may determine in its sole discretion that an annual bonus will be paid for the year of termination. The Administrative Committee may take into account factors such as Company and Affiliate performance, individual performance and the portion of the year elapsed prior to the Employment Termination Date. The annual bonus shall not exceed a pro rata portion of the Participant's target annual bonus for the year of termination. The bonus, if any, shall be paid within 60 days after the Employment Termination Date, unless the Executive Annual Bonus Plan in effect for the year specifically provides otherwise with respect to termination of employment. If a bonus is payable to the Participant under the Executive Annual Bonus Plan for the year of termination, no bonus will be payable under this Plan.

(d) An amount equal to the Participant's earned and accrued vacation entitlement, including banked vacation time, and personal holidays through the Participant's Employment Termination Date.

(e) Notwithstanding the foregoing, the minimum payment calculated under subsections (a) through (d) above shall not be less than six months of the Participant's annual base salary in effect at the beginning of the quarter immediately preceding the Employment Termination Date, without regard to the target bonus.

#### Section 4.02 Executive Benefits.

(a) If a Participant receives Benefits under Section 4.01, the Company shall pay to the Participant a single lump sum payment, as provided in Section 5.01 and subject to Section 3.03, equal to the COBRA Cost that the Participant would incur if the Participant continued medical and dental coverage under the Company's benefit plans through the end of the Salary Continuation Period, based on the benefits in effect for the Participant (and where applicable, his or her spouse and dependents) at the Participant's Employment Termination Date, less the amount that the Participant would be required to contribute for medical and dental coverage if such Participant were an active employee.

(b) A Participant who receives Benefits under Section 4.01 may elect COBRA Coverage according to the terms of the Company's applicable medical and dental plans. If the Participant elects COBRA Coverage, the Participant shall be responsible for paying the COBRA Cost of such coverage in order to be eligible for the coverage. Any applicable conversion rights shall be provided to the Participant at the time coverage ceases.

(c) Each Participant who receives Benefits under Section 4.01 shall be entitled to receive outplacement services for up to six months following his or her Employment Termination Date through a vendor selected by the Company.

Section 4.03 Retirement Plans. This Plan shall not govern and shall in no way affect the Participant's interest in, or entitlement to benefits under, any of the qualified retirement plans of the Company or an Affiliate and any payments received under any such plan shall not affect a Participant's right to any Benefit hereunder.

#### Section 4.04 Effect on Other Benefits.

(a) After a Participant's termination of employment, the Participant shall not accrue benefits under any benefit plan of the Company or an Affiliate, and a terminated Participant shall not accrue vacation days, paid holidays, paid sick days or other benefits for any part of the Salary Continuation Period.

(b) Notwithstanding anything in this Plan to the contrary, no benefits shall be paid under this Plan if the Participant receives severance benefits under any other severance agreement or arrangement with the Company or an Affiliate.

(c) Notwithstanding anything herein to the contrary, the Benefits payable under this Plan to any Participant may be reduced by any and all payments required to be made by the Company or an Affiliate under federal, state and local law, including the Worker Adjustment and Retraining Notification Act, 29 U.S.C. Section 2101 et. seq. or under any employment agreement or special severance arrangement, as determined by the Company, acting as Plan sponsor and not as a fiduciary.

## ARTICLE V

### METHOD AND DURATION OF BENEFIT PAYMENTS

Section 5.01 Method of Payment. The cash Benefit to which a Participant is entitled, pursuant to Article IV, shall be paid in a lump sum payment. Payment shall be made within 60 days following the Participant's Employment Termination Date, subject to the fulfillment of all conditions for payment of the Benefit set forth in Section 4.01 and compliance with all requirements of Section 3.03. Payment shall be made by mailing to the last address provided by the Participant to the Company or an Affiliate. All payments under the Plan are subject to applicable federal, state and local taxes.

#### Section 5.02 Section 409A.

(a) Notwithstanding any provision of the Plan to the contrary, if required by section 409A of the Code and if a Participant is a Key Employee, no Benefits shall be paid to the Participant during the Postponement Period. If a Participant is a Key Employee and payment of Benefits is required to be delayed for the Postponement Period under section 409A, the accumulated amounts withheld on account of section 409A of the Code shall be paid in a lump sum payment within 30 days after the end of the Postponement Period. If the Participant dies during the Postponement Period prior to the payment of Benefits, the amounts withheld on account of section 409A of the Code shall be paid to the Participant's estate within 60 days after the Participant's death.

(b) This Agreement is intended to meet the requirements of the "short-term deferral" exception, the "separation pay" exception and other exceptions under section 409A of the Code. Notwithstanding anything in this Plan to the contrary, if required by section 409A, payments may only be made under this Plan upon an event and in a manner permitted by section 409A, to the extent applicable. As used in the Plan, the term "termination of employment" shall mean the Participant's separation from service with the Company and its Affiliates within the meaning of section 409A and the regulations promulgated thereunder. For purposes of section 409A, the right to a series of payments under the Plan shall be treated as a right to a series of separate payments. All reimbursements and in-kind benefits provided under the Plan shall be made or provided in accordance with the requirements of section 409A of the Code. **In no event may a Participant designate the year of payment for any amounts payable under the Plan.** Notwithstanding any provision of the Plan to the contrary, if the payments and benefits provided for under the Plan are subject to section 409A, in no event shall the timing of a Participant's execution of the Release, directly or indirectly, result in the Participant designating the calendar year of payment, and if a payment that is subject to execution of the Release could be made in more than one taxable year, payment shall be made in the later taxable year.

Section 5.03 Payments After Death. If a Participant dies after separation from service and before the Participant has received any Benefit that the Participant is entitled to receive under Article IV, any unpaid Benefit that the Participant would otherwise have received shall be payable to the Participant's estate.

## ARTICLE VI

### ADMINISTRATION

Section 6.01 Appointment. The Administrative Committee shall consist of one or more persons appointed by the Compensation Committee. Administrative Committee members may be, but need not be, employees of the Company.

Section 6.02 Tenure. Administrative Committee members shall serve at the pleasure of the Compensation Committee. Administrative Committee members may resign at any time on ten days' written notice, and Administrative Committee members may be discharged, with or without cause, at any time by the Compensation Committee.

Section 6.03 Authority and Duties. It shall be the duty of the Administrative Committee, on the basis of information supplied to it by the Company, to determine the eligibility of each Participant for Benefits under the Plan, to determine the amount of Benefits to which each such Participant may be entitled, and to determine the manner, time of payment and other requirements of payment of Benefits consistent with the provisions hereof. The Company shall make such payments as are certified to it by the Administrative Committee to be due to Participants. The Administrative Committee shall have the full power and discretionary authority to construe, interpret and administer the Plan, to correct deficiencies therein, and to supply omissions. All decisions, actions, and interpretations of the Administrative Committee shall be final, binding, and conclusive upon the parties. The Administrative Committee may delegate ministerial and other responsibilities to one or more employees of the Company or its Affiliates.

Section 6.04 Action by the Administrative Committee. A majority of the members of the Administrative Committee shall constitute a quorum for the transaction of business at a meeting of the Administrative Committee. Any action of the Administrative Committee may be taken upon the affirmative vote of a majority of the members of the Administrative Committee at a meeting, or at the direction of the Chairperson, without a meeting, by mail, telephone, or electronic communication; provided that all of the members of the Administrative Committee are informed of their right to vote on the matter before the Administrative Committee and of the outcome of the vote thereon.

Section 6.05 Officers of the Administrative Committee. The Administrative Committee shall designate one of its members to serve as Chairperson thereof. The Administrative Committee shall also designate a person to serve as Secretary of the Administrative Committee, which person may be, but need not be, a member of the Administrative Committee.

Section 6.06 Compensation of the Administrative Committee. Members of the Administrative Committee shall receive no compensation for their services as such. However, all reasonable expenses of the Administrative Committee shall be paid or reimbursed by the Company upon proper documentation. The Company shall indemnify members of the

Administrative Committee against personal liability for actions taken in good faith in the discharge of their respective duties as members of the Administrative Committee.

Section 6.07 Records, Reporting, and Disclosure. The Administrative Committee shall keep all individual and group records relating to Participants and former Participants and all other records necessary for the proper operation of the Plan. Such records shall be made available to the Company and its Affiliates and to each Participant for examination during business hours except that a Participant shall examine only such records as pertain exclusively to the examining Participant and to the Plan. The Administrative Committee shall prepare and shall file as required by law or regulation all reports, forms, documents and other items required by ERISA, the Code, and every other relevant statute, each as amended, and all regulations thereunder (except that the Company or an Affiliate, as payor of the Benefits, shall prepare and distribute to the proper recipients all forms relating to withholding of income or wage taxes, Social Security taxes, and other amounts which may be similarly reportable).

Section 6.08 Actions of the Administrative Committee. All determinations made by the Administrative Committee under the Plan shall be made solely at the discretion of the Administrative Committee. The exercise of discretion by the Administrative Committee need not be uniformly applied to similarly situated Participants and shall be final and binding on each Participant or beneficiary to whom the determination is directed.

Section 6.09 Bonding. The Administrative Committee shall arrange any bonding that may be required by law, but no amount in excess of the amount required by law (if any) shall be required by the Plan.

## ARTICLE VII

### AMENDMENT AND TERMINATION

Section 7.01 Amendment, Suspension and Termination. The Company, by action of its Board of Directors or the Compensation Committee or its delegate, retains the right, at any time and from time to time, to amend, suspend or terminate the Plan in whole or in part, for any reason, and without either the consent of or the prior notification to any Participant. No such amendment shall give the Company or an Affiliate the right to recover any amount paid to a Participant prior to the date of such amendment or to cause the cessation and discontinuance of payments of Benefits to any person or persons under the Plan already receiving Benefits. Notwithstanding the foregoing, the Administrative Committee may adopt any amendment to the Plan as it shall deem necessary or appropriate to (i) maintain compliance with current laws and regulations; (ii) correct errors and omissions in the Plan document; and (iii) facilitate the administration and operation of the Plan.

## ARTICLE VIII

### DUTIES OF THE COMPANY

Section 8.01 Records. The Company shall supply to the Administrative Committee all records and information necessary to the performance of the Administrative Committee's duties.

Section 8.02 Payment. The Company shall make payments from its general assets to Participants in accordance with the terms of the Plan, as directed by the Administrative Committee.

Section 8.03 Discretion, Delegation.

(a) Any decisions, actions or interpretations to be made under the Plan by the Company shall be made in its sole discretion, not in any fiduciary capacity and need not be uniformly applied to similarly situated individuals, and such decisions, actions or interpretations shall be final, binding and conclusive upon all parties.

(b) The Company may take actions under the Plan by action of its Board of Directors or the Compensation Committee, or by action of any officer or committee to whom any of the Company's authority with respect to the Plan shall have been delegated.

## ARTICLE IX

### CLAIMS PROCEDURES

Section 9.01 Application for Benefits. A terminated employee who believes that he or she is eligible for benefits under this Plan may apply for such benefits by completing and filing with the Administrative Committee an application for benefits on a form supplied by the Administrative Committee. Each such application must be supported by such information as the Administrative Committee deems relevant and appropriate.

Section 9.02 Claim; Claim Decision. A terminated employee may contest his or her eligibility for benefits or his or her eligibility for the amount of benefit awarded, as applicable, by completing and filing with the Administrative Committee a written request for review in the manner specified by the Administrative Committee. Each such application must be supported by such information as the Administrative Committee deems relevant and appropriate. The Administrative Committee will review the claim and provide notice to the terminated employee, in writing, within 90 days after the claim is filed unless special circumstances require an extension of time for processing the claim. If the Administrative Committee determines that an extension of time for processing is required, the Administrative Committee shall furnish written notice of the extension before the end of the initial 90-day period. In no event shall the extension exceed a period of 90 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Administrative Committee expects to render a decision. In the event that any claim for benefits is denied in whole or in part, the terminated employee whose claim has been so denied shall be notified of such denial in writing by the Administrative Committee. The notice advising of the denial shall be written in a manner calculated to be understood by the terminated employee and shall set forth: (a) the specific reason(s) for the denial; (b) specific references to the pertinent Plan provisions on which the denial is based; (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation as to why such information is necessary; and (d) a description of the Plan's claim procedure and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

Section 9.03 Appeals of Denied Claims for Benefits. All appeals shall be made by the following procedure:

(a) The terminated employee whose claim has been denied shall file with the Administrative Committee a notice of appeal of the denial. Such notice shall be filed within 60 days of notification by the Administrative Committee of the claim denial, shall be made in writing, and shall set forth all of the facts upon which the appeal is based. Appeals not timely filed shall be barred.

(b) Subject to subsection (a), the claimant or his duly authorized representative may:



(i) request a review upon written notice to the Administrative Committee;

(ii) request free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits; and

(iii) submit written comments, documents, records and other information related to the claim.

(c) The Named Appeals Fiduciary (as described in Section 9.04) shall issue a decision no later than 60 days after receipt of a request for review unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible, but not later than 120 days after receipt of the terminated employee's notice of appeal. If the Named Appeals Fiduciary determines that an extension of time for processing is required, the Named Appeals Fiduciary shall furnish written notice of the extension before the end of the initial 60-day period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Named Appeals Fiduciary expects to render a decision.

(d) The Named Appeals Fiduciary shall take into account all comments, documents, records and other information submitted by the claimant relating to the claim, regardless of whether the information was submitted or considered in the initial benefit determination.

(e) The Named Appeals Fiduciary shall render a determination upon the appealed claim which determination shall be accompanied by a written statement. The notice advising of the denial shall be written in a manner calculated to be understood by the terminated employee and shall set forth:

(i) the specific reason(s) for the decision;

(ii) specific references to the pertinent Plan provisions on which the decision is based;

(iii) the claimant's right to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits; and

(iv) the claimant's right to bring a civil action under section 502(a) of ERISA.

Section 9.04 Appointment of the Named Appeals Fiduciary. The Named Appeals Fiduciary shall be the person or persons named as such by the Compensation Committee, or, if no such person or persons be named, then the person or persons named by the Administrative Committee as the Named Appeals Fiduciary. Named Appeals Fiduciaries may at any time be removed by the Compensation Committee, and any Named Appeals Fiduciary named by the

Administrative Committee may be removed by the Administrative Committee. All such removals may be with or without cause and shall be effective on the date stated in the notice of removal. The Named Appeals Fiduciary shall be a “Named Fiduciary” within the meaning of ERISA, and unless appointed to other fiduciary responsibilities, shall have no authority, responsibility or liability with respect to any matter other than the proper discharge of the functions of the Named Appeals Fiduciary as set forth herein.

Section 9.05 Claims Procedures Mandatory. The internal claims procedures set forth in this Article IX are mandatory. If a claimant fails to follow these claims procedures, or to timely file a request for appeal in accordance with this Article IX, the denial of the claim shall become final and binding on all persons for all purposes.

Section 9.06 Exhaustion of Claims and Appeals Procedures. A claim or action (a) to recover benefits allegedly due under the Plan or by reason of any law; (b) to enforce rights under the Plan; (c) to clarify rights to future benefits under the Plan; or (d) that relates to the Plan and seeks a remedy, ruling or judgment of any kind against the Plan or a Plan fiduciary or party in interest (collectively, a “Judicial Claim”), may not be commenced in any court or forum until after the claimant has exhausted the Plan’s claims and appeals procedures, including, for these purposes, any voluntary appeal right (an “Administrative Claim”). A claimant must raise all arguments and produce all evidence the claimant believes supports the claim or action in the Administrative Claim and shall be deemed to have waived every argument and the right to produce any evidence not submitted to the Named Appeals Fiduciary as part of the Administrative Claim. Any Judicial Claim must be commenced in the appropriate court or forum no later than 12 months from the earliest of (i) the date of the claimant’s termination of employment; (ii) the date the Administrative Committee or its delegate first denied the claimant’s request; or (iii) the first date the claimant knew or should have known the principal facts on which such claim or action is based; provided, however, that, if the claimant commences an Administrative Claim before the expiration of such 12-month period, the period for commencing a Judicial Claim shall expire on the later of the end of the 12-month period and the date that is three months after the final denial of the claimant’s Administrative Claim, such that the claimant has exhausted the Plan’s claims and appeals procedures. Any claim or action that is commenced, filed or raised, whether a Judicial Claim or an Administrative Claim, after expiration of such 12-month limitations period (or, if applicable, expiration of the three-month limitations period following exhaustion of the Plan’s claims and appeals procedures) shall be time-barred. Filing or commencing a Judicial Claim before the claimant exhausts the Administrative Claim requirements shall not toll the 12-month limitations period (or, if applicable, the three month limitations period).

## ARTICLE X

### MISCELLANEOUS

Section 10.01 Nonalienation of Benefits. None of the payments, benefits or rights of any Participant shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of such Participant. No Participant shall have the right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which the Participant may expect to receive, contingently or otherwise, under this Plan.

Section 10.02 No Contract of Employment. Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Participant, or any person whosoever, the right to be retained in the service of the Company or an Affiliate, and all Participants shall remain subject to discharge to the same extent as if the Plan had never been adopted.

Section 10.03 Severability of Provisions. If any provision of this Plan shall be held invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability shall not affect any other provisions hereof, and this Plan shall be construed and enforced as if such provisions had not been included.

Section 10.04 Successors, Heirs, Assigns, and Personal Representatives. This Plan shall be binding upon the heirs, executors, administrators, successors and assigns of the parties, including each Participant, present and future. If a Change in Control occurs, unless the Compensation Committee directs otherwise before the Change in Control, the Company shall require any successor or successors (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, or a division or Affiliate thereof, (i) to acknowledge expressly that this Plan is binding upon and enforceable against such successor in accordance with the terms hereof, (ii) to become jointly and severally obligated with the Company to perform the obligations under this Plan, and (iii) to agree not to amend or terminate the Plan for a period of one year after the Change in Control without the consent of the affected Participant.

Section 10.05 Unfunded Plan. The Plan shall not be funded. The Company may, but shall not be required to, set aside or designate an amount necessary to provide the Benefits specified herein (including the establishment of trusts). In any event, no Participant shall have any right to, or interest in, any assets of the Company or an Affiliate which may be applied by the Company or an Affiliate to the payment of Benefits.

Section 10.06 Payments to Incompetent Persons. Any Benefit payable to or for the benefit of an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Company, its

Affiliates, the Administrative Committee, the Compensation Committee and all other parties with respect thereto.

Section 10.07 Controlling Law. This Plan shall be construed and enforced according to the laws of the Commonwealth of Pennsylvania, to the extent not preempted by Federal law, without giving effect to any Pennsylvania choice of law provisions.

APPENDIX A  
CHANGE IN CONTROL

For purposes of this Plan, the term “Change in Control,” and defined terms used in the definition of “Change in Control,” shall have the following meanings:

1. “Change in Control” shall mean:

(a) Any Person (except UGI, any Subsidiary of UGI, any employee benefit plan of UGI or of any Subsidiary of UGI, or any Person or entity organized, appointed or established by UGI for or pursuant to the terms of any such employee benefit plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner in the aggregate of twenty percent (20%) or more of either (i) the then outstanding shares of common stock of UGI (the “Outstanding UGI Common Stock”) or (ii) the combined voting power of the then outstanding voting securities of UGI entitled to vote generally in the election of directors (the “UGI Voting Securities”); in either case unless the members of UGI’s Executive Committee in office immediately prior to such acquisition determine within five business days of the receipt of actual notice of such acquisition that the circumstances do not warrant the implementation of the Change in Control provisions of this Plan; or

(b) Individuals who, as of the beginning of any twenty-four (24) month period, constitute the UGI Board of Directors (the “Incumbent UGI Board”) cease for any reason to constitute at least a majority of the Incumbent UGI Board, provided that any individual becoming a director of UGI subsequent to the beginning of such period whose election or nomination for election by the UGI stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent UGI Board shall be considered as though such individual were a member of the Incumbent UGI Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of UGI (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(c) Completion by UGI of a reorganization, merger or consolidation (a “Business Combination”), in each case, with respect to which all or substantially all of the individuals and entities who were the respective Beneficial Owners of the Outstanding UGI Common Stock and UGI Voting Securities immediately prior to such Business Combination do not, following such Business Combination, Beneficially Own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding UGI Common Stock and UGI Voting Securities, as the case may be; in either case unless the members of UGI’s Executive Committee in office immediately prior to such Business Combination determine at the time of such Business

Combination that the circumstances do not warrant the implementation of the Change in Control provisions of this Plan; or

(d) Completion of (a) a complete liquidation or dissolution of UGI or (b) sale or other disposition of all or substantially all of the assets of UGI other than to a corporation with respect to which, following such sale or disposition, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Outstanding UGI Common Stock and UGI Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding UGI Common Stock and UGI Voting Securities, as the case may be, immediately prior to such sale or disposition; in either case unless the members of UGI's Executive Committee in office immediately prior to such sale or disposition determine at the time of such sale or disposition that the circumstances do not warrant the implementation of the Change in Control provisions of this Plan; or

(e) Completion by the Company, Public Partnership or the Operating Partnership of a reorganization, merger or consolidation (a "Propane Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective Beneficial Owners of the Company's voting securities or of the outstanding units of AmeriGas Partners, L.P. ("Outstanding Units") immediately prior to such Propane Business Combination do not, following such Propane Business Combination, Beneficially Own, directly or indirectly, (a) if the entity resulting from such Propane Business Combination is a corporation, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of such corporation in substantially the same proportion as their ownership immediately prior to such Combination of the Company's voting securities or the Outstanding Units, as the case may be, or, (b) if the entity resulting from such Propane Business Combination is a partnership, more than fifty percent (50%) of the then outstanding common units of such partnership in substantially the same proportion as their ownership immediately prior to such Propane Business Combination of the Company's voting securities or the Outstanding Units, as the case may be; or

(f) Completion of (a) a complete liquidation or dissolution of the Company, the Public Partnership or the Operating Partnership or (b) sale or other disposition of all or substantially all of the assets of the Company, the Public Partnership or the Operating Partnership other than to an entity with respect to which, following such sale or disposition, (I) if such entity is a corporation, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Company's voting securities or of the Outstanding Units, as the case may be, immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Company's voting securities or of the Outstanding Units, as the case may be,

immediately prior to such sale or disposition, or, (II) if such entity is a partnership, more than fifty percent (50%) of the then outstanding common units is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Company's voting securities or of the Outstanding Units, as the case may be, immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Company's voting securities or of the Outstanding Units immediately prior to such sale or disposition; or

(g) UGI and its Subsidiaries fail to own more than fifty percent (50%) of the then outstanding general partnership interests of the Public Partnership or the Operating Partnership; or

(h) UGI and its Subsidiaries fail to own more than fifty percent (50%) of the then outstanding shares of common stock of the Company or more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors; or

(i) The Company is removed as the general partner of the Public Partnership by vote of the limited partners of the Public Partnership, or is removed as the general partner of the Public Partnership or the Operating Partnership as a result of judicial or administrative proceedings involving the Company, the Public Partnership or the Operating Partnership.

2. "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

3. A Person shall be deemed the "Beneficial Owner" of any securities: (i) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; *provided, however*, that a Person shall not be deemed the "Beneficial Owner" of securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for payment, purchase or exchange; (ii) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including without limitation pursuant to any agreement, arrangement or understanding, whether or not in writing; *provided, however*, that a Person shall not be deemed the "Beneficial Owner" of any security under this clause (ii) as a result of an oral or written agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or (iii) that are

beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to clause (ii) above) or disposing of any securities; *provided, however*, that nothing in this Section 1(c) shall cause a Person engaged in business as an underwriter of securities to be the "Beneficial Owner" of any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty (40) days after the date of such acquisition.

4. "Operating Partnership" shall mean AmeriGas Propane, L.P.

5. "Public Partnership" shall mean AmeriGas Partners, L.P.

6. "Person" shall mean an individual or a corporation, partnership, trust, unincorporated organization, association, or other entity.

7. "Subsidiary" shall mean any corporation in which UGI or the Company, as applicable, directly or indirectly, owns at least a fifty percent (50%) interest or an unincorporated entity of which UGI or the Company, as applicable, directly or indirectly, owns at least fifty percent (50%) of the profits or capital interests.

8. "UGI" shall mean UGI Corporation.



**UGI CORPORATION**  
**DESCRIPTION OF COMPENSATION ARRANGEMENT**  
**FOR**  
**JOHN L. WALSH**

John L. Walsh is President and Chief Executive Officer of UGI Corporation. Mr. Walsh has an oral compensation arrangement with UGI Corporation which includes the following:

Mr. Walsh:

1. is entitled to an annual base salary, which for fiscal year 2017 was \$1,173,380;
2. participates in UGI Corporation's annual bonus plan, with bonus payable based on the achievement of pre-approved financial and/or business performance objectives that support business plans and strategic goals;
3. participates in UGI Corporation's long-term compensation plans, UGI Corporation's 2004 Omnibus Equity Compensation Plan, as amended, and UGI Corporation's 2013 Omnibus Incentive Compensation Plan;
4. will receive cash benefits upon termination of his employment without cause following a change in control of UGI Corporation; and
5. participates in UGI Corporation's benefit plans, including the UGI Pension Plan, Senior Executive Employee Severance Plan, Supplemental Executive Retirement Plan, UGI Savings Plan, and Supplemental Savings Plan.

**UGI CORPORATION**  
**DESCRIPTION OF COMPENSATION ARRANGEMENT**  
**FOR**  
**KIRK R. OLIVER**

Kirk R. Oliver is Chief Financial Officer of UGI Corporation. Mr. Oliver has an oral compensation arrangement with UGI Corporation which includes the following:

Mr. Oliver:

1. is entitled to an annual base salary, which for fiscal year 2017 was \$549,315;
2. participates in UGI Corporation's annual bonus plan, with bonus payable based on the achievement of pre-approved financial and/or business performance objectives that support business plans and strategic goals;
3. participates in UGI Corporation's long-term compensation plans, UGI Corporation's 2004 Omnibus Equity Compensation Plan, as amended, and UGI Corporation's 2013 Omnibus Incentive Compensation Plan;
4. will receive cash benefits upon termination of his employment without cause following a change in control of UGI Corporation; and
5. participates in UGI Corporation's benefit plans, including the Senior Executive Employee Severance Plan, 2009 Supplemental Executive Retirement Plan for New Employees, and UGI Savings Plan.

**UGI CORPORATION**  
**DESCRIPTION OF COMPENSATION ARRANGEMENT**  
**FOR**  
**MONICA M. GAUDIOSI**

Monica M. Gaudiosi is Vice President, General Counsel and Secretary of UGI Corporation. Ms. Gaudiosi has an oral compensation arrangement with UGI Corporation which includes the following:

Ms. Gaudiosi:

1. is entitled to an annual base salary, which for fiscal year 2017 was \$459,264;
2. participates in UGI Corporation's annual bonus plan, with bonus payable based on the achievement of pre-approved financial and/or business performance objectives that support business plans and strategic goals;
3. participates in UGI Corporation's long-term compensation plans, UGI Corporation's 2004 Omnibus Equity Compensation Plan, as amended, and UGI Corporation's 2013 Omnibus Incentive Compensation Plan;
4. will receive cash benefits upon termination of her employment without cause following a change in control of UGI Corporation; and
5. participates in UGI Corporation's benefit plans, including the Senior Executive Employee Severance Plan, 2009 Supplemental Executive Retirement Plan for New Employees, and UGI Savings Plan.

**UGI CORPORATION  
DESCRIPTION OF COMPENSATION ARRANGEMENT  
FOR  
ROGER PERREAULT**

Roger Perreault is President of UGI International, LLC. Mr. Perreault has an oral compensation arrangement with UGI Corporation, which includes the following:

Mr. Perreault:

1. is entitled to an annual base salary, which for fiscal year 2017 was \$563,758;
2. participates in UGI International, LLC's annual bonus plan, with bonus payable based on the achievement of pre-approved financial and/or business performance objectives that support business plans and strategic goals;
3. participates in UGI Corporation's 2013 Omnibus Incentive Compensation Plan;
4. will receive cash benefits upon termination of his employment without cause following a change in control of UGI International, LLC or UGI Corporation; and
5. participates in UGI Corporation's benefit plans, including the Senior Executive Employee Severance Plan, 2009 Supplemental Executive Retirement Plan for New Employees, and UGI Savings Plan.

**AMERIGAS PROPANE, INC.**  
**DESCRIPTION OF COMPENSATION ARRANGEMENT**  
**FOR**  
**JERRY E. SHERIDAN**

Jerry E. Sheridan is President and Chief Executive Officer of AmeriGas Propane, Inc., the general partner of AmeriGas Partners, L.P. Mr. Sheridan has an oral compensation arrangement with AmeriGas Propane, Inc. which includes the following:

Mr. Sheridan:

1. is entitled to an annual base salary, which for fiscal year 2017 was \$552,360;
2. participates in AmeriGas Propane, Inc.'s annual bonus plan, with bonus payable based on the achievement of pre-approved financial and/or business performance objectives that support business plans and strategic goals;
3. participates in AmeriGas Propane, Inc.'s long-term compensation plans, the 2010 Long-Term Incentive Plan, UGI Corporation's 2004 Omnibus Equity Compensation Plan, as amended, and UGI Corporation's 2013 Omnibus Incentive Compensation Plan;
4. will receive cash benefits upon termination of his employment without cause following a change in control of AmeriGas Propane, Inc., AmeriGas Partners, L.P. or UGI Corporation; and
5. participates in AmeriGas Propane, Inc.'s benefit plans, including the AmeriGas Propane, Inc. Senior Executive Employee Severance Plan and the AmeriGas Propane, Inc. Supplemental Executive Retirement Plan.

**UGI CORPORATION**  
**SUMMARY OF DIRECTOR COMPENSATION**

The table below shows the components of director compensation effective October 1, 2017. A director who is an officer or employee of the Registrant or its subsidiaries is not compensated for service on the Board of Directors or on any Committee of the Board.

	<u>CASH</u> <u>COMPONENT</u>	<u>EQUITY</u> <u>COMPONENT</u> <sup>(1)(2)</sup>
Annual Retainer for Non-Employee Directors	\$80,000	3,000 Stock Units 9,000 Stock Options
Annual Retainer for Independent Chairman	\$250,000	5,100 Stock Units 15,400 Stock Options
Additional Annual Retainer for Audit Committee Members (other than the Chairperson)	\$10,000	
Additional Annual Retainer for the Audit Committee Chairperson	\$20,000	
Additional Annual Retainer for the Compensation and Management Development Committee Chairperson	\$15,000	
Additional Annual Retainer for the Corporate Governance Committee Chairperson	\$10,000	
Additional Annual Retainer for the Safety, Environmental and Regulatory Compliance Committee Chairperson	\$10,000	

(1) Stock Units and Stock Options are granted under the UGI Corporation 2013 Omnibus Incentive Compensation Plan.

(2) Stock Units and Stock Options to be awarded in January 2017.

UGI CORPORATION  
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AND  
SUPPLEMENTAL SAVINGS PLAN

As amended and restated effective April 1, 2015

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UGI CORPORATION  
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

BACKGROUND

The Senior Executive Retirement Plan for Certain Employees of UGI Corporation and its Subsidiaries and Affiliates (the “Senior Plan”) was established effective as of January 1, 1985. Until April 10, 1992, it was maintained by UGI Utilities, Inc. (formerly named, prior to April 10, 1992, UGI Corporation and hereinafter sometimes referred to as “UGI Utilities”). On April 10, 1992, UGI Utilities became a subsidiary of New UGI Corporation which was renamed UGI Corporation (“UGI”) on the same date. As of April 10, 1992, UGI assumed sponsorship of the Senior Plan and all obligations of UGI Utilities thereunder, and amended and restated the Senior Plan to reflect the transfer of Senior Plan sponsorship. Effective October 1, 1996, the Senior Plan was amended and restated to eliminate participation by employees of AmeriGas Propane, Inc., to re-name the Senior Plan “The UGI Corporation Supplemental Executive Retirement Plan” and to make other changes. Effective January 1, 2005, the UGI Corporation Supplemental Executive Retirement Plan was amended to comply with section 409A of the Internal Revenue Code and was split into two subplans, the Supplemental Executive Retirement Plan and the Supplemental Savings Plan.

The Supplemental Executive Retirement Plan was amended and restated to allow participants to defer their benefit under the Supplemental Executive Retirement Plan pursuant to the UGI Corporation 2009 Deferral Plan. The amendment and restatement of the Supplemental Executive Retirement Plan was effective as of January 1, 2009. The Supplemental Executive Retirement Plan was amended and restated effective as of November 22, 2013, except where otherwise indicated, and is hereby amended and restated effective as of April 1, 2015.

## ARTICLE I

### STATEMENT OF PURPOSE

Sec. 1.01 Purpose. The Supplemental Executive Retirement Plan (the “SERP”) is maintained to provide a fair and competitive level of retirement benefits to certain management and other highly compensated employees who have, by operation of laws and regulations relating to qualified pension benefit plans, experienced a reduction in prospective retirement benefits under the Pension Plan (as defined in Article II). The benefits under the SERP are also designed to compensate terminated participants by taking into account periods of time for which payments are made under a Change in Control Agreement (as defined in Article II) or, for employees whose employment terminated on or after January 1, 2005 and before July 25, 2006, under an Executive Severance Plan (as defined in Article II).

Sec. 1.02 Grandfathered Benefits. The terms of the amended and restated SERP shall not apply to any participant whose employment terminated before January 1, 2005. Notwithstanding anything in the SERP to the contrary, the vested accrued SERP benefit of a participant whose employment terminated before January 1, 2005 shall be paid according to the terms of the UGI Corporation Supplemental Executive Retirement Plan as in effect before January 1, 2005, consistent with the “grandfather” provisions of section 409A of the Internal Revenue Code of 1986, as amended.

## ARTICLE II

### DEFINITIONS

Sec. 2.01 “Administrative Committee” shall mean the committee designated by the Compensation Committee to administer the SERP.

Sec. 2.02 “Affiliate” shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

Sec. 2.03 “Beneficiary” means the person designated by a Participant to receive any benefits payable after the Participant’s death in the event of the Participant’s death after termination of employment with UGI and its subsidiaries and Affiliates. UGI shall provide a form for this purpose. In the event a Participant has not filed a Beneficiary designation with UGI or none of the designated Beneficiaries are living at the date of the Participant’s death, the Beneficiary shall be the Participant’s estate.

Sec. 2.04 “Board” shall mean the Board of Directors of UGI.

Sec. 2.05 “Cause” shall mean misappropriation of funds, habitual insobriety, substance abuse, conviction of a crime involving moral turpitude, or gross negligence in the performance of duties, which gross negligence has had a material adverse effect on the business, operations, assets, properties or financial condition of UGI and its Subsidiaries and Affiliates, taken as a whole.

Sec. 2.06 “Change of Control” shall have the meaning set forth on the attached Exhibit A.

Sec. 2.07 “Change in Control Agreement” shall mean a Change in Control Agreement between an Employee and UGI or a Subsidiary (other than AmeriGas Propane, Inc. or its subsidiaries).

Sec. 2.08 “Code” shall mean the Internal Revenue Code of 1986, as amended.

Sec. 2.09 “Compensation Committee” shall mean the Compensation and Management Development Committee of the Board.

Sec. 2.10 “Continuation Period” shall mean, with respect to a Participant who is entitled to receive benefits under a Change in Control Agreement, the Continuation Period as defined in the Participant’s Change in Control Agreement.

Sec. 2.11 “Credited Service” shall mean a year of Credited Service as determined under the Pension Plan.

Sec. 2.12 “Deferral Plan” shall mean the UGI Corporation 2009 Deferral Plan.

Sec. 2.13 “Deferred Earnings” shall mean, for years beginning prior to September 30, 2004, so much of an Employee’s compensation payable under the applicable Executive Annual Bonus Plan as would otherwise be taken into account under the Pension Plan, but which is not taken into account under the Pension Plan due to an election by the Employee to have such compensation deferred to and paid in a subsequent year.

Sec. 2.14 “Effective Date” of the amended and restated SERP shall mean April 1, 2015, except where otherwise indicated. The SERP is a continuation of the pension portion of the UGI Corporation Supplemental Executive Retirement Plan, as in effect before January 1, 2005.

Sec. 2.15 “Employee” shall mean an employee of UGI, UGI Utilities, Inc. or another Subsidiary other than AmeriGas Propane, Inc. or its subsidiaries. In no event shall a person who is characterized as an independent contractor by the employer, no matter how characterized by a court or government agency, be considered an “Employee,” and no retroactive characterization of an individual’s status for any other purpose shall make an individual an “Employee.”

Sec. 2.16 “Employment Commencement Date” shall mean the first day on which a Participant became an employee of UGI, any Subsidiary or Affiliate of UGI, or any entity whose business or assets have been acquired by UGI, by a Subsidiary or Affiliate of UGI or by any predecessor of such entities.

Sec. 2.17 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

Sec. 2.18 “Excess Earnings” shall mean that portion of an Employee’s compensation from UGI or another participating employer hereunder that is not permitted to be taken into account under the Pension Plan by operation of section 401(a)(17) of the Code or any successor thereto, excluding any such compensation earned when the Employee was not a Participant.

Sec. 2.19 “Executive Annual Bonus Plan” shall mean the UGI Corporation Executive Annual Bonus Plan or the UGI Utilities, Inc. Executive Annual Bonus Plan, as amended from time to time, and any successor plans (and for fiscal years through 1996, the AmeriGas Propane, Inc. Executive Annual Bonus Plan).

Sec. 2.20 “Executive Severance Plan” shall mean an executive severance plan of UGI or a Subsidiary or Affiliate (other than AmeriGas Propane, Inc. or its subsidiaries).

Sec. 2.21 “Key Employee” shall mean an employee who, at any time during the 12-month period ending on the identification date, is a “specified employee” under section 409A of the Code, as determined by the Compensation Committee or its delegate. The determination of Key Employees, including the number and identity of persons considered specified employees and the identification date, shall be made by the Compensation Committee or its delegate in

accordance with the provisions of section 409A of the Code and the regulations issued thereunder.

Sec. 2.22 “Participant” shall mean each Employee who meets the requirements of Section 3.01 hereof.

Sec. 2.23 “Pension Plan” shall mean the Retirement Income Plan for Employees of UGI Utilities, Inc., as currently in effect and as it may hereafter be amended, and any plan designated by the Board as a successor thereto.

Sec. 2.24 “Pension Plan Earnings” shall mean so much of an Employee’s compensation from UGI or another participating employer hereunder as is taken into account in determining benefits or contributions under the Pension Plan for the relevant period.

Sec. 2.25 “Plan Year” shall mean, effective January 1, 2007, a 12-month period beginning on January 1 and ending on December 31. For periods before January 1, 2007, the Plan Year shall mean a period beginning on October 1 and ending on the following September 30, with a short Plan Year for the period beginning on October 1, 2006 and ending on December 31, 2006.

Sec. 2.26 “Postponement Period” shall mean, for a Key Employee, the period of six months after separation from service as defined by section 409A of the Code (or such other period as may be required by section 409A of the Code), during which SERP benefits may not be paid to the Key Employee under section 409A of the Code.

Sec. 2.27 “SERP” shall mean the UGI Corporation Supplemental Executive Retirement Plan as set forth herein, and as the same may hereafter be amended.

Sec. 2.28 “Subsidiary” shall mean any corporation in which UGI, directly or indirectly, owns at least a 50% interest or an unincorporated entity of which UGI, directly or indirectly, owns at least 50% of the profits or capital interests.

Sec. 2.29 “UGI” shall mean UGI Corporation.

Sec. 2.30 “Vesting Service” shall mean a year of Vesting Service as determined under the Pension Plan.

## ARTICLE III

### PARTICIPATION

#### Sec. 3.01 Participants.

(a) Effective as of January 1, 2005, an Employee who meets the requirements of subsection (b), (c) or (d) below shall become a Participant on the first day on which he or she meets the requirements of subsection (b), (c) or (d), as applicable.

(b) Each Employee who (i) is eligible to receive a bonus under an Executive Annual Bonus Plan at any time during the applicable Plan Year, (ii) is an active participant in the Pension Plan during the applicable Plan Year, and (iii) has Excess Earnings for the Plan Year shall be a Participant in this SERP for purposes of accruing a benefit under Section 5.01 for the applicable Plan Year.

(c) Each Employee who has a Change in Control Agreement that provides for the benefits described in Section 5.02 shall be a Participant in this SERP for purposes of being eligible to receive benefits under Section 5.02.

(d) Each Employee whose employment was terminated on or after January 1, 2005 and before July 25, 2006 and who was entitled to receive a severance benefit under an Executive Severance Plan, as described in Section 5.03, shall be a Participant in this SERP for purposes of being eligible to receive benefits under Section 5.03.

(e) Notwithstanding the foregoing, no Employee who is hired or rehired by UGI or an Affiliate on or after January 1, 2009, or who is transferred on or after January 1, 2009 into Employee status from an Affiliate that does not participate in this SERP, shall become a Participant in this SERP on or after January 1, 2009.

Sec. 3.02 Transfers. If a Participant ceases to meet the requirements of Section 3.01 but continues to be an employee of UGI or a Subsidiary or Affiliate, the former Participant will cease to accrue benefits under the SERP. The former Participant will continue to earn Vesting Service credit with respect to his or her accrued SERP benefit. If, at a later date, the Participant again meets the requirements of Section 3.01, the Participant may accrue additional benefits under the SERP with respect to his or her subsequent service as an eligible Employee. The Participant shall receive his or her vested accrued SERP benefit at the Participant's termination of employment with UGI and its Subsidiaries and Affiliates as described in Article VI.

## ARTICLE IV

### VESTING

#### Sec. 4.01 Vesting in Section 5.01 Benefits.

(a) A Participant shall vest in the benefits accrued under Section 5.01 of the SERP when the Participant has five years of Vesting Service. If a Participant's employment with UGI and its Subsidiaries and Affiliates terminates for any reason before the Participant has five years of Vesting Service, all benefits accrued by the Participant under Section 5.01 shall be immediately forfeited, and the Participant shall receive no benefits under Section 5.01.

(b) If a Participant whose employment terminated on or after January 1, 2005 and before July 25, 2006 is entitled to receive a benefit under Section 5.03, the Participant's salary continuation period under the Executive Severance Plan shall be counted as service for purposes of vesting under this SERP.

#### Sec. 4.02 Vesting in Section 5.02 and Section 5.03 Benefits.

(a) A Participant shall vest in his or her benefits under Section 5.02 of the SERP when the Participant's employment has terminated under the circumstances described in Section 5.02 and the Participant has met all the requirements of the Participant's Change in Control Agreement that entitle the Participant to receive the benefits described in Section 5.02.

(b) A Participant whose employment terminated on or after January 1, 2005 and before July 25, 2006 shall vest in his or her benefits under Section 5.03 of the SERP when the Participant's employment has terminated under the circumstances described in Section 5.03 and the Participant has met all the requirements of the Executive Severance Plan that entitle the Participant to receive the benefits described in Section 5.03.

## ARTICLE V

### BENEFITS

Sec. 5.01 Pension Benefit. Each Participant who is an active participant in the Pension Plan and who is accruing a benefit under the Pension Plan shall accrue under the SERP a lump sum benefit that is the actuarially equivalent present value of a single life annuity equal to (a) reduced by (b), where:

(a) is the annual accrued benefit, based on a single life annuity, that would have been produced under the Pension Plan if (i) the Participant's Excess Earnings (without regard to the limitations set forth in section 401(a)(17) of the Code) and Deferred Earnings for each year of his active participation in the Pension Plan had been taken into account and (ii) the limitations set forth in section 415 of the Code (or its successor) were inoperative; and

(b) is the annual accrued benefit, based on a single life annuity, that the Participant is entitled to receive under the Pension Plan.

The annual accrued benefit shall be calculated as described in Section 5.06. A Participant shall be entitled to receive his or her vested accrued SERP benefit upon termination of employment as described in Article VI. Sections 5.01, 5.02 and 5.03 shall be administered so as not to result in duplication of benefits.

Sec. 5.02 Change of Control Benefit. In the event of a Change of Control, if and to the extent required by a Participant's Change in Control Agreement, each Participant who is an active participant in the Pension Plan on the date of the Participant's termination of employment and who is entitled to receive the benefits described in this Section 5.02 under a Change in Control Agreement shall receive a lump sum benefit that is the actuarially equivalent present value of a single life annuity equal to (a) reduced by (b), where:

(a) is the annual accrued benefit, based on a single life annuity, that the Participant would have received under the Pension Plan if the applicable Continuation Period had been taken into account in determining the Participant's Vesting Service and Credited Service under the Pension Plan (such benefit to be determined without regard to the limitations set forth in the Code); and

(b) is the Participant's annual accrued benefit, based on a single life annuity, that the Participant is entitled to receive under the Pension Plan.

The annual benefit shall be calculated as described in Section 5.06 as if the end of the Continuation Period were the Participant's termination date. The annual benefit under subsection (a) above shall be calculated as if the Participant had continued in employment during the Continuation Period, earning base salary and bonus at the annual rate calculated for purposes of



the Change in Control Agreement. Sections 5.01, 5.02 and 5.03 shall be administered so as not to result in duplication of benefits.

Sec. 5.03 Severance Benefit. The provisions of this Section 5.03 shall apply to a Participant whose employment was terminated by UGI or a Subsidiary or Affiliate on or after January 1, 2005 and before July 25, 2006, if the Participant was entitled to receive a severance benefit under an Executive Severance Plan and the Participant was an active participant in the Pension Plan on the date of the Participant's termination of employment. If required by the terms of the applicable Executive Severance Plan, each such Participant shall receive a lump sum benefit that is the actuarially equivalent present value of a single life annuity equal to (a) reduced by (b), where:

(a) is the annual accrued benefit, based on a single life annuity, that the Participant would have received under the Pension Plan if the applicable salary continuation period, as determined under the Executive Severance Plan, had been taken into account in determining the Participant's Credited Service under the Pension Plan (such benefit to be determined without regard to the limitations set forth in the Code); and

(b) is the Participant's annual accrued benefit, based on a single life annuity, that the Participant is entitled to receive under the Pension Plan.

The annual benefit shall be calculated as described in Section 5.06. The annual accrued benefit under subsection (a) above shall be calculated as if the Participant had continued in employment during the salary continuation period, earning base salary and bonus at the annual rate calculated for purposes of the Executive Severance Plan. Sections 5.01, 5.02 and 5.03 shall be administered so as not to result in duplication of benefits.

Sec. 5.04 Death Benefits.

(a) If a Participant has earned a vested accrued SERP benefit under Section 5.01 but the Participant dies while employed by UGI or a Subsidiary or Affiliate, the Participant's surviving spouse shall be entitled to receive a lump sum death benefit that is the actuarially equivalent present value of a single life annuity equal to (i) reduced by (ii), where:

(i) is the pre-retirement death benefit that would have been paid under the Pension Plan to the Participant's surviving spouse if (i) the Participant's Excess Earnings (without regard to the limitations set forth in section 401(a) (17) of the Code) and Deferred Earnings for each year of his active participation in the Pension Plan had been taken into account and (ii) the limitations set forth in section 415 of the Code (or its successor) were inoperative; and

(ii) is the pre-retirement death benefit that the Participant's surviving spouse is entitled to receive under the Pension Plan.

No death benefit shall be payable under this subsection (a) if the deceased Participant has no surviving spouse.

(b) If a Participant terminates from employment with UGI and its Subsidiaries and Affiliates and meets all the requirements for eligibility for a benefit under Section 5.01, 5.02 or 5.03, but the Participant dies before the benefit described in Section 5.01, 5.02 or 5.03 is paid, the unpaid lump sum benefit described in Section 5.01, 5.02 or 5.03 shall be paid to the Participant's designated Beneficiary or, if there is no designated Beneficiary, the Participant's estate.

Sec. 5.05 Forfeiture. Each Participant shall immediately forfeit any benefit to which he or she is otherwise entitled under the SERP if the Participant's employment is terminated for Cause.

Sec. 5.06 Calculation of Annual Benefits. The annual accrued benefits described in Sections 5.01, 5.02 and 5.03, and the lump sum present values, shall be calculated as of the Participant's termination date as follows:

(a) If the Participant has attained age 65, the annual benefit shall be calculated as an annual benefit payable at the Participant's termination date, and the lump sum present value shall be calculated as of the Participant's termination date.

(b) If the Participant has attained eligibility for early retirement under the Pension Plan, the annual benefit shall be calculated as an annual benefit payable at the Participant's termination date (or at age 55, if the Participant has not attained age 55, but is eligible for early retirement), after reduction by the Pension Plan's actuarial reduction factors for early retirement, and the lump sum present value shall be calculated as of the Participant's termination date.

(c) If the Participant has not attained age 65 or attained eligibility for early retirement under the Pension Plan, the annual benefit shall be calculated as an annual benefit payable at age 65, and the lump sum present value shall be calculated as of the Participant's termination date.

(d) For purposes of this SERP, Participant is considered to be eligible for early retirement under the Pension Plan if the Participant has attained age 55 with ten Years of Vesting Service or if the Participant's employment is involuntarily terminated by the Company after the Participant has attained age 50 with 15 Years of Vesting Service.

Sec. 5.07 Actuarial Equivalent. The Compensation Committee shall approve, and may from time to time change, the methodology (including assumptions) pursuant to which an actuarially equivalent benefit is calculated under the SERP. Unless the Committee determines otherwise, the methodology described in Exhibit B shall be used for calculating actuarial equivalence under the SERP. If a Change of Control occurs, the methodology used to calculate actuarial equivalence under the SERP immediately before the Change of Control shall be used to

calculate actuarial equivalence for purposes of all benefits payable under the SERP on and after the Change of Control.

## ARTICLE VI

### BENEFIT DISTRIBUTION

Sec. 6.01 Calculation of Distribution Amount. If a Participant's employment with UGI and its Subsidiaries and Affiliates terminates without Cause, the Administrative Committee shall calculate the Participant's vested accrued SERP benefit under Article V (or the death benefit under Section 5.04(a), in the event of death) as of the Participant's termination date. The Administrative Committee shall calculate the lump sum present value of the vested accrued SERP benefit based on the actuarial assumptions described in Section 5.06.

Sec. 6.02 Form of Benefit Distributions.

(a) Effective January 1, 2005, a Participant's vested accrued SERP benefit shall be paid to the Participant in the form of a lump sum payment upon the Participant's termination of employment with UGI and its Subsidiaries and Affiliates, as described in Section 6.03 below. The vested accrued benefit of a Participant who terminated employment prior to January 1, 2005 shall be paid in accordance with the provisions of the SERP as in effect before January 1, 2005.

(b) If a Participant dies, the lump sum death benefit described in Section 5.04 (if any) shall be paid within 60 days after the Participant's death.

Sec. 6.03 Timing of Benefit Distributions.

(a) A Participant's vested accrued SERP benefit shall be paid to the Participant within 60 days following the Participant's termination of employment with UGI and its Subsidiaries and Affiliates, except as described below. A Participant shall be considered to have incurred a termination of employment under the SERP when the Participant has a "separation from service" under section 409A of the Code. The vested accrued SERP benefit of a Participant who terminated employment prior to January 1, 2005 shall be paid in accordance with the provisions of the SERP as in effect before January 1, 2005.

(b) Notwithstanding the foregoing, if a Participant whose employment terminates after January 1, 2005 is a Key Employee and if required by section 409A of the Code, no SERP benefits shall be paid to the Participant during the Postponement Period. If payment of SERP benefits is required to be delayed for the Postponement Period pursuant to section 409A, the accumulated amounts withheld on account of section 409A, with interest as described below, shall be paid in a lump sum payment within 15 days after the end of the Postponement Period. If the Participant dies during the Postponement Period prior to the payment of benefits, the amounts withheld on account of section 409A, with interest as described below, shall be paid to the Participant's estate within 60 days after the Participant's death.

(c) The amount to be withheld on account of section 409A shall be calculated as of the Participant's termination date in accordance with the provisions hereof.

Interest shall be calculated on the withheld lump sum amount from the Participant's termination date to the last day of the calendar month preceding the date on which the withheld amount is paid, based on the daily average of the published six-month Treasury bill rate in effect for the month in which the Participant's termination date occurs plus 50 basis points.

Sec. 6.04 Deferral Elections. A Participant may make a one-time, irrevocable election to elect to have the present value of the Participant's vested SERP benefit credited to the Participant's account under the Deferral Plan on the date of the Participant's separation from service, in lieu of the payments described in Section 6.02. If the Participant makes a deferral election, the present value of the Participant's vested SERP benefit will be credited to the Participant's account under the Deferral Plan at separation from service and the amount credited to the Deferral Plan shall be distributed in accordance with the provisions of the Deferral Plan. An election under this Section 6.04 shall be made in writing, on a form and at a time prescribed by the Administrative Committee and shall be irrevocable upon submission to the Corporate Secretary, and no further election shall be available under this SERP.

## ARTICLE VII

### FUNDING OF BENEFITS

Sec. 7.01 Source of Funds. The obligations of UGI and other participating employers in the Pension Plan shall constitute a general, unsecured obligation, payable solely out of their general assets, and no Participant shall have any right to any specific assets of UGI, or any Subsidiary or Affiliate or any trust established by UGI or any Subsidiary or Affiliate to fund such obligations.

Sec. 7.02 Participant Contributions. There shall be no contributions made by Participants under the SERP.

## ARTICLE VIII

### THE COMMITTEE

Sec. 8.01 Appointment and Tenure of Administrative Committee Members. The Administrative Committee shall consist of one or more persons who shall be appointed by and serve at the pleasure of the Compensation Committee. Any Administrative Committee member may resign by delivering his or her written resignation to the Compensation Committee. Vacancies arising by the death, resignation or removal of an Administrative Committee member may be filled by the Compensation Committee.

Sec. 8.02 Meetings; Majority Rule. Any and all acts of the Administrative Committee taken at a meeting shall be by a majority of all members of the Administrative Committee. The Administrative Committee may act by vote taken in a meeting (at which a majority of members shall constitute a quorum). The Administrative Committee may also act by unanimous consent in writing without the formality of convening a meeting.

Sec. 8.03 Delegation. The Administrative Committee may, by majority decision, delegate to each or any one of its number, authority to sign any documents on its behalf, or to perform ministerial acts, but no person to whom such authority is delegated shall perform any act involving the exercise of any discretion without first obtaining the concurrence of a majority of the members of the Administrative Committee, even though such person alone may sign any document required by third parties. The Administrative Committee shall elect one of its number to serve as Chairperson. The Chairperson shall preside at all meetings of the Administrative Committee or shall delegate such responsibility to another Administrative Committee member. The Administrative Committee shall elect one person to serve as Secretary to the Administrative Committee. All third parties may rely on any communication signed by the Secretary, acting as such, as an official communication from the Administrative Committee.

Sec. 8.04 Authority and Responsibility of the Administrative Committee. The Administrative Committee shall have only such authority and responsibilities as are delegated to it by the Compensation Committee or specifically provided herein. The Administrative Committee shall have full power and express discretionary authority to administer and interpret the SERP, to make factual determinations and to adopt or amend such rules and regulations for implementing the SERP and for the conduct of its business as it deems necessary or advisable, in its sole discretion. The Administrative Committee's authorities and responsibilities shall also include:

- (a) maintenance and preservation of records relating to Participants, former Participants, and their beneficiaries;
- (b) preparation and distribution to Participants of all information and notices required under Federal law or the provisions of the SERP;

- (c) preparation and filing of all governmental reports and other information required under law to be filed or published;
- (d) engagement of assistants and professional advisers;
- (e) arrangement for bonding, if required by law; and
- (f) promulgation of procedures for determination of claims for benefits.

Sec. 8.05 Compensation of Administrative Committee Members. The members of the Administrative Committee shall serve without compensation for their services as such, but all expenses of the Administrative Committee shall be paid or reimbursed by UGI.

Sec. 8.06 Administrative Committee Discretion. Any discretion, actions, or interpretations to be made under the SERP by the Administrative Committee shall be made in its sole discretion, need not be uniformly applied to similarly situated individuals, and shall be final, binding, and conclusive on the parties. All benefits under the SERP shall be provided conditional upon the Participant's acknowledgement, in writing or by acceptance of the benefits, that all decisions and determinations of the Administrative Committee shall be final and binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under the SERP.

Sec. 8.07 Indemnification of the Committees. Each member of the Administrative Committee shall be indemnified by UGI against costs, expenses and liabilities (other than amounts paid in settlement to which UGI does not consent) reasonably incurred by him or her in connection with any action to which he or she may be a party by reason of his or her service as a member of the Committee, except in relation to matters as to which he or she shall be adjudged in such action to be personally guilty of gross negligence or willful misconduct in the performance of his or her duties. The foregoing right to indemnification shall be in addition to such other rights as the Administrative Committee member may enjoy as a matter of law or by reason of insurance coverage of any kind, but shall not extend to costs, expenses and/or liabilities otherwise covered by insurance or that would be so covered by any insurance then in force if such insurance contained a waiver of subrogation. Rights granted hereunder shall be in addition to and not in lieu of any rights to indemnification to which the Administrative Committee member may be entitled pursuant to the by-laws of UGI. Service on the Administrative Committee shall be deemed in partial fulfillment of the Administrative Committee member's function as an employee, officer and/or director of UGI, if he or she serves in that capacity as well as in the role of Administrative Committee member.



## ARTICLE IX

### AMENDMENT AND TERMINATION

Sec. 9.01 Amendment. The provisions of the SERP may be amended at any time and from time to time by the Compensation Committee for any reason without either the consent of or prior notice to any Participant; *provided, however*, that no such amendment shall serve to reduce the benefit that has accrued on behalf of a Participant as of the effective date of the amendment. Notwithstanding the foregoing, the Administrative Committee may adopt any amendment to the SERP as it shall deem necessary or appropriate to (i) maintain compliance with current laws and regulations; (ii) correct errors and omissions in the SERP document; and (iii) facilitate the administration and operation of the SERP.

Sec. 9.02 Plan Termination. While it is UGI's intention to continue the SERP indefinitely in operation, the right is, nevertheless, reserved to terminate the SERP in whole or in part at any time for any reason without either the consent of or prior notice to any Participant. No such termination shall reduce the benefit that has accrued on behalf of a Participant as of the effective date of the termination, but UGI may immediately distribute all accrued benefits upon termination of the SERP in accordance with section 409A of the Code.

## ARTICLE X

### CLAIMS PROCEDURES

Sec. 10.01 Claim. Any person or entity claiming a benefit, requesting an interpretation or ruling under the SERP (hereinafter referred to as “claimant”), or requesting information under the SERP shall present the request in writing to the Administrative Committee, which shall respond in writing or electronically. The notice advising of the denial shall be furnished to the claimant within 90 days of receipt of the benefit claim by the Administrative Committee, unless special circumstances require an extension of time to process the claim. If an extension is required, the Administrative Committee shall provide notice of the extension prior to the termination of the 90 day period. In no event may the extension exceed a total of 180 days from the date of the original receipt of the claim.

Sec. 10.02 Denial of Claim. If the claim or request is denied, the written or electronic notice of denial shall state:

- (a) The reasons for denial;
- (b) Reference to the specific SERP provisions on which the denial is based;
- (c) A description of any additional material or information required and an explanation of why it is necessary; and
- (d) An explanation of the SERP’s claims review procedures and the time limits applicable to such procedures, including the right to bring a civil action under section 502(a) of ERISA.

Sec. 10.03 Final Decision. The decision on review shall normally be made within 60 days after the Administrative Committee’s receipt of claimant’s claim or request. If an extension of time is required for a hearing or other special circumstances, the claimant shall be notified and the time limit shall be 120 days. The decision shall be in writing or in electronic form and shall:

- (a) State the specific reasons for the denial;
- (b) Reference the relevant SERP provisions;
- (c) State that the claimant is entitled to receive, upon request and free of charge, and have reasonable access to and copies of all documents, records and other information relevant to the claim for benefits; and
- (d) State that the claimant may bring an action under section 502(a) of ERISA.

All decisions on review shall be final and binding on all parties concerned.

Sec. 10.04 Review of Claim. Any claimant whose claim or request is denied or who has not received a response within 60 days may request a review by notice given in writing or electronic form to the Administrative Committee. Such request must be made within 60 days after receipt by the claimant of the written or electronic notice of denial, or in the event the claimant has not received a response, 60 days after receipt by the Administrative Committee of the claimant's claim or request. The claim or request shall be reviewed by the Administrative Committee which may, but shall not be required to, grant the claimant a hearing. On review, the claimant may have representation, examine pertinent documents, and submit issues and comments in writing.

## ARTICLE XI

### MISCELLANEOUS PROVISIONS

Sec. 11.01 Nonalienation of Benefits. None of the payments, benefits or rights of any participant under the SERP shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of such Participant. No Participant shall have the right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which he or she may expect to receive, contingently or otherwise, under the SERP.

Sec. 11.02 No Contract of Employment. Neither the establishment of the SERP, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Participant or Employee, or any person whomsoever, the right to be retained in the service of UGI or any other participating employer hereunder, and all Participants and other Employees shall remain subject to discharge to the same extent as if the SERP had never been adopted.

Sec. 11.03 Severability of Provisions. If any provision of the SERP shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the SERP shall be construed and enforced as if such provision had not been included.

Sec. 11.04 Heirs, Assigns and Personal Representatives. The SERP shall be binding upon the heirs, executors, administrators, successors and assigns of the parties, including each Participant, present and future.

Sec. 11.05 Successors. Unless the Compensation Committee directs otherwise before a Change of Control, in the event of a Change of Control, UGI shall require any successor or successors (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of UGI, or a division or Affiliate thereof, (i) to acknowledge expressly that this SERP is binding upon and enforceable against such successor in accordance with the terms hereof, (ii) to become jointly and severally obligated with UGI to perform the obligations under this SERP, and (iii) to agree not to amend or terminate the SERP for a period of three years after the date of succession without the consent of the affected Participant.

Sec. 11.06 Headings and Captions. The headings and captions herein are provided for reference and convenience only, and shall not be considered part of the SERP, and shall not be employed in the construction of the SERP.

Sec. 11.07 Gender and Number. Except where otherwise clearly indicated by context, the masculine and the neuter shall include the feminine and the neuter, the singular shall include the plural, and vice-versa.

Sec. 11.08 Controlling Law. The SERP shall be construed and enforced according to the laws of the Commonwealth of Pennsylvania, exclusive of conflict of law provisions thereof, to the extent not preempted by Federal law, which shall otherwise control.

Sec. 11.09 Payments to Minors, Etc. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefore shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge UGI, the Board, the Administrative Committee and all other parties with respect thereto.

Sec. 11.10 Reliance on Data and Consents. UGI, the Board, the Compensation Committee, the Administrative Committee, all fiduciaries with respect to the SERP, and all other persons or entities associated with the operation of the SERP, and the provision of benefits thereunder, may reasonably rely on the truth, accuracy and completeness of all data provided by the Participant, including, without limitation, data with respect to age, health and marital status. Furthermore, UGI, the Board, the Compensation Committee, the Administrative Committee and all fiduciaries with respect to the SERP may reasonably rely on all consents, elections and designations filed with the SERP or those associated with the operation of the SERP by any Participant, or the representatives of any such person without duty to inquire into the genuineness of any such consent, election or designation. None of the aforementioned persons or entities associated with the operation of the SERP or the benefits provided under the SERP shall have any duty to inquire into any such data, and all may rely on such data being current to the date of reference, it being the duty of the Participants to advise the appropriate parties of any change in such data.

Sec. 11.11 Lost Payees. A benefit shall be deemed forfeited if the Administrative Committee is unable to locate a Participant to whom payment is due; *provided, however*, that such benefit shall be reinstated if a claim is made by the proper payee for the forfeited benefit.

Sec. 11.12 Taxation. The SERP is intended to comply with section 409A of the Code. Notwithstanding anything in the SERP to the contrary, distributions may only be made under the SERP upon an event and in a manner permitted by section 409A of the Code. All payments under the SERP shall be subject to applicable tax withholding. Distributions upon termination of employment shall only be made upon the Participant's "separation from service" under section 409A of the Code, and in no event may a Participant directly or indirectly designate the calendar year of a payment.

## EXHIBIT A

### CHANGE OF CONTROL

For purposes of the SERP, the term “Change of Control,” and other defined terms used in this Exhibit A, shall have the following meanings:

1. “Change of Control” shall mean:

(i) Any Person (except UGI, any UGI Subsidiary, any employee benefit plan of UGI or of any UGI Subsidiary, or any Person or entity organized, appointed or established by UGI for or pursuant to the terms of any such employee benefit plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner in the aggregate of 20% or more of either (i) the then outstanding shares of common stock of UGI (the “Outstanding UGI Common Stock”) or (ii) the combined voting power of the then outstanding voting securities of UGI entitled to vote generally in the election of directors (the “UGI Voting Securities”); or

(ii) Individuals who, as of the beginning of any 24-month period, constitute the UGI Board of Directors (the “Incumbent UGI Board”) cease for any reason to constitute at least a majority of the Incumbent UGI Board, provided that any individual becoming a director of UGI subsequent to the beginning of such period whose election or nomination for election by the UGI shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent UGI Board shall be considered as though such individual were a member of the Incumbent UGI Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of UGI (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(iii) Consummation by UGI of a reorganization, merger or consolidation (a “Business Combination”), in each case, with respect to which all or substantially all of the individuals and entities who were the respective Beneficial Owners of the Outstanding UGI Common Stock and UGI Voting Securities immediately prior to such Business Combination do not, following such Business Combination, Beneficially Own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding UGI Common Stock and UGI Voting Securities, as the case may be; or

(iv) Consummation of (a) a complete liquidation or dissolution of UGI or (b) a sale or other disposition of all or substantially all of the assets of UGI other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the

then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Outstanding UGI Common Stock and UGI Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding UGI Common Stock and UGI Voting Securities, as the case may be, immediately prior to such sale or disposition.

2. “Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

3. “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

4. A Person shall be deemed the “Beneficial Owner” of any securities: (i) that such Person or any of such Person’s Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; *provided, however*, that a Person shall not be deemed the “Beneficial Owner” of securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person’s Affiliates or Associates until such tendered securities are accepted for payment, purchase or exchange; (ii) that such Person or any of such Person’s Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has “beneficial ownership” of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including without limitation pursuant to any agreement, arrangement or understanding, whether or not in writing; *provided, however*, that a Person shall not be deemed the “Beneficial Owner” of any security under this clause (ii) as a result of an oral or written agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or (iii) that are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person’s Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to clause (ii) above) or disposing of any securities; *provided, however*, that nothing in this Section 1(c) shall cause a Person engaged in business as an underwriter of securities to be the “Beneficial Owner” of any securities acquired through such Person’s participation in good faith in a firm commitment underwriting until the expiration of forty (40) days after the date of such acquisition.

5. “Person” shall mean an individual or a corporation, partnership, trust, unincorporated organization, association, or other entity.

6. "UGI Subsidiary" shall mean any corporation in which UGI directly or indirectly, owns at least a fifty percent (50%) interest or an unincorporated entity of which UGI, as applicable, directly or indirectly, owns at least fifty percent (50%) of the profits or capital interests.

Change of Control with Respect to UGI Utilities, Inc.

In addition to the definition of Change of Control with respect to UGI, as set forth above, for Participants who are employees of UGI Utilities, Inc. ("Utilities") or a subsidiary of Utilities, the term "Change of Control" shall include the events set forth below:

"Change of Control" shall include any of the following events:

(A) UGI and the UGI Subsidiaries fail to own more than fifty percent (50%) of the then outstanding shares of common stock of Utilities or more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of Utilities entitled to vote generally in the election of directors; or

(B) Completion by Utilities of a reorganization, merger or consolidation (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective Beneficial Owners of Utilities' outstanding common stock and voting securities immediately prior to such Business Combination do not, following such Business Combination, Beneficially Own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of Utilities' outstanding common stock and voting securities, as the case may be; or

(C) Completion of a complete liquidation or dissolution of the Utilities or sale or other disposition of all or substantially all of the assets of Utilities other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of Utilities' outstanding common stock and voting securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of Utilities' outstanding common stock and voting securities, as the case may be, immediately prior to such sale or disposition.



## EXHIBIT B

### ACTUARIAL ASSUMPTIONS

#### Assumptions used for calculating the lump sum payment of vested accrued SERP benefits:

1. For Participants attaining age 50 prior to January 1, 2004, with service after January 1, 2004, the lump sum payment is calculated using two interest rates. One rate is for service prior to January 1, 2004 and the other for service after January 1, 2004. The rates are determined as follows:

- Pre-January 1, 2004 Service. The daily average of Moody's Aaa bond yields for the month in which the Participant's termination date occurs, plus 50 basis points, tax-adjusted using the highest marginal Federal tax rate (35.0% for 2007).
- Post-January 1, 2004 Service. The daily average of 10-year Treasury Bond yields in effect for the month in which the Participant's termination date occurs, as reported in Federal Reserve Statistical Release H.15 or any comparable successor publication.

The 1994 GAR unisex mortality table is also used in the lump sum calculation.

2. For Participants attaining age 50 on or after January 1, 2004, the rates are determined as follows:

- The daily average of 10-year Treasury Bond yields in effect for the month in which the Participant's termination date occurs, as reported in Federal Reserve Statistical Release H.15 or any comparable successor publication.

The 1994 GAR unisex mortality table is also used in the lump sum calculation.

UGI CORPORATION  
SUPPLEMENTAL SAVINGS PLAN

ARTICLE I

STATEMENT OF PURPOSE

The Supplemental Savings Plan (the “SSP”) is maintained to provide a fair and competitive level of retirement benefits to certain management and other highly compensated employees who have, by operation of laws and regulations relating to qualified savings plans, experienced a reduction in benefits under the Savings Plan (as defined in Article II). The benefits under the SSP are also designed to compensate terminated participants by taking into account periods of time for which payments are made under a Change in Control Agreement (as defined in Article II) or, for employees whose employment terminated on or after January 1, 2005 and before July 25, 2006, under an Executive Severance Plan (as defined in Article II).

## ARTICLE II

### DEFINITIONS

Sec. 2.01 “Administrative Committee” shall mean the committee designated by the Compensation Committee to administer the SSP.

Sec. 2.02 “Affiliate” shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

Sec. 2.03 “Beneficiary” shall mean the person or entity who shall receive benefits in the event of the Participant’s death, as determined under the Savings Plan.

Sec. 2.04 “Board” shall mean the Board of Directors of UGI.

Sec. 2.05 “Cause” shall mean misappropriation of funds, habitual insobriety, substance abuse, conviction of a crime involving moral turpitude, or gross negligence in the performance of duties, which gross negligence has had a material adverse effect on the business, operations, assets, properties or financial condition of UGI and its Subsidiaries and Affiliates, taken as a whole.

Sec. 2.06 “Change of Control” shall have the meaning set forth on the attached Exhibit A.

Sec. 2.07 “Change in Control Agreement” shall mean a Change in Control Agreement between an Employee and UGI or a Subsidiary (other than AmeriGas Propane, Inc. or its subsidiaries).

Sec. 2.08 “Code” shall mean the Internal Revenue Code of 1986, as amended.

Sec. 2.09 “Compensation Committee” shall mean the Compensation and Management Development Committee of the Board.

Sec. 2.10 “Continuation Period” shall mean, with respect to a Participant who is entitled to receive benefits under a Change in Control Agreement, the Continuation Period as defined in the Participant’s Change in Control Agreement.

Sec. 2.11 “Effective Date” of the amended SSP shall mean April 1, 2015, except where otherwise indicated. The SSP is a continuation of the savings plan portion of the UGI Corporation Supplemental Executive Retirement Plan, as in effect before January 1, 2005.

Sec. 2.12 “Employee” shall mean any person in the employ of UGI, UGI Utilities, Inc. or another Subsidiary other than AmeriGas Propane, Inc. or its subsidiaries. In no event shall a person who is characterized as an independent contractor by the employer, no matter how characterized by a court or government agency, be considered an “Employee,” and

no retroactive characterization of an individual's status for any other purpose shall make an individual an "Employee."

Sec. 2.13 "Employment Commencement Date" shall mean the first day on which a Participant became an employee of UGI, any Subsidiary or Affiliate of UGI, or any entity whose business or assets have been acquired by UGI, by a Subsidiary or Affiliate of UGI or by any predecessor of such entities.

Sec. 2.14 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

Sec. 2.15 "Excess Earnings" shall mean that portion of an Employee's compensation from UGI or another participating employer hereunder that is not permitted to be taken into account under the Savings Plan by operation of section 401(a)(17) of the Code or any successor thereto, excluding any such compensation earned when the Employee was not a Participant.

Sec. 2.16 "Executive Annual Bonus Plan" shall mean the UGI Corporation Executive Annual Bonus Plan or the UGI Utilities, Inc. Executive Annual Bonus Plan, as amended from time to time, and any successor plans (and for fiscal years through 1996, the AmeriGas Propane, Inc. Executive Annual Bonus Plan).

Sec. 2.17 "Executive Severance Plan" shall mean an executive severance plan of UGI or a Subsidiary or Affiliate (other than AmeriGas Propane, Inc. or its subsidiaries).

Sec. 2.18 "Key Employee" shall mean an employee who, at any time during the 12-month period ending on the identification date, is a "specified employee" under section 409A of the Code, as determined by the Compensation Committee or its delegate. The determination of Key Employees, including the number and identity of persons considered specified employees and the identification date, shall be made by the Compensation Committee or its delegate in accordance with the provisions of section 409A of the Code and the regulations issued thereunder.

Sec. 2.19 "Matching Contribution" shall have the meaning given that term in the Savings Plan.

Sec. 2.20 "Participant" shall mean each Employee who meets the requirements of Section 3.01 hereof.

Sec. 2.21 "Pension Plan" shall mean the Retirement Income Plan for Employees of UGI Utilities, Inc., as currently in effect and as it may hereafter be amended, and any plan designated by the Board as a successor thereto.

Sec. 2.22 "Plan Year" shall mean, effective January 1, 2007, a 12-month period beginning on January 1 and ending on December 31. For periods before January 1, 2007, the Plan Year shall mean a period beginning on October 1 and ending on the following September

30, with a short Plan Year for the period beginning on October 1, 2006 and ending on December 31, 2006.

Sec. 2.23 “Postponement Period” shall mean, for a Key Employee, the period of six months after separation from service (or such other period as may be required by section 409A of the Code), during which SSP benefits may not be paid to the Key Employee under section 409A of the Code.

Sec. 2.24 “Prior SERP” shall mean the UGI Corporation Supplemental Executive Retirement Plan as in effect before January 1, 2005.

Sec. 2.25 “Savings Plan” shall mean the UGI Utilities, Inc. Savings Plan as it may thereafter be amended, and any plan designated by the Administrative Committee as the successor to the UGI Utilities, Inc. Savings Plan.

Sec. 2.26 “Savings Plan Year” shall mean the calendar year.

Sec. 2.27 “SSP” shall mean the UGI Corporation Supplemental Savings Plan as set forth herein, and as the same may hereafter be amended.

Sec. 2.28 “Subsidiary” shall mean any corporation in which UGI, directly or indirectly, owns at least a 50% interest or an unincorporated entity of which UGI, directly or indirectly, owns at least 50% of the profits or capital interests.

Sec. 2.29 “UGI” shall mean UGI Corporation.

Sec. 2.30 “Year of Service” shall mean a Year of Service as determined under the Savings Plan for vesting purposes.

## ARTICLE III

### PARTICIPATION

#### Sec. 3.01 Participants.

(a) Each Employee who (i) is eligible to receive a bonus under an Executive Annual Bonus Plan at any time during the applicable Plan Year, (ii) is an active participant in the Savings Plan and makes the contributions described in Section 5.01(a) to the Savings Plan for the Plan Year, and (iii) is an active participant in the Pension Plan for the Plan Year, shall be a Participant in the SSP for the applicable Plan Year.

(b) Each Employee who has a Change in Control Agreement that provides for the benefits described in Section 5.04 shall be a Participant in this SSP for purposes of being eligible to receive benefits under Section 5.04.

(c) An Employee whose employment terminated on or after January 1, 2005 and before July 25, 2006, and who was entitled to receive a severance benefit under an Executive Severance Plan, as described in Section 5.05, shall be a Participant in this SSP for purposes of being eligible to receive benefits under Section 5.05.

(d) Notwithstanding the foregoing, no Employee who is hired or rehired by UGI or an Affiliate on or after January 1, 2009, or who is transferred on or after January 1, 2009 into Employee status from an Affiliate that does not participate in this SSP, shall become a Participant in this SSP on or after January 1, 2009.

Sec. 3.02 Transfers. If a Participant ceases to meet the requirements of Section 3.01 but continues to be an employee of UGI or a Subsidiary or Affiliate, the former Participant will cease to accrue benefits under the SSP. The former Participant will continue to earn Years of Service credit for vesting purposes with respect to the SSP for purposes of his or her accrued SSP benefit under Section 5.01. The former Participant's account will continue to be credited with earnings pursuant to Section 5.02 while the former Participant has an account under the SSP.

Sec. 3.03 Accounts. UGI shall establish a bookkeeping account for each Participant under the SSP. All contributions under the SSP, and earnings thereon as described in Section 5.02, shall be credited to the Participant's account.

## ARTICLE IV

### VESTING

#### Sec. 4.01 Vesting in Section 5.01 Benefits.

(a) A Participant shall vest in the amounts credited under Sections 5.01 and 5.02 of the SSP when the Participant has five Years of Service. If a Participant's employment with UGI and its Subsidiaries and Affiliates terminates for any reason other than death before the Participant has five Years of Service, all amounts credited under Sections 5.01 and 5.02 shall be immediately forfeited, and the Participant shall receive no benefits under Sections 5.01 and 5.02. If a Participant dies while employed by UGI or its Subsidiaries or Affiliates, the Participant's amounts credited under Sections 5.01 and 5.02 shall become fully vested.

(b) If a Participant whose employment terminated on or after January 1, 2005 and before July 25, 2006 is entitled to receive a benefit under Section 5.05, the Participant's salary continuation period under the Executive Severance Plan shall be counted as service for purposes of vesting under this SSP.

#### Sec. 4.02 Vesting in Section 5.04 and Section 5.05 Benefits.

(a) A Participant shall vest in the amounts credited under Section 5.04 of the SSP when the Participant's employment has terminated under the circumstances described in Section 5.04 and the Participant has met all the requirements of the Participant's Change in Control Agreement that entitle the Participant to receive the amounts described in Section 5.04.

(b) A Participant whose employment terminated on or after January 1, 2005 and before July 25, 2006 shall vest in the amounts credited under Section 5.05 of the SSP when the Participant's employment has terminated under the circumstances described in Section 5.05 and the Participant has met all the requirements of the Executive Severance Plan that entitle the Participant to receive the amounts described in Section 5.05.

## ARTICLE V

### BENEFITS

#### Sec. 5.01 SSP Annual Contributions.

(a) Effective January 1, 2007, at the end of each Plan Year, the Administrative Committee shall credit an SSP contribution to the book account of each Participant who is an active participant in the Savings Plan and who contributed to the Savings Plan for the Plan Year an amount at least equal to the lesser of (i) 6% of the Participant's annual compensation (as determined under the Savings Plan) or (ii) the maximum amount permitted to be contributed under section 402(g) of the Code (without regard to any "catch up" contributions as described below).

(b) The SSP contribution for each Participant described in subsection (a) for the Plan Year shall be calculated as:

(x) The Matching Contribution that would have been made for the Participant under the Savings Plan for the Plan Year, based on an election to contribute 6% of the Participant's annual compensation (as determined under the Savings Plan), if (i) the Participant's Excess Earnings (without regard to the limitations set forth in section 401(a)(17) of the Code) had been taken into account, (ii) the limitations set forth in section 402(g) of the Code were inoperative, and (iii) there were no cutbacks of contributions to the Savings Plans to comply with nondiscrimination tests set forth in Sections 401(k) and 401(m) of the Code, less

(y) The Matching Contribution that would have been made to the Savings Plan for the Participant for the Plan Year, based on an election to contribute 6% of the Participant's annual compensation (as determined under the Savings Plan), and taking into account the limitations set forth in section 401(a)(17) of the Code, the limitations set forth in section 402(g) of the Code and any applicable cutbacks of contributions to the Savings Plans to comply with nondiscrimination tests set forth in Sections 401(k) and 401(m) of the Code.

Notwithstanding the foregoing, no contribution shall be credited under the SSP with respect to "catch-up" contributions made under the Savings Plan pursuant to section 414(v) of the Code. The contribution credited under the SSP for a Participant for a Plan Year shall not exceed the Matching Contribution that would have been provided under the Savings Plan in the absence of any plan-based restrictions that reflect limits on qualified plan contributions under the Code, in accordance with section 409A of the Code.

(c) The Administrative Committee shall calculate a prorated SSP contribution for each Participant for the short Plan Year beginning October 1, 2006 and ending December 31, 2006, in such manner as the Administrative Committee determines.



(d) The Administrative Committee shall credit each Participant's SERP contribution for each Plan Year to a bookkeeping account for the Participant on UGI's records.

Sec. 5.02 Earnings. At the end of each Plan Year, each Participant who has an unpaid book account under the SSP as of the end of the Plan Year shall be credited with earnings on the Participant's SSP account, as described below. The amount of the credit is equal to the product obtained by multiplying the Participant's cumulative account balance as of the end of the Plan Year by the Participant's "individual rate per annum," determined as follows:

(a) For Plan Years ending before October 1, 2005, the "individual rate per annum" is determined by dividing (i) by (ii), where (i) is the total of all actual gains and losses reported on the Participant's Savings Plan portfolio for the Plan Year, measured on the last day of the Plan Year, and (ii) is the sum of the Participant's beginning balance in the Savings Plan on the first day of the Plan Year plus all contributions to the Participant's Savings Plan account during the Plan Year.

(b) For Plan Years beginning on or after October 1, 2005, the "individual rate per annum" is a weighted average return calculated by UGI, based 60% on the total return of the Standard & Poor's 500 Index and 40% on the total return of the Lehman Brothers Aggregate Bond Index for the Plan Year.

Sec. 5.03 Termination of Employment.

(a) If a Participant's employment terminates during a Plan Year for any reason other than Cause, the Administrative Committee shall credit a pro rata SSP contribution to the Participant's account for the Plan Year, if the Participant is an active participant in the Savings Plan and has contributed to the Savings Plan for the Plan Year an amount at least equal to the lesser of (i) 6% of the Participant's annual compensation (as determined under the Savings Plan) or (ii) a pro-rata amount of the maximum amount permitted to be contributed under section 402(g) of the Code (without regard to any "catch up" contributions).

(b) If a Participant's employment terminates during a Plan Year for any reason other than Cause, the Administrative Committee shall credit earnings on the terminated Participant's SSP account from the end of the preceding Plan Year to the termination date, based on the "individual rate per annum" described in Section 5.02(b) above for the portion of the Plan Year for which earnings are credited before the termination date.

(c) The amounts described in this Section 5.03 shall be credited to the Participant's account as of the Participant's termination date.

Sec. 5.04 Change of Control Benefit. In the event of a Change of Control, if and to the extent required by a Participant's Change in Control Agreement, each Participant who is an active participant in both the Savings Plan and the Pension Plan on the date of the Participant's termination of employment and who is entitled to receive severance benefits under

a Change in Control Agreement shall receive a credit to the Participant's SSP account equal to the Participant's Matching Contributions that would have been made to the Savings Plan (without regard to the statutory limits) had the Participant been eligible to participate in the Savings Plan and made employee elective deferral contributions to the Savings Plan during the Continuation Period equal to 6% of his or her annual compensation as described in the Change in Control Agreement. This benefit shall be credited to the Participant's account as of the Participant's termination date.

Sec. 5.05 Severance Benefit. The provisions of this Section 5.05 apply to a Participant whose employment was terminated by UGI or a Subsidiary or Affiliate on or after January 1, 2005 and before July 25, 2006, if the Participant was entitled to receive a severance benefit under an Executive Severance Plan and the Participant was an active participant in the Savings Plan on the date of the Participant's termination of employment. If required by the terms of the Executive Severance Plan, each such Participant shall receive a credit to the Participant's SSP account equal to the Participant's Matching Contributions that would have been made to the Savings Plan (without regard to the statutory limits) had the Participant been eligible to participate in the Savings Plan and made employee elective deferral contributions to the Savings Plan during the Participant's salary continuation period under the Executive Severance Plan equal to 6% of his or her annual compensation (determined as of the day of his or her termination of employment). This benefit shall be credited to the Participant's account as of the date of the Participant's termination date.

Sec. 5.06 Death Benefits. If a Participant is entitled to receive a vested benefit under this Article V but the Participant dies before receiving his or her SSP benefit, the Participant's vested benefit, if any, shall be paid to the Beneficiary.

Sec. 5.07 Forfeiture. Each Participant shall immediately forfeit any benefit to which he or she is otherwise entitled under the SSP if the Participant's employment is terminated for Cause.

## ARTICLE VI

### FORM AND TIMING OF BENEFIT DISTRIBUTION

Sec. 6.01 Form of Benefit Distributions. A Participant's vested SSP benefits shall be paid to the Participant in the form of a lump sum payment upon the Participant's termination of employment with UGI and its Subsidiaries and Affiliates, as described below. A Participant's vested SSP benefits are the vested amount credited to the Participant's account under the SSP.

Sec. 6.02 Timing of Benefit Distributions.

(a) A Participant's vested SSP benefits shall be paid to the Participant within 60 days following the Participant's termination of employment with UGI and its Subsidiaries and Affiliates, except as described below. A Participant shall be considered to have incurred a termination of employment under the SSP when the Participant has a "separation from service" under section 409A of the Code.

(b) Notwithstanding the foregoing, if a Participant whose employment terminates after January 1, 2005 is a Key Employee and if required by section 409A of the Code, no SSP benefits shall be paid to the Participant during the Postponement Period. If payment of SSP benefits is required to be delayed for the Postponement Period pursuant to section 409A, the accumulated amounts withheld on account of section 409A, with interest as described below, shall be paid in a lump sum payment within 15 days after the end of the Postponement Period. If the Participant dies during the Postponement Period prior to the payment of benefits, the amounts withheld on account of section 409A, with interest as described below, shall be paid to the Participant's estate within 60 days after the Participant's death.

(c) The amount to be withheld on account of section 409A shall be calculated as of the Participant's termination date. Interest shall be credited on the withheld amount from the Participant's termination date to the last day of the calendar month preceding the date on which the withheld amount is paid, based on the daily average of the published six-month Treasury bill rate in effect for the month in which the Participant's termination date occurs plus 50 basis points.

## ARTICLE VII

### FUNDING OF BENEFITS

Sec. 7.01 Source of Funds. The obligations of UGI and other participating employers hereunder shall constitute a general, unsecured obligation, payable solely out of their general assets, and no Participant shall have any right to any specific assets of UGI, or any Subsidiary or Affiliate or any trust established by UGI or any Subsidiary or Affiliate to fund such obligations.

Sec. 7.02 Participant Contributions. There shall be no contributions made by Participants under the SSP.

## ARTICLE VIII

### THE COMMITTEE

Sec. 8.01 Appointment and Tenure of Administrative Committee Members. The Administrative Committee shall consist of one or more persons who shall be appointed by and serve at the pleasure of the Compensation Committee. Any Administrative Committee member may resign by delivering his or her written resignation to the Compensation Committee. Vacancies arising by the death, resignation or removal of an Administrative Committee member may be filled by the Compensation Committee.

Sec. 8.02 Meetings; Majority Rule. Any and all acts of the Administrative Committee taken at a meeting shall be by a majority of all members of the Administrative Committee. The Administrative Committee may act by vote taken in a meeting (at which a majority of members shall constitute a quorum). The Administrative Committee may also act by unanimous consent in writing without the formality of convening a meeting.

Sec. 8.03 Delegation. The Administrative Committee may, by majority decision, delegate to each or any one of its number, authority to sign any documents on its behalf, or to perform ministerial acts, but no person to whom such authority is delegated shall perform any act involving the exercise of any discretion without first obtaining the concurrence of a majority of the members of the Administrative Committee, even though such person alone may sign any document required by third parties. The Administrative Committee shall elect one of its number to serve as Chairperson. The Chairperson shall preside at all meetings of the Administrative Committee or shall delegate such responsibility to another Administrative Committee member. The Administrative Committee shall elect one person to serve as Secretary to the Administrative Committee. All third parties may rely on any communication signed by the Secretary, acting as such, as an official communication from the Administrative Committee.

Sec. 8.04 Authority and Responsibility of the Administrative Committee. The Administrative Committee shall have only such authority and responsibilities as are delegated to it by the Compensation Committee or specifically provided herein. The Administrative Committee shall have full power and express discretionary authority to administer and interpret the SSP, to make factual determinations and to adopt or amend such rules and regulations for implementing the SSP and for the conduct of its business as it deems necessary or advisable, in its sole discretion. The Administrative Committee's authorities and responsibilities shall also include:

- (a) maintenance and preservation of records relating to Participants, former Participants, and their beneficiaries;
- (b) preparation and distribution to Participants of all information and notices required under Federal law or the provisions of the SSP;

- (c) preparation and filing of all governmental reports and other information required under law to be filed or published;
- (d) engagement of assistants and professional advisers;
- (e) arrangement for bonding, if required by law; and
- (f) promulgation of procedures for determination of claims for benefits.

Sec. 8.05 Compensation of Administrative Committee Members. The members of the Administrative Committee shall serve without compensation for their services as such, but all expenses of the Administrative Committee shall be paid or reimbursed by UGI.

Sec. 8.06 Administrative Committee Discretion. Any discretion, actions, or interpretations to be made under the SSP by the Administrative Committee shall be made in its sole discretion, need not be uniformly applied to similarly situated individuals, and shall be final, binding, and conclusive on the parties. All benefits under the SSP shall be provided conditional upon the Participant's acknowledgement, in writing or by acceptance of the benefits, that all decisions and determinations of the Administrative Committee shall be final and binding on the Participant, his or her Beneficiaries and any other person having or claiming an interest under the SSP.

Sec. 8.07 Indemnification of the Committees. Each member of the Administrative Committee shall be indemnified by UGI against costs, expenses and liabilities (other than amounts paid in settlement to which UGI does not consent) reasonably incurred by him or her in connection with any action to which he or she may be a party by reason of his or her service as a member of the Committee, except in relation to matters as to which he or she shall be adjudged in such action to be personally guilty of gross negligence or willful misconduct in the performance of his or her duties. The foregoing right to indemnification shall be in addition to such other rights as the Administrative Committee member may enjoy as a matter of law or by reason of insurance coverage of any kind, but shall not extend to costs, expenses and/or liabilities otherwise covered by insurance or that would be so covered by any insurance then in force if such insurance contained a waiver of subrogation. Rights granted hereunder shall be in addition to and not in lieu of any rights to indemnification to which the Administrative Committee member may be entitled pursuant to the by-laws of UGI. Service on the Administrative Committee shall be deemed in partial fulfillment of the Administrative Committee member's function as an employee, officer and/or director of UGI, if he or she serves in that capacity as well as in the role of Administrative Committee member.

## ARTICLE IX

### AMENDMENT AND TERMINATION

Sec. 9.01 Amendment. The provisions of the SSP may be amended at any time and from time to time by the Compensation Committee for any reason without either the consent of or prior notice to any Participant; *provided, however*, that no such amendment shall serve to reduce the benefit that has accrued on behalf of a Participant as of the effective date of the amendment. Notwithstanding the foregoing, the Administrative Committee may adopt any amendment to the SSP as it shall deem necessary or appropriate to (i) maintain compliance with current laws and regulations; (ii) correct errors and omissions in the SSP document; and (iii) facilitate the administration and operation of the SSP.

Sec. 9.02 Plan Termination. While it is UGI's intention to continue the SSP indefinitely in operation, the right is, nevertheless, reserved to terminate the SSP in whole or in part at any time for any reason without either the consent of or prior notice to any Participant. No such termination shall reduce the benefit that has accrued on behalf of a Participant as of the effective date of the termination, but UGI may immediately distribute all accrued benefits upon termination of the SSP in accordance with section 409A of the Code.

## ARTICLE X

### CLAIMS PROCEDURES

Sec. 10.01 Claim. Any person or entity claiming a benefit, requesting an interpretation or ruling under the SSP (hereinafter referred to as “claimant”), or requesting information under the SSP shall present the request in writing to the Administrative Committee, which shall respond in writing or electronically. The notice advising of the denial shall be furnished to the claimant within 90 days of receipt of the benefit claim by the Administrative Committee, unless special circumstances require an extension of time to process the claim. If an extension is required, the Administrative Committee shall provide notice of the extension prior to the termination of the 90 day period. In no event may the extension exceed a total of 180 days from the date of the original receipt of the claim.

Sec. 10.02 Denial of Claim. If the claim or request is denied, the written or electronic notice of denial shall state:

- (a) The reasons for denial;
- (b) Reference to the specific SSP provisions on which the denial is based;
- (c) A description of any additional material or information required and an explanation of why it is necessary; and
- (d) An explanation of the SSP’s claims review procedures and the time limits applicable to such procedures, including the right to bring a civil action under section 502(a) of ERISA.

Sec. 10.03 Final Decision. The decision on review shall normally be made within 60 days after the Administrative Committee’s receipt of claimant’s claim or request. If an extension of time is required for a hearing or other special circumstances, the claimant shall be notified and the time limit shall be 120 days. The decision shall be in writing or in electronic form and shall:

- (a) State the specific reasons for the denial;
- (b) Reference the relevant SSP provisions;
- (c) State that the claimant is entitled to receive, upon request and free of charge, and have reasonable access to and copies of all documents, records and other information relevant to the claim for benefits; and
- (d) State that the claimant may bring an action under section 502(a) of ERISA.



All decisions on review shall be final and binding on all parties concerned.

Sec. 10.04 Review of Claim. Any claimant whose claim or request is denied or who has not received a response within 60 days may request a review by notice given in writing or electronic form to the Administrative Committee. Such request must be made within 60 days after receipt by the claimant of the written or electronic notice of denial, or in the event the claimant has not received a response, 60 days after receipt by the Administrative Committee of the claimant's claim or request. The claim or request shall be reviewed by the Administrative Committee which may, but shall not be required to, grant the claimant a hearing. On review, the claimant may have representation, examine pertinent documents, and submit issues and comments in writing.

## ARTICLE XI

### MISCELLANEOUS PROVISIONS

Sec. 11.01 Nonalienation of Benefits. None of the payments, benefits or rights of any participant under the SSP shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of such Participant. No Participant shall have the right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which he or she may expect to receive, contingently or otherwise, under the SSP, except any right to designate a Beneficiary in connection with any form of benefit payment providing benefits after the Participant's death.

Sec. 11.02 No Contract of Employment. Neither the establishment of the SSP, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Participant or Employee, or any person whomsoever, the right to be retained in the service of UGI or any other participating employer hereunder, and all Participants and other Employees shall remain subject to discharge to the same extent as if the SSP had never been adopted.

Sec. 11.03 Severability of Provisions. If any provision of the SSP shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the SSP shall be construed and enforced as if such provision had not been included.

Sec. 11.04 Heirs, Assigns and Personal Representatives. The SSP shall be binding upon the heirs, executors, administrators, successors and assigns of the parties, including each Participant, present and future.

Sec. 11.05 Successors. Unless the Compensation Committee directs otherwise before a Change of Control, in the event of a Change of Control, UGI shall require any successor or successors (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of UGI, or a division or Affiliate thereof, (i) to acknowledge expressly that this SSP is binding upon and enforceable against such successor in accordance with the terms hereof, (ii) to become jointly and severally obligated with UGI to perform the obligations under this SSP, and (iii) to agree not to amend or terminate the SSP for a period of three years after the date of succession without the consent of the affected Participant.

Sec. 11.06 Headings and Captions. The headings and captions herein are provided for reference and convenience only, and shall not be considered part of the SSP, and shall not be employed in the construction of the SSP.

Sec. 11.07 Gender and Number. Except where otherwise clearly indicated by context, the masculine and the neuter shall include the feminine and the neuter, the singular shall include the plural, and vice-versa.

Sec. 11.08 Controlling Law. The SSP shall be construed and enforced according to the laws of the Commonwealth of Pennsylvania, exclusive of conflict of law provisions thereof, to the extent not preempted by Federal law, which shall otherwise control.

Sec. 11.09 Payments to Minors, Etc. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefore shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge UGI, the Board, the Administrative Committee and all other parties with respect thereto.

Sec. 11.10 Reliance on Data and Consents. UGI, the Board, the Compensation Committee, the Administrative Committee, all fiduciaries with respect to the SSP, and all other persons or entities associated with the operation of the SSP, and the provision of benefits thereunder, may reasonably rely on the truth, accuracy and completeness of all data provided by the Participant, including, without limitation, data with respect to age, health and marital status. Furthermore, UGI, the Board, the Compensation Committee, the Administrative Committee and all fiduciaries with respect to the SSP may reasonably rely on all consents, elections and designations filed with the SSP or those associated with the operation of the SSP by any Participant, or the representatives of any such person without duty to inquire into the genuineness of any such consent, election or designation. None of the aforementioned persons or entities associated with the operation of the SSP or the benefits provided under the SSP shall have any duty to inquire into any such data, and all may rely on such data being current to the date of reference, it being the duty of the Participants to advise the appropriate parties of any change in such data.

Sec. 11.11 Lost Payees. A benefit shall be deemed forfeited if the Administrative Committee is unable to locate a Participant to whom payment is due; *provided, however*, that such benefit shall be reinstated if a claim is made by the proper payee for the forfeited benefit.

Sec. 11.12 Taxation. The SSP is intended to comply with the requirements of section 409A of the Code. Notwithstanding anything in the SSP to the contrary, allocations to the SSP shall be made consistent with section 409A, and distributions may only be made under the SSP upon an event and in a manner permitted by section 409A of the Code. All payments under the SSP shall be subject to applicable tax withholding. Distributions upon termination of employment shall only be made upon the Participant's "separation from service" under section 409A of the Code, and in no event may a Participant directly or indirectly designate the calendar year of a payment.

## EXHIBIT A

### CHANGE OF CONTROL

For purposes of the SSP, the term “Change of Control,” and other defined terms used in this Exhibit A, shall have the following meanings:

1. “Change of Control” shall mean:

(i) Any Person (except UGI, any UGI Subsidiary, any employee benefit plan of UGI or of any UGI Subsidiary, or any Person or entity organized, appointed or established by UGI for or pursuant to the terms of any such employee benefit plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner in the aggregate of 20% or more of either (i) the then outstanding shares of common stock of UGI (the “Outstanding UGI Common Stock”) or (ii) the combined voting power of the then outstanding voting securities of UGI entitled to vote generally in the election of directors (the “UGI Voting Securities”); or

(ii) Individuals who, as of the beginning of any 24-month period, constitute the UGI Board of Directors (the “Incumbent UGI Board”) cease for any reason to constitute at least a majority of the Incumbent UGI Board, provided that any individual becoming a director of UGI subsequent to the beginning of such period whose election or nomination for election by the UGI shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent UGI Board shall be considered as though such individual were a member of the Incumbent UGI Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of UGI (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(iii) Consummation by UGI of a reorganization, merger or consolidation (a “Business Combination”), in each case, with respect to which all or substantially all of the individuals and entities who were the respective Beneficial Owners of the Outstanding UGI Common Stock and UGI Voting Securities immediately prior to such Business Combination do not, following such Business Combination, Beneficially Own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding UGI Common Stock and UGI Voting Securities, as the case may be; or

(iv) Consummation of (a) a complete liquidation or dissolution of UGI or (b) a sale or other disposition of all or substantially all of the assets of UGI other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the

then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Outstanding UGI Common Stock and UGI Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding UGI Common Stock and UGI Voting Securities, as the case may be, immediately prior to such sale or disposition.

2. “Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

3. “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

4. A Person shall be deemed the “Beneficial Owner” of any securities: (i) that such Person or any of such Person’s Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; *provided, however*, that a Person shall not be deemed the “Beneficial Owner” of securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person’s Affiliates or Associates until such tendered securities are accepted for payment, purchase or exchange; (ii) that such Person or any of such Person’s Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has “beneficial ownership” of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including without limitation pursuant to any agreement, arrangement or understanding, whether or not in writing; *provided, however*, that a Person shall not be deemed the “Beneficial Owner” of any security under this clause (ii) as a result of an oral or written agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or (iii) that are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person’s Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to clause (ii) above) or disposing of any securities; *provided, however*, that nothing in this Section 1(c) shall cause a Person engaged in business as an underwriter of securities to be the “Beneficial Owner” of any securities acquired through such Person’s participation in good faith in a firm commitment underwriting until the expiration of forty (40) days after the date of such acquisition.

5. “Person” shall mean an individual or a corporation, partnership, trust, unincorporated organization, association, or other entity.

6. “UGI Subsidiary” shall mean any corporation in which UGI directly or indirectly, owns at least a fifty percent (50%) interest or an unincorporated entity of which UGI, as applicable, directly or indirectly, owns at least fifty percent (50%) of the profits or capital interests.

Change of Control with Respect to UGI Utilities, Inc.

In addition to the definition of Change of Control with respect to UGI, as set forth above, for Participants who are employees of UGI Utilities, Inc. (“Utilities”) or a subsidiary of Utilities, the term “Change of Control” shall include the events set forth below:

“Change of Control” shall include any of the following events:

(D) UGI and the UGI Subsidiaries fail to own more than fifty percent (50%) of the then outstanding shares of common stock of Utilities or more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of Utilities entitled to vote generally in the election of directors; or

(E) Completion by Utilities of a reorganization, merger or consolidation (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective Beneficial Owners of Utilities’ outstanding common stock and voting securities immediately prior to such Business Combination do not, following such Business Combination, Beneficially Own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of Utilities’ outstanding common stock and voting securities, as the case may be; or

(F) Completion of a complete liquidation or dissolution of the Utilities or sale or other disposition of all or substantially all of the assets of Utilities other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of Utilities’ outstanding common stock and voting securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of Utilities’ outstanding common stock and voting securities, as the case may be, immediately prior to such sale or disposition.

**UGI CORPORATION**  
**EXECUTIVE EMPLOYEE SEVERANCE PLAN**

***As amended as of June 15, 2017***

UGI CORPORATION  
EXECUTIVE EMPLOYEE  
SEVERANCE PLAN

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## ARTICLE I

### PURPOSE AND TERM OF PLAN

Section 1.01 Purpose of the Plan. This Executive Employee Severance Plan is applicable to Executive Employees (as defined below) of UGI Corporation and its Affiliates (as defined below). The Plan is intended to help alleviate financial hardships that may be experienced by Executive Employees whose employment is involuntary terminated. The Plan is intended to be a “severance pay plan” for purposes of ERISA (as defined below). The benefits paid by the Plan are not deferred compensation, and no employee shall have a vested right to such benefits. The Plan has been drafted to give the Company (as defined below) broad discretion in designating individuals who are eligible for benefits and the amount of such benefits. All actions taken by the Company shall be in its role as the plan sponsor and not as a fiduciary.

Section 1.02 Term of the Plan. The Plan has been amended and restated as of June 15, 2017. The Plan will continue until such time as the Company, acting in its sole discretion, elects to modify, supersede or terminate it in accordance with the further provisions hereof.

## ARTICLE II

### DEFINITIONS

Section 2.01 “Administrative Committee” shall mean the administrative committee designated pursuant to Article VI of the Plan to administer the Plan in accordance with its terms, or its delegate.

Section 2.02 “Affiliate” shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

Section 2.03 “Annual Compensation” shall mean the Participant’s annual base salary and applicable target annual bonus amount (if any) in effect on the Participant’s Employment Termination Date.

Section 2.04 “Benefit” or “Benefits” shall mean any or all of the benefits that a Participant is entitled to receive pursuant to Article IV of the Plan.

Section 2.05 “Board of Directors” shall mean the Board of Directors of the Company, or any successor thereto.

Section 2.06 “Change in Control” shall mean a change of control of the Company as defined in the Company’s 2013 Omnibus Incentive Compensation Plan, as amended from time to time, or a successor plan.

Section 2.07 “Change in Control Agreement” shall mean a written Change in Control Agreement between an employee and the Company or an Affiliate.

Section 2.08 “COBRA Cost” shall mean the applicable premium under section 4980B(f)(4) of the Code for continued medical and dental COBRA coverage under the benefit plans of the Company or an Affiliate.

Section 2.09 “COBRA Coverage” shall mean continued medical and dental coverage under the benefit plans of the Company or an Affiliate, as determined under section 4980B of the Code.

Section 2.10 “Code” shall mean the Internal Revenue Code of 1986, as amended.

Section 2.11 “Company” shall mean UGI Corporation, a Pennsylvania corporation, and any corporation succeeding to the business of UGI Corporation by merger, consolidation, liquidation, purchase of assets or stock or similar transaction.

Section 2.12 “Compensation Committee” shall mean the Compensation and Management Development Committee of the Board of Directors.

Section 2.13 “Employment Commencement Date” shall mean the most recent date on which a Participant became an employee of the Company or an Affiliate of the Company or, if the Company determines that service before an acquisition shall be taken into account, the most recent date on which a Participant became an employee of an entity whose business or assets have been acquired by the Company or an Affiliate.

Section 2.14 “Employment Termination Date” shall mean the date on which the Participant separates from service with the Company and its Affiliates within the meaning of section 409A of the Code.

Section 2.15 “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

Section 2.16 “Executive Annual Bonus Plan” shall mean the UGI Corporation Executive Annual Bonus Plan as in effect from time to time.

Section 2.17 “Executive Employee” shall mean any of the following employees who are employed in the United States:

(a) An executive level employee of the Company who participates in the Executive Annual Bonus Plan and who does not have a Change in Control Agreement in effect with the Company or an Affiliate; or

(b) An executive level employee of the Company or an Affiliate who is employed in the United States and who is designated in writing by the Compensation Committee as eligible to participate in this Plan.

In no event shall any of the following persons be considered an employee for purposes of the Plan: (i) employees who are employed outside the United States, (ii) independent contractors, (iii) persons performing services pursuant to an arrangement with a third party leasing organization, (iv) any person whom the Company determines, in its sole discretion, is not a common law employee, whether or not any such person is later determined to have been a common law employee of the Company or an Affiliate, or (v) employees who are eligible to participate in another severance plan maintained by the Company or an Affiliate.

Section 2.18 “Just Cause” shall mean dismissal of an Executive Employee due to (i) theft or misappropriation of funds or conduct that has an adverse effect on the reputation of the Company or any Affiliate, (ii) conviction of a felony or a crime involving moral turpitude, (iii) material breach of the Company’s written code of conduct, or other material written employment policies, applicable to the Executive Employee, (iv) breach of any written confidentiality, non-competition or non-solicitation covenant between the Executive Employee and the Company or any Affiliate, (v) gross misconduct in the performance of duties, or (vi) intentional refusal or failure to perform the material duties of the Executive Employee’s position. Disputes with respect to whether Just Cause exists shall be resolved in accordance with Article IX.

Section 2.19 “Key Employee” shall mean an employee who, at any time during the 12-month period ending on the identification date, is a “specified employee” under section 409A of the Code, as determined by the Compensation Committee or its delegate. The determination of Key Employees, including the number and identity of persons considered specified employees and the identification date, shall be made by the Compensation Committee or its delegate in accordance with the provisions of section 409A of the Code and the regulations issued thereunder.

Section 2.20 “Monthly Compensation” shall mean the Participant’s Annual Compensation divided by 12.

Section 2.21 “Paid Notice” shall mean the cash amount payable to a Participant in lieu of notice as determined pursuant to Section 4.01(a).

Section 2.22 “Participant” shall mean any Executive Employee who receives Benefits under the Plan.

Section 2.23 “Plan” shall mean the UGI Corporation Executive Employee Severance Plan, as set forth herein, and as the same may from time to time be amended.

Section 2.24 “Plan Year” shall mean each fiscal year of the Company during which this Plan is in effect.

Section 2.25 “Postponement Period” shall mean, for a Key Employee, the period of six months after separation from service (or such other period as may be required by section 409A of the Code), during which deferred compensation may not be paid to the Key Employee under section 409A of the Code.

Section 2.26 “Release” shall mean a release and discharge of the Company, all of its Affiliates, and all affiliated persons and entities from any and all claims, demands and causes of action, other than as to amounts or benefits due to the Participant under any qualified employee retirement plan of the Company or an Affiliate, which shall be in such form as may be proscribed by the Company, acting as Plan sponsor and not as a fiduciary, from time to time and with such modifications as the Company deems appropriate for the Participant’s particular situation.

Section 2.27 “Salary Continuation Period” shall mean (i) the number of months of Paid Notice plus (ii) the period for which a Participant receives Separation Pay under Section 4.01(b).

Section 2.28 “Separation Pay” shall mean the cash amount payable to a Participant as determined pursuant to Section 4.01(b).

Section 2.29 “Weekly Compensation” shall mean the Participant’s Annual Compensation divided by 52.

Section 2.30 “Year of Service” shall mean each 12 month period (or part thereof) of continuous service with the Company and its Affiliates beginning on the Participant’s Employment Commencement Date and ending on each anniversary thereof. Years of Service with an entity whose business or assets have been acquired by the Company or an Affiliate shall be counted only if so determined by the Company.

## ARTICLE III

### PARTICIPATION AND ELIGIBILITY FOR BENEFITS

Section 3.01 General Eligibility Requirement. In its sole discretion, acting in its role as Plan sponsor and not as a fiduciary, the Company may grant a Benefit under this Plan to any Executive Employee whose employment is terminated by the Company or an Affiliate other than for Just Cause, death, or continuous illness, injury or incapacity for a period of six consecutive months. Notwithstanding anything herein to the contrary, an Executive Employee will not be considered to have incurred a termination by the Company or an Affiliate for purposes of this Plan if his or her employment is discontinued due to voluntary resignation or the expiration of a leave of absence, as determined by the Company, acting in its role as Plan sponsor and not as a fiduciary. In addition, the Executive Employee must meet the requirements of Section 3.03 in order to receive a Benefit under this Plan.

Section 3.02 Substantially Comparable Employment. Notwithstanding anything herein to the contrary, no Benefits shall be due hereunder to an Executive Employee in connection with the disposition of a business, division or affiliated company by the Company or an Affiliate if substantially comparable terms of employment, as determined by the Company, have been offered to the Executive Employee by the transferee; *provided, however*, that the Company, acting in its role as Plan sponsor and not as a fiduciary, may determine that the Company or an Affiliate will provide some or all of the Benefits to an Executive Employee whose employment with the Company and its Affiliates is terminated as described in Section 3.01. For purposes of this Plan, “substantially comparable terms of employment” shall mean an executive level position with (i) no reduction in the Executive Employee’s annual base salary as of the date of the transaction, and (ii) no material change in the geographic location at which the Executive Employee must perform services (which, for purposes of this Plan, means a location that is not more than 50 miles from the Executive Employee’s principal place of business immediately before the transaction).

Section 3.03 Conditions to Entitlement to Benefits.

(a) As further conditions to entitlement to Benefits under the Plan, all Participants must, prior to the payment of any Benefits due hereunder, (i) sign and not rescind or contest the enforceability of a Release; (ii) ratify any patent assignment, confidentiality, non-solicitation, non-competition and other post-employment activities agreement in effect between the Participant and the Company or an Affiliate; (iii) return to the Company and its Affiliates any and all property of the Company and its Affiliates held by the Participant, including, but not limited to, all reports, manuals, memoranda, computer disks, tapes and data made available to the Participant during the performance of the Participant’s duties, including all copies; (iv) hold confidential any and all information concerning the Company and its Affiliates, whether with respect to its business, subscribers, providers, customers, operations, finances, employees, contractors, or otherwise; and (v) cooperate fully with the Company and its Affiliates to complete the transition of matters with which the Participant is familiar or responsible to other employees

and make himself or herself available to answer questions or assist in matters which may require attention after the Participant's Employment Termination Date. Notwithstanding the foregoing, accrued vacation described in Section 4.01(d) shall be paid without regard to the Participant's execution of a Release, to the extent required by applicable state law.

(b) If the Administrative Committee determines, in its sole discretion, that the Participant has violated one or more of the foregoing conditions to entitlement to Benefits, the Administrative Committee may determine that the Participant will not receive the Benefits or the Company may discontinue the payment of Benefits under the Plan. Any remedy under this Section 3.03 shall be in addition to, and not in place of, any other remedy the Company and its Affiliates may have, at law or otherwise.

## ARTICLE IV

### BENEFITS

Section 4.01 Amount of Immediate Cash Benefit. The Company, acting in its role as Plan sponsor and not as a fiduciary, shall determine which Executive Employees shall be awarded a Benefit hereunder and the amount of any such Benefit. The Company may take into account any factors it determines to be relevant in deciding which Executive Employees shall be awarded Benefits and the amount of such Benefits, and need not apply its determinations in a uniform manner to terminated Executive Employees similarly situated. All such decisions shall be final, binding and conclusive with respect to the Executive Employee. Unless the Company determines otherwise, subject in all events to Section 3.03, the amount to be paid to a Participant eligible to receive Benefits under Section 3.01 hereof upon the Participant's separation from service shall be paid in a lump sum as provided in Section 5.01 hereof and shall equal the sum of the amounts described in subsections (a) through (d), except that any payment under paragraph (c) below will be excluded from the lump sum payment and paid separately as provided below:

(a) An amount of Paid Notice equal to three months of the Participant's Monthly Compensation.

(b) An amount of Separation Pay equal to two weeks of the Participant's Weekly Compensation for each Year of Service; provided, however, that such amount shall not be less than three months of the Participant's Monthly Compensation and shall not exceed 12 months of the Participant's Monthly Compensation.

(c) The Administrative Committee may determine in its sole discretion that an annual bonus will be paid for the year of termination. The Administrative Committee may take into account factors such as Company and Affiliate performance, individual performance and the portion of the year elapsed prior to the Employment Termination Date. The annual bonus shall not exceed a pro rata portion of the Participant's target annual bonus for the year of termination. The bonus, if any, shall be paid within 60 days after the Employment Termination Date, unless the Executive Annual Bonus Plan in effect for the year specifically provides otherwise with respect to termination of employment. If a bonus is payable to the Participant under the Executive Annual Bonus Plan for the year of termination, no bonus will be payable under this Plan.

(d) An amount equal to the Participant's earned and accrued vacation entitlement, including banked vacation time, and personal holidays through the Participant's Employment Termination Date.

### Section 4.02 Executive Benefits.

(a) If a Participant receives Benefits under Section 4.01, the Company shall pay to the Participant a single lump sum payment, as provided in Section 5.01 and subject to Section 3.03, equal to the COBRA Cost that the Participant would incur if the Participant continued medical and dental coverage under the Company's benefit plans through the end of the



Salary Continuation Period, based on the benefits in effect for the Participant (and where applicable, his or her spouse and dependents) at the Participant's Employment Termination Date, less the amount that the Participant would be required to contribute for medical and dental coverage if such Participant were an active employee.

(b) A Participant who receives Benefits under Section 4.01 may elect COBRA Coverage according to the terms of the Company's applicable medical and dental plans. If the Participant elects COBRA Coverage, the Participant shall be responsible for paying the COBRA Cost of such coverage in order to be eligible for the coverage. Any applicable conversion rights shall be provided to the Participant at the time coverage ceases.

(c) Each Participant who receives Benefits under Section 4.01 shall be entitled to receive outplacement services for up to six months following his or her Employment Termination Date through a vendor selected by the Company.

Section 4.03 Retirement Plans. This Plan shall not govern and shall in no way affect the Participant's interest in, or entitlement to benefits under, any of the qualified retirement plans of the Company or an Affiliate and any payments received under any such plan shall not affect a Participant's right to any Benefit hereunder.

Section 4.04 Effect on Other Benefits.

(a) After a Participant's termination of employment, the Participant shall not accrue benefits under any benefit plan of the Company or an Affiliate, and a terminated Participant shall not accrue vacation days, paid holidays, paid sick days or other benefits for any part of the Salary Continuation Period.

(b) Notwithstanding anything in this Plan to the contrary, no benefits shall be paid under this Plan if the Participant receives severance benefits under any other severance agreement or arrangement with the Company or an Affiliate.

(c) Notwithstanding anything herein to the contrary, the Benefits payable under this Plan to any Participant may be reduced by any and all payments required to be made by the Company or an Affiliate under federal, state and local law, including the Worker Adjustment and Retraining Notification Act, 29 U.S.C. Section 2101 et. seq. or under any employment agreement or special severance arrangement, as determined by the Company, acting as Plan sponsor and not as a fiduciary.

## ARTICLE V

### METHOD AND DURATION OF BENEFIT PAYMENTS

Section 5.01 Method of Payment. The cash Benefit to which a Participant is entitled, pursuant to Article IV, shall be paid in a lump sum payment. Payment shall be made within 60 days following the Participant's Employment Termination Date, subject to the fulfillment of all conditions for payment of the Benefit set forth in Section 4.01 and compliance with all requirements of Section 3.03. Payment shall be made by mail to the last address provided by the Participant to the Company or an Affiliate. All payments under the Plan are subject to applicable federal, state and local taxes.

#### Section 5.02 Section 409A.

(a) Notwithstanding any provision of the Plan to the contrary, if required by section 409A of the Code and if a Participant is a Key Employee, no Benefits shall be paid to the Participant during the Postponement Period. If a Participant is a Key Employee and payment of Benefits is required to be delayed for the Postponement Period under section 409A, the accumulated amounts withheld on account of section 409A of the Code shall be paid in a lump sum payment within 30 days after the end of the Postponement Period. If the Participant dies during the Postponement Period prior to the payment of Benefits, the amounts withheld on account of section 409A of the Code shall be paid to the Participant's estate within 60 days after the Participant's death.

(b) This Agreement is intended to meet the requirements of the "short-term deferral" exception, the "separation pay" exception and other exceptions under section 409A of the Code. Notwithstanding anything in this Plan to the contrary, if required by section 409A, payments may only be made under this Plan upon an event and in a manner permitted by section 409A, to the extent applicable. As used in the Plan, the term "termination of employment" shall mean the Participant's separation from service with the Company and its Affiliates within the meaning of section 409A and the regulations promulgated thereunder. For purposes of section 409A, the right to a series of payments under the Plan shall be treated as a right to a series of separate payments. All reimbursements and in-kind benefits provided under the Plan shall be made or provided in accordance with the requirements of section 409A of the Code. **In no event may a Participant designate the year of payment for any amounts payable under the Plan.** Notwithstanding any provision of the Plan to the contrary, if the payments and benefits provided for under the Plan are subject to section 409A, in no event shall the timing of a Participant's execution of the Release, directly or indirectly, result in the Participant designating the calendar year of payment, and if a payment that is subject to execution of the Release could be made in more than one taxable year, payment shall be made in the later taxable year.

Section 5.03 Payments After Death. If a Participant dies after separation from service and before the Participant has received any Benefit that the Participant is entitled to receive under Article IV, any unpaid Benefit that the Participant would otherwise have received shall be payable to the Participant's estate.

## ARTICLE VI

### ADMINISTRATION

Section 6.01 Appointment. The Administrative Committee shall consist of one or more persons appointed by the Compensation Committee. Administrative Committee members may be, but need not be, employees of the Company.

Section 6.02 Tenure. Administrative Committee members shall serve at the pleasure of the Compensation Committee. Administrative Committee members may resign at any time on ten days' written notice, and Administrative Committee members may be discharged, with or without cause, at any time by the Compensation Committee.

Section 6.03 Authority and Duties. It shall be the duty of the Administrative Committee, on the basis of information supplied to it by the Company, to determine the eligibility of each Participant for Benefits under the Plan, to determine the amount of Benefits to which each such Participant may be entitled, and to determine the manner, time of payment and other requirements of payment of Benefits consistent with the provisions hereof. The Company shall make such payments as are certified to it by the Administrative Committee to be due to Participants. The Administrative Committee shall have the full power and discretionary authority to construe, interpret and administer the Plan, to correct deficiencies therein, and to supply omissions. All decisions, actions, and interpretations of the Administrative Committee shall be final, binding, and conclusive upon the parties. The Administrative Committee may delegate ministerial and other responsibilities to one or more employees of the Company or its Affiliates.

Section 6.04 Action by the Administrative Committee. A majority of the members of the Administrative Committee shall constitute a quorum for the transaction of business at a meeting of the Administrative Committee. Any action of the Administrative Committee may be taken upon the affirmative vote of a majority of the members of the Administrative Committee at a meeting, or at the direction of the Chairperson, without a meeting, by mail, telephone, or electronic communication; provided that all of the members of the Administrative Committee are informed of their right to vote on the matter before the Administrative Committee and of the outcome of the vote thereon.

Section 6.05 Officers of the Administrative Committee. The Administrative Committee shall designate one of its members to serve as Chairperson thereof. The Administrative Committee shall also designate a person to serve as Secretary of the Administrative Committee, which person may be, but need not be, a member of the Administrative Committee.

Section 6.06 Compensation of the Administrative Committee. Members of the Administrative Committee shall receive no compensation for their services as such. However, all reasonable expenses of the Administrative Committee shall be paid or reimbursed by the Company upon proper documentation. The Company shall indemnify members of the

Administrative Committee against personal liability for actions taken in good faith in the discharge of their respective duties as members of the Administrative Committee.

Section 6.07 Records, Reporting, and Disclosure. The Administrative Committee shall keep all individual and group records relating to Participants and former Participants and all other records necessary for the proper operation of the Plan. Such records shall be made available to the Company and its Affiliates and to each Participant for examination during business hours except that a Participant shall examine only such records as pertain exclusively to the examining Participant and to the Plan. The Administrative Committee shall prepare and shall file as required by law or regulation all reports, forms, documents and other items required by ERISA, the Code, and every other relevant statute, each as amended, and all regulations thereunder (except that the Company or an Affiliate, as payor of the Benefits, shall prepare and distribute to the proper recipients all forms relating to withholding of income or wage taxes, Social Security taxes, and other amounts which may be similarly reportable).

Section 6.08 Actions of the Administrative Committee. All determinations made by the Administrative Committee under the Plan shall be made solely at the discretion of the Administrative Committee. The exercise of discretion by the Administrative Committee need not be uniformly applied to similarly situated Participants and shall be final and binding on each Participant or beneficiary to whom the determination is directed.

Section 6.09 Bonding. The Administrative Committee shall arrange any bonding that may be required by law, but no amount in excess of the amount required by law (if any) shall be required by the Plan.

## ARTICLE VII

### AMENDMENT AND TERMINATION

Section 7.01 Amendment, Suspension and Termination. The Company, by action of its Board of Directors or the Compensation Committee or its delegate, retains the right, at any time and from time to time, to amend, suspend or terminate the Plan in whole or in part, for any reason, and without either the consent of or the prior notification to any Participant. No such amendment shall give the Company or an Affiliate the right to recover any amount paid to a Participant prior to the date of such amendment or to cause the cessation and discontinuance of payments of Benefits to any person or persons under the Plan already receiving Benefits. Notwithstanding the foregoing, the Administrative Committee may adopt any amendment to the Plan as it shall deem necessary or appropriate to (i) maintain compliance with current laws and regulations; (ii) correct errors and omissions in the Plan document; and (iii) facilitate the administration and operation of the Plan.

## ARTICLE VIII

### DUTIES OF THE COMPANY

Section 8.01 Records. The Company shall supply to the Administrative Committee all records and information necessary to the performance of the Administrative Committee's duties.

Section 8.02 Payment. The Company shall make payments from its general assets to Participants in accordance with the terms of the Plan, as directed by the Administrative Committee.

Section 8.03 Discretion, Delegation.

(a) Any decisions, actions or interpretations to be made under the Plan by the Company shall be made in its sole discretion, not in any fiduciary capacity and need not be uniformly applied to similarly situated individuals, and such decisions, actions or interpretations shall be final, binding and conclusive upon all parties.

(b) The Company may take actions under the Plan by action of its Board of Directors or the Compensation Committee, or by action of any officer or committee to whom any of the Company's authority with respect to the Plan shall have been delegated.

## ARTICLE IX

### CLAIMS PROCEDURES

Section 9.01 Application for Benefits. A terminated employee who believes that he or she is eligible for benefits under this Plan may apply for such benefits by completing and filing with the Administrative Committee an application for benefits on a form supplied by the Administrative Committee. Each such application must be supported by such information as the Administrative Committee deems relevant and appropriate.

Section 9.02 Claim; Claim Decision. A terminated employee may contest his or her eligibility for benefits or his or her eligibility for the amount of benefit awarded, as applicable, by completing and filing with the Administrative Committee a written request for review in the manner specified by the Administrative Committee. Each such application must be supported by such information as the Administrative Committee deems relevant and appropriate. The Administrative Committee will review the claim and provide notice to the terminated employee, in writing, within 90 days after the claim is filed unless special circumstances require an extension of time for processing the claim. If the Administrative Committee determines that an extension of time for processing is required, the Administrative Committee shall furnish written notice of the extension before the end of the initial 90-day period. In no event shall the extension exceed a period of 90 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Administrative Committee expects to render a decision. In the event that any claim for benefits is denied in whole or in part, the terminated employee whose claim has been so denied shall be notified of such denial in writing by the Administrative Committee. The notice advising of the denial shall be written in a manner calculated to be understood by the terminated employee and shall set forth: (a) the specific reason(s) for the denial; (b) specific references to the pertinent Plan provisions on which the denial is based; (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation as to why such information is necessary; and (d) a description of the Plan's claim procedure and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

Section 9.03 Appeals of Denied Claims for Benefits. All appeals shall be made by the following procedure:

(a) The terminated employee whose claim has been denied shall file with the Administrative Committee a notice of appeal of the denial. Such notice shall be filed within 60 days of notification by the Administrative Committee of the claim denial, shall be made in writing, and shall set forth all of the facts upon which the appeal is based. Appeals not timely filed shall be barred.

(b) Subject to subsection (a), the claimant or his duly authorized representative may:

(i) request a review upon written notice to the Administrative Committee;

(ii) request, free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits; and

(iii) submit written comments, documents, records and other information related to the claim.

(c) The Named Appeals Fiduciary (as described in Section 9.04) shall issue a decision no later than 60 days after receipt of a request for review unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible, but not later than 120 days after receipt of the terminated employee's notice of appeal. If the Named Appeals Fiduciary determines that an extension of time for processing is required, the Named Appeals Fiduciary shall furnish written notice of the extension before the end of the initial 60-day period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Named Appeals Fiduciary expects to render a decision.

(d) The Named Appeals Fiduciary shall take into account all comments, documents, records and other information submitted by the claimant relating to the claim, regardless of whether the information was submitted or considered in the initial benefit determination.

(e) The Named Appeals Fiduciary shall render a determination upon the appealed claim which determination shall be accompanied by a written statement. The notice advising of the denial shall be written in a manner calculated to be understood by the terminated employee and shall set forth:

(i) the specific reason(s) for the decision;

(ii) specific references to the pertinent Plan provisions on which the decision is based;

(iii) the claimant's right to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits; and

(iv) the claimant's right to bring a civil action under section 502(a) of ERISA.

Section 9.04 Appointment of the Named Appeals Fiduciary. The Named Appeals Fiduciary shall be the person or persons named as such by the Compensation Committee, or, if no such person or persons be named, then the person or persons named by the Administrative Committee as the Named Appeals Fiduciary. Named Appeals Fiduciaries may at any time be removed by the Compensation Committee, and any Named Appeals Fiduciary



named by the Administrative Committee may be removed by the Administrative Committee. All such removals may be with or without cause and shall be effective on the date stated in the notice of removal. The Named Appeals Fiduciary shall be a "Named Fiduciary" within the meaning of ERISA, and unless appointed to other fiduciary responsibilities, shall have no authority, responsibility or liability with respect to any matter other than the proper discharge of the functions of the Named Appeals Fiduciary as set forth herein.

Section 9.05 Claims Procedures Mandatory. The internal claims procedures set forth in this Article IX are mandatory. If a claimant fails to follow these claims procedures, or to timely file a request for appeal in accordance with this Article IX, the denial of the claim shall become final and binding on all persons for all purposes.

Section 9.06 Exhaustion of Claims and Appeals Procedures. A claim or action (a) to recover benefits allegedly due under the Plan or by reason of any law; (b) to enforce rights under the Plan; (c) to clarify rights to future benefits under the Plan; or (d) that relates to the Plan and seeks a remedy, ruling or judgment of any kind against the Plan or a Plan fiduciary or party in interest (collectively, a "Judicial Claim"), may not be commenced in any court or forum until after the claimant has exhausted the Plan's claims and appeals procedures, including, for these purposes, any voluntary appeal right (an "Administrative Claim"). A claimant must raise all arguments and produce all evidence the claimant believes supports the claim or action in the Administrative Claim and shall be deemed to have waived every argument and the right to produce any evidence not submitted to the Named Appeals Fiduciary as part of the Administrative Claim. Any Judicial Claim must be commenced in the appropriate court or forum no later than 12 months from the earliest of (i) the date of the claimant's termination of employment; (ii) the date the Administrative Committee or its delegate first denied the claimant's request; or (iii) the first date the claimant knew or should have known the principal facts on which such claim or action is based; provided, however, that, if the claimant commences an Administrative Claim before the expiration of such 12-month period, the period for commencing a Judicial Claim shall expire on the later of the end of the 12-month period and the date that is three months after the final denial of the claimant's Administrative Claim, such that the claimant has exhausted the Plan's claims and appeals procedures. Any claim or action that is commenced, filed or raised, whether a Judicial Claim or an Administrative Claim, after expiration of such 12-month limitations period (or, if applicable, expiration of the three-month limitations period following exhaustion of the Plan's claims and appeals procedures) shall be time-barred. Filing or commencing a Judicial Claim before the claimant exhausts the Administrative Claim requirements shall not toll the 12-month limitations period (or, if applicable, the three month limitations period).

## ARTICLE X

### MISCELLANEOUS

Section 10.01 Nonalienation of Benefits. None of the payments, benefits or rights of any Participant shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of such Participant. No Participant shall have the right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which the Participant may expect to receive, contingently or otherwise, under this Plan.

Section 10.02 No Contract of Employment. Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Participant, or any person whosoever, the right to be retained in the service of the Company or an Affiliate, and all Participants shall remain subject to discharge to the same extent as if the Plan had never been adopted.

Section 10.03 Severability of Provisions. If any provision of this Plan shall be held invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability shall not affect any other provisions hereof, and this Plan shall be construed and enforced as if such provisions had not been included.

Section 10.04 Successors, Heirs, Assigns, and Personal Representatives. This Plan shall be binding upon the heirs, executors, administrators, successors and assigns of the parties, including each Participant, present and future. If a Change in Control occurs, unless the Compensation Committee directs otherwise before the Change in Control, the Company shall require any successor or successors (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, or a division or Affiliate thereof, (i) to acknowledge expressly that this Plan is binding upon and enforceable against such successor in accordance with the terms hereof, (ii) to become jointly and severally obligated with the Company to perform the obligations under this Plan, and (iii) to agree not to amend or terminate the Plan for a period of one year after the Change in Control without the consent of the affected Participant.

Section 10.05 Unfunded Plan. The Plan shall not be funded. The Company may, but shall not be required to, set aside or designate an amount necessary to provide the Benefits specified herein (including the establishment of trusts). In any event, no Participant shall have any right to, or interest in, any assets of the Company or an Affiliate which may be applied by the Company or an Affiliate to the payment of Benefits.

Section 10.06 Payments to Incompetent Persons. Any Benefit payable to or for the benefit of an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the

Company, its Affiliates, the Administrative Committee, the Compensation Committee and all other parties with respect thereto.

Section 10.07 Controlling Law. This Plan shall be construed and enforced according to the laws of the Commonwealth of Pennsylvania, to the extent not preempted by Federal law, without giving effect to any Pennsylvania choice of law provisions.

**CONFORMED COPY**

Form of  
RECEIVABLES PURCHASE AGREEMENT

dated as of November 30, 2001,

as amended by

Amendment No. 1, dated August 29, 2003  
Amendment No. 2, dated January 29, 2004  
Amendment No. 3, dated August 30, 2004  
Amendment No. 4, dated November 1, 2005  
Amendment No. 5, dated April 24, 2006  
Amendment No. 6, dated September 5, 2006  
Amendment No. 7, dated April 23, 2009  
Amendment No. 8, dated April 22, 2010  
Amendment No. 9, dated August 26, 2010  
Amendment No. 10, dated April 21, 2011  
Amendment No. 11, dated April 19, 2012  
Amendment No. 12, dated April 18, 2013  
Amendment No. 13, dated October 1, 2013  
Amendment No. 14, dated November 1, 2013  
Amendment No. 15, dated October 31, 2014  
Amendment No. 16, dated October 30, 2015  
Amendment No. 17, dated October 28, 2016  
Amendment No. 18, dated October 27, 2017

among

ENERGY SERVICES FUNDING CORPORATION

UGI ENERGY SERVICES, LLC

and

PNC BANK, NATIONAL ASSOCIATION

This RECEIVABLES PURCHASE AGREEMENT (as amended, supplemented or otherwise modified from time to time, this “Agreement”) is entered into as of November 30, 2001, among ENERGY SERVICES FUNDING CORPORATION, a Delaware corporation, as seller (the “Seller”), UGI ENERGY SERVICES, LLC (as successor to UGI Energy Services, Inc.), a Pennsylvania limited liability company (“UGI”), as initial servicer (in such capacity, together with its successors and permitted assigns in such capacity, the “Servicer”) and PNC BANK, NATIONAL ASSOCIATION, a national banking association (“PNC”), as issuer (together with its successors and permitted assigns, the “Issuer”) and as administrator (in such capacity, together with its successors and assigns in such capacity, the “Administrator”).

PRELIMINARY STATEMENTS. Certain terms that are capitalized and used throughout this Agreement are defined in Exhibit I. References in the Exhibits hereto to the “Agreement” refer to this Agreement.

The Seller desires to sell, transfer and assign an undivided variable percentage interest in a pool of receivables, and the Issuer desires to acquire such undivided variable percentage interest, as such percentage interest shall be adjusted from time to time based upon, in part, reinvestment payments that are made by the Issuer.

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

## **ARTICLE I AMOUNTS AND TERMS OF THE PURCHASES**

Section 1.1 Purchase Facility. (a) On the terms and conditions hereinafter set forth, the Issuer hereby agrees to purchase, and make reinvestments of, undivided percentage ownership interests with regard to the Purchased Interest from the Seller from time to time from December 4, 2001 to the Facility Termination Date. Under no circumstances shall the Issuer make any such purchase or reinvestment if, after giving effect to such purchase or reinvestment, the aggregate outstanding Capital of the Purchased Interest would exceed the Purchase Limit.

(b) The Seller may, upon at least 60 days’ written notice to the Administrator, terminate the Purchase Facility provided in this Section in whole or, upon at least 30 days’ written notice to the Administrator, from time to time, irrevocably reduce in part the unused portion of the Purchase Limit; provided, that, so long as the Credit Agreement is in effect, the Seller’s right to terminate the Purchase Facility in whole pursuant to this Section 1.1(b) is conditioned upon the Seller exercising its option to repurchase in full (but not in part) the Purchased Interest in accordance with the terms of Section 5.14; provided, further, that each partial reduction shall be in the amount of at least \$5,000,000, or an integral multiple of \$1,000,000 in excess thereof, and that, unless terminated in whole, the Purchase Limit shall in no event be reduced below \$20,000,000.

Section 1.2 Making Purchases. (a) Each purchase (but not reinvestment) of undivided percentage ownership interests with regard to the Purchased Interest hereunder shall be made upon the Seller’s irrevocable written notice in the form of Annex B (the “Purchase Notice”) delivered to the Administrator in accordance with Section 5.2 (which notice must be received by the

Administrator before 11:00 a.m., New York City time) at least “(x) one Business Day before the requested purchase date in the case of a purchase of less than \$50,000,000 and (y) two Business Days before the requested purchase date in the case of a purchase of at least \$50,000,000, which notice in each case shall specify: (A) the amount requested to be paid to the Seller (such amount, which shall not be less than \$1,000,000 and shall be in integral multiples of \$100,000, being the Capital relating to the undivided percentage ownership interest then being purchased), (B) the date of such purchase (which shall be a Business Day), and (C) the pro forma calculation of the Purchased Interest after giving effect to the increase in Capital.

(b) On the date of each purchase (but not reinvestment) of undivided percentage ownership interests with regard to the Purchased Interest hereunder, the Issuer shall, upon satisfaction of the applicable conditions set forth in Exhibit II, make available to the Seller in same day funds, at Mellon Bank, Pittsburgh, Pennsylvania, account number XXXXX, ABA# XXXXXXXX, an amount equal to the Capital relating to the undivided percentage ownership interest then being purchased as set forth in the applicable Purchase Notice.

(c) Effective on the date of each purchase pursuant to this Section and each reinvestment pursuant to Section 1.4, the Seller hereby sells and assigns to the Issuer an undivided percentage ownership interest in: (i) each Pool Receivable then existing, (ii) all Related Security with respect to such Pool Receivables, and (iii) all Collections with respect to, and other proceeds of, such Pool Receivables and Related Security.

(d) To secure all of the Seller’s obligations (monetary or otherwise) under this Agreement and the other Transaction Documents to which it is a party, whether now or hereafter existing or arising, due or to become due, direct or indirect, absolute or contingent, the Seller hereby grants to the Issuer a security interest in all of the Seller’s right, title and interest (including any undivided interest of the Seller) in, to and under all of the following, whether now or hereafter owned, existing or arising: (i) all Pool Receivables, (ii) all Related Security with respect to such Pool Receivables, (iii) all Collections with respect to, and other proceeds of, such Pool Receivables and Related Security, (iv) the Lock-Box Accounts (and the related lock-boxes) and all amounts on deposit therein, and all certificates and instruments, if any, from time to time evidencing such Lock-Box Accounts (and such related lock-boxes) and such amounts on deposit therein, (v) all books and records of each Receivable, and all rights, remedies, powers and privileges of the Seller in any accounts into which Collections are or may be received and all rights (but none of the obligations) of the Seller under the Purchase and Sale Agreement and (vi) all proceeds and products of, and all amounts received or receivable under any or all of, the foregoing (collectively, the “Pool Assets”). The Issuer shall have, with respect to the Pool Assets, and in addition to all the other rights and remedies available to the Issuer, all the rights and remedies of a secured party under any applicable UCC. In connection with the transfer of the undivided interest set forth in Section 1.2(c) or the grant of the security interest in the Pool Assets set forth in this Section 1.2(d), by signing this Agreement in the space provided, the Seller hereby authorizes the filing of all applicable UCC financing statements in all necessary jurisdictions.

Section 1.3 Purchased Interest Computation. The Purchased Interest shall be initially computed on the date of the initial purchase hereunder. Thereafter, until the Facility Termination

Date, the Purchased Interest shall be automatically recomputed (or deemed to be recomputed) on each Business Day other than a Termination Day. From and after the occurrence of any Termination Day, the Purchased Interest shall (until the event(s) giving rise to such Termination Day are satisfied or are waived by the Administrator or the happening of the events set forth in the next sentence) be deemed to be 100%. The Purchased Interest shall become zero when the Capital thereof and Discount thereon shall have been paid in full, all the amounts owed by the Seller and required to be deposited by the Servicer hereunder to the Issuer, the Administrator and any other Indemnified Party or Affected Person are paid in full, and the Servicer shall have received the accrued Servicing Fee thereon.

Section 1.4 Settlement Procedures. (a) The collection of the Pool Receivables shall be administered by the Servicer in accordance with this Agreement. The Seller shall provide to the Servicer on a timely basis all information needed for such administration, including notice of the occurrence of any Termination Day and current computations of the Purchased Interest.

(b) The Servicer shall, on each day on which Collections of Pool Receivables are received (or deemed received) by the Seller or the Servicer:

(i) set aside and hold in trust (and shall, at the request of the Administrator, segregate in a separate account approved by the Administrator) for the Issuer, out of the Issuer's Share of such Collections, first, an amount equal to the Discount accrued through such day for each Portion of Capital and not previously set aside, second, an amount equal to the fees set forth in the Fee Letter accrued and unpaid through such day, and third, to the extent funds are available therefor, an amount equal to the Issuer's Share of the Servicing Fee accrued through such day and not previously set aside,

(ii) subject to Section 1.4(f), if such day is not a Termination Day, remit to the Seller, on behalf of the Issuer, the remainder of the Issuer's Share of such Collections. Such remainder shall be automatically reinvested in Pool Receivables, and in the Related Security, Collections and other proceeds with respect thereto; provided, however, that if the Purchased Interest would exceed 100%, then the Servicer shall not reinvest, but shall set aside and hold in trust for the Issuer (and shall, at the request of the Administrator, segregate in a separate account approved by the Administrator) a portion of such Collections that, together with the other Collections set aside pursuant to this paragraph, shall equal the amount necessary to reduce the Purchased Interest to 100%,

(iii) if such day is a Termination Day, set aside, segregate and hold in trust (and shall, at the request of the Administrator, segregate in a separate account approved by the Administrator) for the Issuer the entire remainder of the Issuer's Share of the Collections; provided, that if amounts are set aside and held in trust on any Termination Day of the type described in clause (a) of the definition of "Termination Day" and, thereafter, the conditions set forth in Section 2 of Exhibit II are satisfied or waived by the Administrator, such previously set-aside amounts shall be reinvested in accordance with clause (ii) on the day of such subsequent satisfaction or waiver of conditions, and

(iv) release to the Seller (subject to Section 1.4(f)) for its own account any Collections in excess of: (x) amounts required to be reinvested in accordance with clause (ii) or the proviso to clause (iii) plus (y) the amounts that are required to be set aside pursuant to clause (i), the proviso to clause (ii) and clause (iii) plus (z) the Seller's Share of the Servicing Fee accrued and unpaid through such day.

(c) The Servicer shall deposit into the Administration Account (or such other account designated by the Administrator), on each Settlement Date (or solely with respect to Collections held for the Issuer pursuant to clause (f) such other date as set forth in clause (f)(iii) for such payment), Collections held for the Issuer pursuant to clause (b)(i) or (f) plus the amount of Collections then held for the Issuer pursuant to clauses (b)(ii) and (iii) of Section 1.4; provided, that if UGI or an Affiliate thereof is the Servicer, such day is not a Termination Day and the Administrator has not notified UGI (or such Affiliate) that the right to retain the portion of the Collections set aside pursuant to clause (b)(i) that represent the Issuer's Share of the Servicing Fee is revoked, UGI (or such Affiliate) may retain the portion of the Collections set aside pursuant to clause (b)(i) that represents the Issuer's Share of the Servicing Fee in payment in full of the Issuer's Share of accrued Servicing Fees so set aside. On the last day of each Settlement Period, the Administrator will notify the Servicer by facsimile of the amount of Discount accrued with respect to each Portion of Capital during such Settlement Period or portion thereof.

(d) Upon receipt of funds deposited into the Administration Account pursuant to clause (c), the Administrator shall cause such funds to be distributed as follows:

(i) if such distribution occurs on a day that is not a Termination Day and the Purchased Interest does not exceed 100%, first to the Issuer in payment in full of all accrued Discount and fees (other than Servicing Fees) with respect to each Portion of Capital, and second, if the Servicer has set aside amounts in respect of the Servicing Fee pursuant to clause (b)(i) and has not retained such amounts pursuant to clause (c), to the Servicer (payable in arrears on each Settlement Date) in payment in full of the Issuer's Share of accrued Servicing Fees so set aside, and

(ii) if such distribution occurs on a Termination Day or on a day when the Purchased Interest exceeds 100%, first to the Issuer in payment in full of all accrued Discount with respect to each Portion of Capital, second to the Issuer in payment in full of Capital (or, if such day is not a Termination Day, the amount necessary to reduce the Purchased Interest to 100%), third, to the Servicer in payment in full of all accrued Servicing Fees, and fourth, if the Capital and accrued Discount with respect to each Portion of Capital have been reduced to zero, and all accrued Servicing Fees payable to the Servicer have been paid in full, to the Issuer, the Administrator and any other Indemnified Party or Affected Person in payment in full of any other amounts owed thereto by the Seller hereunder.

After the Capital, Discount, fees payable pursuant to the Fee Letter and Servicing Fees with respect to the Purchased Interest, and any other amounts payable by the Seller and the Servicer to the Issuer, the Administrator or any other Indemnified Party or Affected Person hereunder, have been paid in full, all additional Collections with respect to the Purchased Interest shall be paid to the Seller for its own account.



(e) For the purposes of this Section 1.4:

(i) if on any day the Outstanding Balance of any Pool Receivable is reduced or adjusted as a result of any defective, rejected, returned, repossessed or foreclosed goods or services, or any revision, cancellation, allowance, rebate, discount or other adjustment made by the Seller or any Affiliate of the Seller, or any setoff or dispute between the Seller or any Affiliate of the Seller and an Obligor, the Seller shall be deemed to have received on such day a Collection of such Pool Receivable in the amount of such reduction or adjustment;

(ii) if on any day any of the representations or warranties in Section 1(g) or (n) of Exhibit III, or Section 2, 3 or 4 of Exhibit VI is not true with respect to any Pool Receivable, the Seller shall be deemed to have received on such day a Collection of such Pool Receivable in full;

(iii) except as provided in clause (i) or (ii), or as otherwise required by applicable law or the relevant Contract, all Collections received from an Obligor of any Receivable shall be applied to the Receivables of such Obligor in the order of the age of such Receivables, starting with the oldest such Receivable, unless such Obligor designates its payment for application to specific Receivables; and

(iv) if and to the extent the Administrator or the Issuer shall be required for any reason to pay over to an Obligor (or any trustee, receiver, custodian or similar official in any Insolvency Proceeding) any amount received by it hereunder, such amount shall be deemed not to have been so received by the Administrator or the Issuer but rather to have been retained by the Seller and, accordingly, the Administrator or the Issuer, as the case may be, shall have a claim against the Seller for such amount, payable when and to the extent that any distribution from or on behalf of such Obligor is made in respect thereof.

(f) If at any time, the Seller shall wish to cause the reduction of the Capital (but not to commence the liquidation, or reduction to zero, of the entire Capital of the Purchased Interest), the Seller may do so as follows:

(i) the Seller shall give the Administrator and the Servicer written notice in the form of Annex C (A) at least one Business Day prior to the date of such reduction for any reduction of Capital less than or equal to \$20,000,000; (B) at least two Business Days prior to the date of such reduction for any reduction of Capital greater than \$20,000,000 and less than or equal to \$50,000,000; and (C) at least three Business Days prior to the date of such reduction for any reduction of Capital greater than \$50,000,000, in each case such notice shall have been received by 3:00 p.m. New York City time on such date and shall include the amount of such proposed reduction and the proposed date on which such reduction will commence;

(ii) on the proposed date of the commencement of such reduction and on each day thereafter, the Servicer shall cause Collections not to be reinvested until the amount thereof not so reinvested shall equal the desired amount of reduction; and

(iii) the Servicer shall hold such Collections in trust for the Issuer, for payment to the Administrator on (1) solely with respect to any reduction described in subsections (f)(i)(B) or (f)(i)(C), the next Weekly Settlement Date, or (2) with respect to any reduction described in subsection (f)(i)(A), such other date with at least one (1) Business Day prior written notice to the Administrator of such payment, and the Capital shall be deemed reduced in the amount to be paid to the Administrator only when in fact finally so paid;

provided, that the amount of any such reduction shall be not less than \$1,000,000 and shall be an integral multiple of \$100,000.

Section 1.5 Fees. The Seller shall pay to the Administrator certain fees in the amounts and on the dates set forth in a fee letter, dated the date hereof, among UGI, the Seller and the Administrator (as such letter agreement may be amended, supplemented or otherwise modified from time to time, the "Fee Letter").

Section 1.6 Payments and Computations, Etc. (a) All amounts to be paid or deposited by the Seller or the Servicer hereunder shall be made without reduction for offset or counterclaim and shall be paid or deposited no later than noon (New York City time) on the day when due in same day funds to the Administration Account. All amounts received after noon (New York City time) will be deemed to have been received on the next Business Day.

(b) The Seller or the Servicer, as the case may be, shall, to the extent permitted by applicable law, pay interest on any amount not paid or deposited by the Seller or the Servicer, as the case may be, when due hereunder, at an interest rate equal to 3.00% per annum above the Base Rate, payable on demand.

(c) All computations of interest under clause (b) and all computations of Discount, fees and other amounts hereunder shall be made on the basis of a year of 360 (or 365 or 366, as applicable, with respect to Discount or other amounts calculated by reference to the Base Rate) days for the actual number of days elapsed. Whenever any payment or deposit to be made hereunder shall be due on a day other than a Business Day, such payment or deposit shall be made on the next Business Day and such extension of time shall be included in the computation of such payment or deposit.

Section 1.7 Increased Costs. (a) If the Administrator, the Issuer or any of their respective Affiliates (each an "Affected Person") reasonably determines that the existence of or compliance with: (i) any law or regulation or any change therein or in the interpretation or application thereof by a Governmental Authority, in each case adopted, issued or occurring after the date hereof, or (ii) any request, guideline or directive from any central bank or other Governmental Authority (whether or not having the force of law) issued or occurring after the date of this Agreement, affects or would affect the amount of capital required or expected to be maintained by such Affected Person, and such Affected Person reasonably determines that the amount of such capital is increased by or based upon the existence of any commitment to make purchases of (or otherwise to maintain the investment in) Pool Receivables related to this Agreement or any related liquidity facility, credit enhancement facility and other commitments of the same type related to this Agreement, then, upon demand by such Affected Person (with a copy to the Administrator), the Seller shall promptly pay to the Administrator, for the account of such Affected Person, from time to time as specified by such

Affected Person, additional amounts sufficient to compensate such Affected Person in the light of such circumstances, to the extent that such Affected Person reasonably determines such increase in capital to be allocable to the existence of any of such commitments. A certificate as to such amounts submitted to the Seller and the Administrator by such Affected Person shall be conclusive and binding for all purposes, absent manifest error.

(b) If, due to either: (i) the introduction of or any change in or in the interpretation of any law or regulation by any Governmental Authority occurring after the date hereof or (ii) compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to any Affected Person of agreeing to purchase or purchasing, or maintaining the ownership of, the Purchased Interest in respect of which Discount is computed by reference to LMIR, then, upon demand by such Affected Person, the Seller shall promptly pay to such Affected Person, from time to time as specified by such Affected Person, additional amounts sufficient to compensate such Affected Person for such increased costs. A certificate as to such amounts submitted to the Seller and the Administrator by such Affected Person shall be conclusive and binding for all purposes, absent manifest error.

(c) If such increased costs affect the related Affected Person's portfolio of financing transactions, such Affected Person shall use reasonable averaging and attribution methods to allocate such increased costs to the transactions contemplated by this Agreement.

(d) The Administrator will make reasonable efforts to cause the interest of any Affected Party (other than the Issuer or its domestic Affiliates) that makes a claim under this Section 1.7 to be transferred to a party that is not subject to increased costs under this Section 1.7; provided that neither the Administrator nor any of its Affiliates shall be required hereunder to itself accept such transferred interest.

(e) Notwithstanding any language in this Section 1.7 to the contrary, nothing in this Section 1.7 shall be construed as requiring the Seller to make any payments attributable to or in respect of any tax of any kind whatsoever imposed upon or required to be withheld or deducted from payments to any Affected Person.

**Section 1.8 Requirements of Law.** If any Affected Person reasonably determines that the existence of or compliance with: (a) any law or regulation or any change therein or in the interpretation or application thereof, in each case adopted, issued or occurring after the date hereof, or (b) any request, guideline or directive from any central bank or other Governmental Authority (whether or not having the force of law) issued or occurring after the date of this Agreement:

(i) does or shall subject such Affected Person to any tax of any kind whatsoever with respect to this Agreement, any increase in the Purchased Interest or in the amount of Capital relating thereto, or does or shall change the basis of taxation of payments to such Affected Person on account of Collections, Discount or any other amounts payable hereunder (excluding taxes imposed on the overall or branch pre-tax net income of such Affected Person, and franchise taxes imposed on such Affected Person by the jurisdiction under the laws of which such Affected Person is organized or otherwise is considered doing business

(unless the Affected Person would not be considered doing business in such jurisdiction, but for having entered into, or engaged in the transactions in connection with, this Agreement or any other Transaction Document) or a political subdivision thereof,

(ii) does or shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of, purchases, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Affected Person that are not otherwise included in the determination of LMIR or the Base Rate hereunder, or

(iii) does or shall impose on such Affected Person any other condition,

and the result of any of the foregoing is: (A) to increase the cost to such Affected Person of acting as Administrator, or of agreeing to purchase or purchasing or maintaining the ownership of undivided percentage ownership interests with regard to the Purchased Interest (or interests therein) or any Portion of Capital, or (B) to reduce any amount receivable hereunder (whether directly or indirectly), then, in any such case, without duplication to any amounts paid or payable pursuant to Section 1.7 or Section 3.1 upon demand by such Affected Person, the Seller shall promptly pay to such Affected Person additional amounts necessary to compensate such Affected Person for such additional cost or reduced amount receivable. All such amounts shall be payable as incurred. A certificate from such Affected Person to the Seller and the Administrator certifying, in reasonably specific detail, the basis for, calculation of, and amount of such additional costs or reduced amount receivable shall be conclusive and binding for all purposes, absent manifest error; provided, however, that no Affected Person shall be required to disclose any confidential or tax planning information in any such certificate.

**Section 1.9 Inability to Determine LMIR.** (a) If the Administrator determines on any day (which determination shall be final and conclusive) that, by reason of circumstances affecting the interbank eurodollar market generally, deposits in dollars (in the relevant amounts for such day) are not being offered to banks in the interbank eurodollar market for such day, or adequate means do not exist for ascertaining LMIR for such day, then the Administrator shall give notice thereof to the Seller. Thereafter, until the Administrator notifies the Seller that the circumstances giving rise to such suspension no longer exist, (i) no Portion of Capital shall be funded at the Alternate Rate determined by reference to LMIR and (ii) the Discount for any outstanding Portions of Capital then funded at the Alternate Rate determined by reference to LMIR shall immediately be converted to the Alternate Rate determined by reference to the Base Rate.

(b) If, on any day, the Administrator shall have been notified by the Issuer that the Issuer has determined (which determination shall be final and conclusive) that any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Issuer with any guideline, request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for the Issuer to fund or maintain any Portion of Capital at the Alternate Rate and based upon LMIR, the Administrator shall notify the Seller thereof. Upon receipt of such notice, until the Administrator

notifies the Seller that the circumstances giving rise to such determination no longer apply, (i) no Portion of Capital shall be funded at the Alternate Rate determined by reference to LMIR and (ii) the Discount for any outstanding Portions of Capital then funded at the Alternate Rate determined by reference to LMIR shall immediately be converted to the Alternate Rate determined by reference to the Base Rate.

## **ARTICLE II. REPRESENTATIONS AND WARRANTIES; COVENANTS; TERMINATION EVENTS**

Section 2.1 Representations and Warranties; Covenants. Each of the Seller, UGI and the Servicer hereby makes the representations and warranties, and hereby agrees to perform and observe the covenants, applicable to it set forth in Exhibits III, IV and VI, respectively.

Section 2.2 Termination Events. If any of the Termination Events set forth in Exhibit V shall occur, the Administrator may, by notice to the Seller, declare the Facility Termination Date to have occurred (in which case the Facility Termination Date shall be deemed to have occurred); provided, that automatically upon the occurrence of any event (without any requirement for the passage of time or the giving of notice) described in paragraph (f) of Exhibit V, the Facility Termination Date shall occur. Upon any such declaration, occurrence or deemed occurrence of the Facility Termination Date, the Issuer and the Administrator shall have, in addition to the rights and remedies that they may have under this Agreement, all other rights and remedies provided after default under the New York UCC and under other applicable law, which rights and remedies shall be cumulative.

## **ARTICLE III. INDEMNIFICATION**

Section 3.1 Indemnities by the Seller. Without limiting any other rights that the Administrator, the Issuer or any of their respective Affiliates, employees, officers, directors, agents, counsel, successors, transferees or assigns (each, an “Indemnified Party”) may have hereunder or under applicable law, the Seller hereby agrees to indemnify each Indemnified Party from and against any and all claims, damages, expenses, costs, losses and liabilities (including Attorney Costs) (all of the foregoing being collectively referred to as “Indemnified Amounts”) incurred by any Indemnified Party arising out of or resulting from this Agreement (whether directly or indirectly), the use of proceeds of purchases or reinvestments, the ownership of the Purchased Interest, or any interest therein, or in respect of any Receivable, Related Security or Contract, excluding, however: (a) Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Party or its employees, officers, directors, agents or counsel, (b) recourse with respect to any Receivable to the extent that such Receivable is uncollectible on account of insolvency, bankruptcy or lack of creditworthiness of the related Obligor (except as otherwise specifically provided in this Agreement), or (c) any overall net income taxes or franchise taxes imposed on such Indemnified Party by the jurisdiction under the laws of which such Indemnified Party is organized or otherwise is considered doing business (unless the Indemnified Party would not be considered doing business in such jurisdiction, but for having entered into, or engaged in the transactions in connection with, this Agreement or any other Transaction Document) or any political

subdivision thereof. Without limiting or being limited by the foregoing, and subject to the exclusions set forth in the preceding sentence, the Seller shall pay on demand (which demand shall be accompanied by documentation of the Indemnified Amounts, in reasonable detail) to each Indemnified Party any and all amounts necessary to indemnify such Indemnified Party from and against any and all Indemnified Amounts relating to or resulting from any of the following:

(i) the failure of any Receivable included in the calculation of the Net Receivables Pool Balance as an Eligible Receivable to be an Eligible Receivable, the failure of any information contained in an Information Package to be true and correct, or the failure of any other information provided to the Issuer or the Administrator with respect to Receivables or this Agreement to be true and correct,

(ii) the failure of any representation, warranty or statement made or deemed made by the Seller (or any of its officers) under or in connection with this Agreement to have been true and correct as of the date made or deemed made (pursuant to paragraph 2(b) of Exhibit II hereof) in all respects when made,

(iii) the failure by the Seller to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract, or the failure of any Pool Receivable or the related Contract to conform to any such applicable law, rule or regulation,

(iv) the failure to vest in the Issuer a valid and enforceable: (A) perfected undivided percentage ownership interest, to the extent of the Purchased Interest, in the Receivables in, or purporting to be in, the Receivables Pool and the other Pool Assets, or (B) first priority perfected security interest in the Pool Assets, in each case, free and clear of any Adverse Claim,

(v) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables in, or purporting to be in, the Receivables Pool and the other Pool Assets, whether at the time of any purchase or reinvestment or at any subsequent time,

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable in, or purporting to be in, the Receivables Pool (including a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the goods or services related to such Receivable or the furnishing or failure to furnish such goods or services or relating to collection activities with respect to such Receivable (if such collection activities were performed by the Seller or any of its Affiliates acting as Servicer or by any agent or independent contractor retained by the Seller or any of its Affiliates),

(vii) any failure of the Seller (or any of its Affiliates acting as the Servicer) to perform its duties or obligations in accordance with the provisions hereof or under the Contracts,

(viii) any products liability or other claim, investigation, litigation or proceeding arising out of or in connection with merchandise, insurance or services that are the subject of any Contract,

(ix) the commingling of Collections at any time with other funds,

(x) the use of proceeds of purchases or reinvestments by the Seller, or

(xi) any reduction in Capital as a result of the distribution of Collections pursuant to Section 1.4(d), if all or a portion of such distributions shall thereafter be rescinded or otherwise must be returned for any reason.

**Section 3.2 Indemnities by the Servicer.** Without limiting any other rights that the Administrator, the Issuer or any other Indemnified Party may have hereunder or under applicable law, the Servicer hereby agrees to indemnify each Indemnified Party from and against any and all Indemnified Amounts incurred by any Indemnified Party arising out of or resulting from (whether directly or indirectly): (a) the failure of any information contained in an Information Package to be true and correct, or the failure of any other information provided to the Issuer or the Administrator by, or on behalf of, the Servicer to be true and correct, (b) the failure of any representation, warranty or statement made or deemed made by the Servicer (or any of its officers) under or in connection with this Agreement to have been true and correct as of the date made or deemed made (with respect to any Information Package) in all respects when made, (c) the failure by the Servicer to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract, (d) any dispute, claim, offset or defense (other than as a result of a discharge in bankruptcy) of the Obligor to the payment of any Receivable in, or purporting to be in, the Receivables Pool resulting from or related to the collection activities with respect to such Receivable, or (e) any failure of the Servicer to perform its duties or obligations in accordance with the provisions hereof or any other Transaction Document to which it is a party, (f) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables, in or purporting to be in the Receivables Pool and any other Pool Assets, whether at the time of any purchase or reinvestment or at any subsequent time, or (g) any commingling by the Servicer of Collections at any time with other funds.

**Section 3.3 Notice of Claims.** Promptly after the receipt by an Indemnified Party of a notice of the commencement of any action, suit, proceeding, investigation or claim against such Indemnified Party as to which it proposes to demand indemnification from the Seller or Servicer (each, as applicable, an “Indemnifying Party”) pursuant to Section 3.1 or 3.2, as applicable, such Indemnified Party shall notify the applicable Indemnifying Party in writing of the commencement thereof; provided that the failure so to notify such Indemnifying Party shall not relieve such Indemnifying Party from any liability which such Indemnifying Party may have to such Indemnified Party pursuant to Section 3.1 or 3.2 unless to the extent that such failure results in the forfeiture by any such Indemnifying Party of substantive rights or defenses.

#### **ARTICLE IV. ADMINISTRATION AND COLLECTIONS**

Section 4.1 Appointment of the Servicer. (a) The servicing, administering and collection of the Pool Receivables shall be conducted by the Person so designated from time to time as the Servicer in accordance with this Section. Until and unless the Administrator gives notice to UGI upon the occurrence of a Termination Event (in accordance with this Section) of the designation of a new Servicer, UGI is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms hereof. Upon the occurrence of a Termination Event, the Administrator may designate as Servicer any Person (including itself) to succeed UGI or any successor Servicer, on the condition in each case that any such Person so designated shall agree to perform the duties and obligations of the Servicer pursuant to the terms hereof.

(b) Upon the designation of a successor Servicer as set forth in clause (a), UGI agrees that it will terminate its activities as Servicer hereunder in a manner that the Administrator determines will facilitate the transition of the performance of such activities to the new Servicer, and UGI shall cooperate with and assist such new Servicer. Such cooperation shall include reasonable access to and transfer of related records and use by the new Servicer of all licenses (or the obtaining of new licenses), hardware or software necessary or desirable to collect the Pool Receivables and the Related Security.

(c) UGI acknowledges that, in making their decision to execute and deliver this Agreement, the Administrator and the Issuer have relied on UGI's agreement to act as Servicer hereunder. Accordingly, UGI agrees that it will not voluntarily resign as Servicer.

(d) The Servicer may delegate its duties and obligations hereunder to any subservicer (each a "Sub-Servicer"); provided, that, in each such delegation: (i) such Sub-Servicer shall agree in writing to perform the duties and obligations of the Servicer pursuant to the terms hereof, (ii) the Servicer shall remain primarily liable for the performance of the duties and obligations so delegated, (iii) the Seller, the Administrator and the Issuer shall have the right to look solely to the Servicer for performance, and (iv) the terms of any agreement with any Sub-Servicer shall provide that the Administrator may terminate such agreement upon the termination of the Servicer hereunder by giving notice of its desire to terminate such agreement to the Servicer (and the Servicer shall provide appropriate notice to each such Sub-Servicer); provided, however, that if any such delegation is to any Person other than the Originator, the Administrator shall have consented in writing in advance to such delegation; provided, further, that the requirements set forth in clauses (i) and (iv) of the first proviso shall not apply to any Sub-Servicer that is a utility providing billing and collection services to the Servicer where amounts owed on the Receivables are included in the invoice that such utility sends to its customers.

Section 4.2 Duties of the Servicer. (a) The Servicer shall take or cause to be taken all such action as may be reasonably necessary or advisable to administer and collect each Pool Receivable from time to time, all in accordance with this Agreement and all applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policies. The Servicer shall set aside, for the accounts of the Seller and the Issuer, the amount of the Collections to which each is entitled in accordance with Article I. The Servicer may, in accordance with the applicable Credit and Collection Policy, take such action as the Servicer may reasonably determine to be appropriate to maximize Collections thereof or reflect adjustments required under



applicable laws, rules or regulations or the applicable Contract; provided, however, that: for the purposes of this Agreement, (i) such action shall not change the number of days such Pool Receivable has remained unpaid from the date of the original due date related to such Pool Receivable, (ii) such action shall not alter the status of such Pool Receivable as a Delinquent Receivable or a Defaulted Receivable or limit the rights of the Issuer or the Administrator under this Agreement and (iii) if a Termination Event has occurred and is continuing and UGI or an Affiliate thereof is serving as the Servicer, UGI or such Affiliate may take such action only upon the prior approval of the Administrator. The Seller shall deliver to the Servicer and the Servicer shall hold for the benefit of the Seller and the Administrator (individually and for the benefit of the Issuer), in accordance with their respective interests, all records and documents (including computer tapes or disks) with respect to each Pool Receivable. Notwithstanding anything to the contrary contained herein, the Administrator may direct the Servicer (whether the Servicer is UGI or any other Person) to commence or settle any legal action to enforce collection of any Pool Receivable or to foreclose upon or repossess any Related Security; provided, however, that no such direction may be given unless either: (A) a Termination Event has occurred or (B) the Administrator believes in good faith that the failure to commence, settle or effect such legal action, foreclosure or repossession could adversely affect Receivables constituting a material portion of the Pool Receivables.

(b) The Servicer shall, as soon as practicable following actual receipt of collected funds, turn over to the Seller (or to the Originator in the case of payment due to a Reseller) the collections of any indebtedness that is not a Pool Receivable, less, if UGI or an Affiliate thereof is not the Servicer, all reasonable and appropriate out-of-pocket costs and expenses of such Servicer of servicing, collecting and administering such collections. The Servicer, if other than UGI or an Affiliate thereof, shall, as soon as practicable upon demand, deliver to the Seller all records in its possession that evidence or relate to any indebtedness that is not a Pool Receivable, and copies of records in its possession that evidence or relate to any indebtedness that is a Pool Receivable.

(c) The Servicer's obligations hereunder shall terminate on the later of: (i) the Facility Termination Date and (ii) the date on which all amounts required to be paid to the Issuer, the Administrator and any other Indemnified Party or Affected Person hereunder shall have been paid in full.

After such termination, if UGI or an Affiliate thereof was not the Servicer on the date of such termination, the Servicer shall promptly deliver to the Seller all books, records and related materials that the Seller previously provided to the Servicer, or that have been obtained by the Servicer, in connection with this Agreement.

Section 4.3 Lock-Box Arrangements. Within 30 days of the initial purchase hereunder, the Seller shall enter into Lock-Box Agreements with all of the Lock-Box Banks and deliver original counterparts thereof to the Administrator. Upon the occurrence of and continuance of a Termination Event, the Administrator may at any time thereafter give notice to each Lock-Box Bank that the Administrator is exercising its rights under the Lock-Box Agreements to do any or all of the following: (a) to have the exclusive ownership and control of the Lock-Box Accounts (and the related lock-boxes) transferred to the Administrator and to exercise exclusive dominion and control over the funds deposited therein, (b) to have the proceeds that are sent to the respective Lock-Box

Accounts (and the respective related lock-boxes) redirected pursuant to the Administrator's instructions rather than deposited in the applicable Lock-Box Account (or sent to the applicable related lock-box), and (c) to take any or all other actions permitted under the applicable Lock-Box Agreement. The Seller hereby agrees that if the Administrator at any time takes any action set forth in the preceding sentence, the Administrator shall have exclusive control of the proceeds (including Collections) of all Pool Receivables and the Seller hereby further agrees to take any other action that the Administrator may reasonably request to transfer such control. Any proceeds of Pool Receivables received by the Seller or the Servicer thereafter shall be sent immediately to the Administrator. The parties hereto hereby acknowledge that if at any time the Administrator takes control of any Lock-Box Account (and any such related lock-box), the Administrator shall not have any rights to the funds therein in excess of the unpaid amounts due to the Administrator, the Issuer or any other Person hereunder, and the Administrator shall distribute or cause to be distributed such funds in accordance with Section 4.2(b) and Article I (in each case as if such funds were held by the Servicer thereunder).

Section 4.4 Enforcement Rights. (a) At any time following the occurrence and continuance of a Termination Event:

(i) the Administrator may direct the Obligor that payment of all amounts payable under any Pool Receivable is to be made directly to the Administrator or its designee,

(ii) the Administrator may instruct the Seller or the Servicer to give notice of the Issuer's interest in Pool Receivables to each Obligor, which notice shall direct that payments be made directly to the Administrator or its designee, and the Seller or the Servicer, as the case may be, shall give such notice at the expense of the Seller or the Servicer, as the case may be; provided, that if the Seller or the Servicer, as the case may be, fails to so notify each Obligor within a reasonable time after said instruction (in no event not later than 10 days thereafter), the Administrator (at the Seller's or the Servicer's, as the case may be, expense) may so notify the Obligor, and

(iii) the Administrator may request the Servicer to, and upon such request the Servicer shall: (A) assemble all of the records in the Servicer's possession or under its control necessary or desirable to collect the Pool Receivables and the Related Security, and transfer or license (or obtain new licenses) to a successor Servicer the use of all software in the Servicer's possession or under its control necessary or desirable to collect the Pool Receivables and the Related Security, and make the same available to the Administrator or its designee at a place selected by the Administrator to the extent permissible under such agreements, and (B) segregate all cash, checks and other instruments received by it from time to time constituting Collections in a manner reasonably acceptable to the Administrator and, promptly upon receipt, remit all such cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the Administrator or its designee.

(b) The Seller hereby authorizes the Administrator, and irrevocably appoints the Administrator as its attorney-in-fact with full power of substitution and with full authority in the place and stead of the Seller, which appointment is coupled with an interest, upon the occurrence and continuation of a Termination Event to take any and all steps in the name of the Seller and on

behalf of the Seller necessary or desirable, in the determination of the Administrator, to collect any and all amounts or portions thereof due under any and all Pool Assets, including endorsing the name of the Seller on checks and other instruments representing Collections and enforcing such Pool Assets. Notwithstanding anything to the contrary contained in this subsection, none of the powers conferred upon such attorney-in-fact pursuant to the preceding sentence shall subject such attorney-in-fact to any liability if any action taken by it shall prove to be inadequate or invalid, nor shall they confer any obligations upon such attorney-in-fact in any manner whatsoever; provided, however, that the Administrator shall not be relieved of any liability it might otherwise have to any party hereunder for its own gross negligence or willful misconduct.

Section 4.5 Responsibilities of the Seller. (a) Anything herein to the contrary notwithstanding, the Seller shall: (i) perform all of its obligations, if any, under the Contracts related to the Pool Receivables to the same extent as if interests in such Pool Receivables had not been transferred hereunder, and the exercise by the Administrator or the Issuer of their respective rights hereunder shall not relieve the Seller from such obligations, and (ii) pay when due any taxes, including any sales taxes payable in connection with the Pool Receivables and their creation and satisfaction. The Administrator and the Issuer shall not have any obligation or liability with respect to any Pool Asset, nor shall either of them be obligated to perform any of the obligations of the Seller, UGI or the Originator thereunder.

(b) UGI hereby irrevocably agrees that if at any time it shall cease to be the Servicer hereunder, it shall act (if the then-current Servicer so requests) as the data-processing agent of the Servicer and, in such capacity, UGI shall conduct the data-processing functions of the administration of the Receivables and the Collections thereon in substantially the same way that UGI conducted such data-processing functions while it acted as the Servicer.

Section 4.6 Servicing Fee. (a) Subject to clause (b), the Servicer shall be paid a fee equal to 0.50% per annum (the “Servicing Fee Rate”) of the daily average aggregate Outstanding Balance of the Pool Receivables. The Issuer’s Share of such fee shall be paid through the distributions contemplated by Section 1.4(d), and the Seller’s Share of such fee shall be paid by the Seller on each Settlement Date.

(b) If the Servicer ceases to be UGI or an Affiliate thereof, the servicing fee shall be the greater of: (i) the amount calculated pursuant to clause (a), and (ii) an alternative amount specified by the successor Servicer not to exceed 110% of the aggregate reasonable costs and expenses incurred by such successor Servicer in connection with the performance of its obligations as Servicer.

## **ARTICLE V. MISCELLANEOUS**

Section 5.1 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Transaction Document, or consent to any departure by the Seller or the Servicer therefrom, shall be effective unless in a writing signed by the Administrator, and, in the case of any amendment, by the other parties thereto; and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of the Issuer or the Administrator to exercise, and no delay in exercising any right

hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

Section 5.2 Notices, Etc. (a) All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including facsimile communication) and shall be personally delivered or sent by certified mail, postage prepaid, via nationally recognized courier or by facsimile, to the intended party at the mailing address or facsimile number of such party set forth under its name on the signature pages hereof or at such other address or facsimile number as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be effective (i) if personally delivered, when received, (ii) if sent by certified mail three (3) Business Days after having been deposited in the mail, postage prepaid, (iii) if via nationally recognized courier for delivery the next Business Day, and (iv) if transmitted by facsimile, when sent, receipt confirmed by telephone or electronic means (and shall be followed by a hard copy sent by first class mail).

Section 5.3 Assignability. (a) This Agreement and the Issuer's rights and obligations herein (including ownership of the Purchased Interest or an interest therein) shall be assignable, in whole or in part, by the Issuer and its successors and assigns with the prior written consent of the Seller; provided, however, that such consent shall not be unreasonably withheld; and provided further, that no such consent shall be required if the assignment is made to any Affiliate of PNC (other than a director or officer of PNC) or any Person that is administered by PNC or any Affiliate of PNC. Each assignor may, in connection with the assignment, disclose to the applicable assignee (that shall have agreed to be bound by Section 5.6) any information relating to the Servicer, the Seller or the Pool Receivables furnished to such assignor by or on behalf of the Servicer, the Seller, the Issuer or the Administrator. The Administrator shall give prior written notice of any assignment of the Issuer's rights and obligations (including ownership of the Purchased Interest to any Person).

(b) [Reserved].

(c) This Agreement and the rights and obligations of the Administrator hereunder shall be assignable, in whole or in part, by the Administrator and its successors and assigns; provided, that unless: (i) such assignment is to an Affiliate of PNC, (ii) it becomes unlawful for PNC to serve as the Administrator or (iii) a Termination Event exists, the Seller has consented to such assignment, which consent shall not be unreasonably withheld.

(d) Except as provided in Section 4.1(d), none of the Seller, UGI or the Servicer may assign its rights or delegate its obligations hereunder or any interest herein without the prior written consent of the Administrator.

(e) Without limiting any other rights that may be available under applicable law, the rights of the Issuer may be enforced through it or by its agents.

(f) Each of (A) the Issuer, (B) its successors and assigns and (C) any assignee under Section 5.3(a) that, in each case, is not a United States Person (as such term is defined in Section 7701(a)(30) of the United States Internal Revenue Code of 1986, as amended) for United States federal tax purposes shall deliver to the Seller, with a copy to the Servicer, a United States Internal

Revenue Service Form W-8BEN or W-8ECI (or successor form) properly completed and certifying in each case that the party delivering such form is entitled to a complete exemption from withholding or deduction for or on account of any United States federal income taxes with respect to amounts derived, directly or indirectly, in connection with this Agreement. The Issuer, if required to deliver such form, shall deliver such form on the Closing Date. A party described in the foregoing clauses (B) or (C) shall deliver such form concurrently with such party becoming described in any of such clauses. Each party obligated to deliver a form under the first sentence of this Section 5.3(f) shall, to the extent permitted by law, further deliver to the Seller, with a copy to the Servicer, a United States Internal Revenue Service Form W-8BEN or W-8ECI (or successor form) on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by such party to the Seller, properly completed and certifying in each case that the party delivering such form is entitled to a complete exemption from withholding or deduction for or on account of any United States federal income taxes with respect to amounts derived, directly or indirectly, in connection with this Agreement. The Seller shall not be required to pay to or on behalf of any party described in the foregoing clauses (A) through (C) any additional amount under Section 1.8 or Section 3.1 attributable to any tax, duty, levy or other charge of any kind whatsoever imposed upon or required to be withheld or deducted from payments to any such party if such party shall have failed to satisfy the requirements of this Section 5.3(f); provided that nothing in this Section 5.3(f) shall relieve the Seller of any obligation to pay additional amounts under Section 1.8 or Section 3.1 if, as a result of a change in treaty, law or regulation or the interpretation or application thereof, adopted, issued or occurring after the satisfaction by such party of such requirements, such party is no longer properly entitled to deliver Form W-8BEN or Form W-8ECI (or successor forms) certifying that such party is entitled to a complete exemption from withholding or deduction for or on account of any United States federal income taxes with respect to amounts derived, directly or indirectly, in connection with this Agreement.

**Section 5.4 Costs, Expenses and Taxes.** (a) In addition to the rights of indemnification granted under Section 3.1, the Seller agrees to pay on demand (which demand shall be accompanied by documentation thereof in reasonable detail) all reasonable costs and expenses in connection with the preparation, execution, delivery and administration (including periodic internal audits by the Administrator of Pool Receivables, provided that the Seller shall not pay for more than one audit per year unless a Termination Event has occurred and is continuing) of this Agreement, the other Transaction Documents and the other documents and agreements to be delivered hereunder (and all reasonable costs and expenses in connection with any amendment, waiver or modification of any thereof), including: (i) Attorney Costs for the Administrator, the Issuer and their respective Affiliates and agents with respect thereto and with respect to advising the Administrator, the Issuer and their respective Affiliates and agents as to their rights and remedies under this Agreement and the other Transaction Documents, and (ii) all reasonable costs and expenses (including Attorney Costs), if any, of the Administrator, the Issuer and their respective Affiliates and agents in connection with the enforcement of this Agreement and the other Transaction Documents.

(b) In addition, the Seller shall pay on demand any and all stamp and other similar taxes and fees payable in connection with the execution, delivery, filing and recording of this Agreement or the other documents or agreements to be delivered hereunder, and agrees to save each Indemnified

Party harmless from and against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

Section 5.5 [Reserved].

Section 5.6 Confidentiality. Unless otherwise required by applicable law, each of the Seller and the Servicer agrees to maintain the confidentiality of the terms of this Agreement and the other Transaction Documents (and all drafts thereof) in communications with third parties and otherwise; provided, that this Agreement may be disclosed to: (a) third parties to the extent such disclosure is made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to the Administrator, and (b) the Seller's legal counsel and auditors if they agree to hold it confidential. Unless otherwise required by applicable law, each of the Administrator and the Issuer agrees to maintain the confidentiality of non-public information regarding UGI and its Subsidiaries and Affiliates; provided, that such information may be disclosed to: (i) third parties to the extent such disclosure is made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to UGI, (ii) legal counsel and auditors of the Issuer or the Administrator if they agree to hold it confidential, (iii) any nationally recognized statistical rating organization and (iv) any regulatory authorities having jurisdiction over PNC or the Issuer.

Section 5.7 GOVERNING LAW AND JURISDICTION. (a) THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTION 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK) EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF A SECURITY INTEREST OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FEDERAL COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PARTIES HERETO CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, THAT IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. EACH OF THE PARTIES HERETO WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH SERVICE MAY BE MADE BY ANY OTHER MEANS PERMITTED BY NEW YORK LAW.

Section 5.8 Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which, when so executed, shall be deemed to be an original, and all of which, when taken together, shall constitute one and the same agreement.

Section 5.9 Survival of Termination. The provisions of Sections 1.7, 1.8, 3.1, 3.2, 5.4, 5.6, 5.7, 5.10 and 5.13 shall survive any termination of this Agreement.

Section 5.10 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO WAIVES THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS OR OTHERWISE. EACH OF THE PARTIES HERETO AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, EACH OF THE PARTIES HERETO FURTHER AGREES THAT ITS RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING THAT SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

Section 5.11 Entire Agreement. This Agreement and the other Transaction Documents embody the entire agreement and understanding between the parties hereto, and supersede all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof, except for any prior arrangements made with respect to the payment by the Issuer of (or any indemnification for) any fees, costs or expenses payable to or incurred (or to be incurred) by or on behalf of the Seller, the Servicer and the Administrator.

Section 5.12 Headings. The captions and headings of this Agreement and any Exhibit, Schedule or Annex hereto are for convenience of reference only and shall not affect the interpretation hereof or thereof.

Section 5.13 Issuer's, Administrator's, Seller's and Servicer's Liabilities. The obligations of the Issuer, the Administrator, the Seller and the Servicer under the Transaction Documents are solely the corporate or organizational obligations of the Issuer, the Administrator, the Seller and the Servicer, respectively. No recourse shall be had for any obligation or claim arising out of or based upon any Transaction Document against any stockholder, employee, officer, director, incorporator or organizer of the Issuer, the Administrator, the Seller or the Servicer; provided, however, that this Section shall not relieve any such Person of any liability it might otherwise have for its own gross negligence or willful misconduct.

Section 5.14 Purchase Option. So long as the Credit Agreement is in effect, the Seller shall have the right to repurchase in full (but not in part) the Purchased Interest from the Issuer on any Settlement Date on the terms hereinafter set forth in this Section 5.14 (such date, the "Repurchase Date"). The Seller shall give the Administrator at least sixty (60) days' prior written notice of such repurchase. The Repurchase Date shall occur not later than the Settlement Date immediately after the sixty-day period following Seller's written notice of such repurchase to the Administrator. Upon payment of the full Repurchase Price for the Purchased Interest on the Repurchase Date, as herein

provided, the Issuer shall be deemed to have reconveyed the Purchased Interest to the Seller without recourse, representation or warranty. The Seller shall pay such repurchase price (the “Repurchase Price”) for the Purchased Interest on the Repurchase Date in immediately available funds to the Administrator in an amount equal to the sum of (i) the aggregate of the Discount accrued for each Portion of Capital for the Issuer accrued to and including the Repurchase Date, (ii) the Capital for the Issuer, (iii) all amounts payable pursuant to Sections 1.5, 1.7, 1.8 or 5.4 or Article III accrued to and including the Repurchase Date, (iv) all other fees, costs, expenses and other obligations of the Seller and the Servicer pursuant to the Transaction Documents that are payable as of the Repurchase Date, and (v) if UGI is not the Servicer, the Issuer’s Share of the Servicing Fee allocated to the Purchased Interest that has accrued to and including the Repurchase Date.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**



**IN WITNESS WHEREOF**, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ENERGY SERVICES FUNDING CORPORATION

By:

Name:

Title:

Address: Energy Services Funding Corporation  
460 North Gulph Road, Suite 200  
King of Prussia, PA 19406-2815

Attention:

Telephone:

Facsimile:

UGI ENERGY SERVICES, LLC

By:

Name:

Title:

Address: UGI Energy Services, LLC  
1100 Berkshire Boulevard, Suite 305  
Wyomissing, PA 19610

Attention:

Telephone:

Facsimile:

PNC BANK, NATIONAL ASSOCIATION,  
as Administrator

By:

Name:

Title:

Address: PNC Bank, National Association  
Three PNC Plaza  
225 Fifth Avenue  
Pittsburgh, PA 15222-2707

Attention:

Telephone:

Facsimile:

PNC BANK, NATIONAL ASSOCIATION,  
as Issuer

By:

Name:

Title:

Address: PNC Bank, National Association  
Three PNC Plaza  
225 Fifth Avenue  
Pittsburgh, PA 15222-2707

Attention:

Telephone:

Facsimile:

## **EXHIBIT I DEFINITIONS**

As used in the Agreement (including its Exhibits, Schedules and Annexes), the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined). Unless otherwise indicated, all Section, Annex, Exhibit and Schedule references in this Exhibit are to Sections of and Annexes, Exhibits and Schedules to the Agreement.

“Administration Account” means the account (account number XXXXXXXXXX, ABA number XXXXXXXXXX) of the Issuer maintained at the office of PNC at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707, or such other account as may be so designated in writing by the Administrator to the Servicer.

“Administrator” has the meaning set forth in the preamble to the Agreement.

“Adverse Claim” means a lien, security interest or other charge or encumbrance, or any other type of preferential arrangement; it being understood that any thereof in favor of, or assigned to, the Issuer or the Administrator (for the benefit of the Issuer) shall not constitute an Adverse Claim.

“Affected Person” has the meaning set forth in Section 1.7 of the Agreement.

“Affiliate” means, as to any Person: (a) any Person that, directly or indirectly, is in control of, is controlled by or is under common control with such Person, or (b) who is a director or officer: (i) of such Person or (ii) of any Person described in clause (a), except that, with respect to the Issuer, Affiliate shall mean the holder(s) of its capital stock. For purposes of this definition, control of a Person shall mean the power, direct or indirect: (x) to vote 51% or more of the securities having ordinary voting power for the election of directors or managers of such Person, or (y) to direct or cause the direction of the management and policies of such Person, in either case whether by ownership of securities, contract, proxy or otherwise.

“Agreement” has the meaning set forth in the preamble to the Agreement.

“Alternate Rate” for any Settlement Period for any Portion of Capital of the Purchased Interest means an interest rate per annum equal to: (a) the daily average LMIR for such Settlement Period, or (b) if LMIR is unavailable as described in Section 1.9, the Base Rate for such Settlement Period; provided, however, that the “Alternate Rate” for any day while a Termination Event exists shall be an interest rate equal to 3.00% per annum above the Base Rate in effect on such day.

“Anti-Terrorism Laws” means any applicable laws or regulation relating to terrorism, trade sanctions programs and embargoes, import/export licensing, money laundering or bribery, and any regulation, order, or directive promulgated, issued or enforced pursuant to such applicable laws or regulations, all as amended, supplemented or replaced from time to time.

“Approved Billing Program” means any consolidated billing or similar agreement between a Purchasing Utility and the Originator pursuant to which the Originator may from time to time sell and/or assign receivables, which agreement has been approved in writing by the Administrator; provided, that if (i) the Originator delivers to the Administrator in writing and in accordance with Section 5.2 a copy of such an agreement (or a substantially final draft thereof) with a request that it be approved as an “Approved Billing Program” and (ii) the Administrator does not, on or prior to the date that is ten (10) Business Days following such delivery, notify the Originator or the Servicer that the Administrator is withholding such approval, the Administrator shall be deemed to have approved such agreement as an “Approved Billing Program” in accordance with this definition. Without limiting the generality of the foregoing, each of the following agreements shall be an Approved Billing Program: (x) that certain Consolidated Utility Billing Service and Assignment Agreement, contemplated to be entered into between Consolidated Edison Company of New York, Inc. and the Originator, containing terms and conditions in form and substance substantially similar to those set forth in the draft of such agreement previously delivered by the Originator to the Administrator on April 7, 2009 and (y) that certain Third Party Supplier Customer Account Services Master Service Agreement, dated November 6, 2008, by and between Public Service Electric and Gas Company and the Originator, a copy of which was delivered by the Originator to the Administrator on April 20, 2009.

“Attorney Costs” means and includes all reasonable fees and disbursements of any law firm or other external counsel, the reasonable allocated cost of internal legal services and all reasonable disbursements of internal counsel.

“Bankruptcy Code” means the United States Bankruptcy Reform Act of 1978 (11 U.S.C. § 101, et seq.), as amended from time to time.

“Base Rate” means, for any day, a fluctuating interest rate per annum as shall be in effect from time to time, which rate shall be at all times equal to the higher of:

(a) the rate of interest in effect for such day as publicly announced from time to time by PNC in Pittsburgh, Pennsylvania as its “prime rate.” Such “prime rate” is set by PNC based upon various factors, including PNC’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate, and

(b) 0.50% per annum above the latest Federal Funds Rate.

“Benefit Plan” means any employee benefit pension plan as defined in Section 3(2) of ERISA in respect of which the Seller, the Originator, UGI or any ERISA Affiliate is an “employer” as defined in Section 3(5) of ERISA.

“Billing Program Receivable” means a Receivable described in clause (i) of the definition of the term “Receivable”, which is sold and/or assigned by the Originator to a Purchasing Utility from time to time pursuant to an Approved Billing Program.

“Business Day” means any day (other than a Saturday or Sunday) on which: (a) banks are not authorized or required to close in New York City, New York or Pittsburgh, Pennsylvania, and (b) if this definition of “Business Day” is utilized in connection with LMIR, dealings are carried out in the London interbank market.

“Capital” means the amount paid to the Seller in respect of the Purchased Interest by the Issuer pursuant to the Agreement, or such amount divided or combined in order to determine the Discount applicable to any Portion of Capital, in each case reduced from time to time by Collections distributed and applied on account of such Capital pursuant to Section 1.4(d) of the Agreement; provided, that if such Capital shall have been reduced by any distribution, and thereafter all or a portion of such distribution is rescinded or must otherwise be returned for any reason, such Capital shall be increased by the amount of such rescinded or returned distribution as though it had not been made.

“Change in Control” means that (a) with respect to the Seller, UGI ceases to own, directly or indirectly, 100% of the capital stock of the Seller free and clear of all Adverse Claims, (b) with respect to UGI, UGI Enterprises, Inc. shall cease to own 51% or more of the shares of outstanding voting stock of UGI on a fully diluted basis.

“Closing Date” means November 30, 2001.

“Collections” means, with respect to any Pool Receivable: (a) all funds that are received by the Originator, UGI, the Seller or the Servicer in payment of any amounts owed in respect of such Receivable (including purchase price, finance charges, interest and all other charges), or applied to amounts owed in respect of such Receivable (including insurance payments and net proceeds of the sale or other disposition of repossessed goods or other collateral or property of the related Obligor or any other Person directly or indirectly liable for the payment of such Pool Receivable and available to be applied thereon), (b) all amounts deemed to have been received pursuant to Section 1.4(e) of the Agreement and (c) all other proceeds of such Pool Receivable.

“Company Note” has the meaning set forth in the Purchase and Sale Agreement

“Concentration Percentage” means for any: (a) Group A Obligor, 16.00%, (b) Group B Obligor, 12.00%, (c) Group C Obligor, 8.00% and (d) Group D Obligor, 4.00%.

“Concentration Reserve Percentage” means, at any time, the largest of: (a) the sum of five largest Group D Obligor Percentages, (b) the sum of the three largest Group C Obligor Percentages, (c) the sum of two largest Group B Obligor Percentages and (d) the largest Group A Obligor Percentage.

“Contract” means, with respect to any Receivable, any and all contracts, instruments, agreements, leases, invoices, notes or other writings pursuant to which such Receivable arises or that evidence such Receivable or under which an Obligor becomes or is obligated to make payment in respect of such Receivable.

“Contributed Receivables” has the meaning set forth in Section 2.2 of the Purchase and Sale Agreement.

“Covered Entity” means (a) the Seller, the Servicer and each Originator and (b) each Person that, directly or indirectly, is in control of a Person described in clause (a) above. For purposes of this definition, control of a Person shall mean the direct or indirect (x) ownership of, or power to vote, 25% or more of the issued and outstanding equity interests having ordinary voting power for the election of directors of such Person or other Persons performing similar functions for such Person, or (y) power to direct or cause the direction of the management and policies of such Person whether by ownership of equity interests, contract or otherwise.

“Credit Agreement” means that certain Credit Agreement, dated on or about August 26, 2010, among UGI, as borrower, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, PNC Bank, National Association, Wells Fargo Bank, National Association, and certain other parties, as such agreement may be amended, amended and restated, supplemented or otherwise modified from time to time.

“Credit and Collection Policy” means, as the context may require, those receivables credit and collection policies and practices of the Originator in effect on the date of the Agreement and described in Schedule I to the Agreement, as modified in compliance with the Agreement.

“Cut-off Date” has the meaning set forth in the Purchase and Sale Agreement.

“Days’ Sales Outstanding” means, for any calendar month, an amount (expressed as a number of days) computed as of the last day of such calendar month equal to: (a) the average of the Outstanding Balance of all Pool Receivables as of the last day of each of the three most recent calendar months ended on the last day of such calendar month divided by (b) (i) the aggregate credit sales made by the Originator during the three calendar months ended on the last day of such calendar month divided by (ii) 90.

“Debt” means: (a) indebtedness for borrowed money, (b) obligations evidenced by bonds, debentures, notes or other similar instruments, (c) obligations to pay the deferred purchase price of property or services, (d) obligations as lessee under leases that shall have been or should be, in accordance with GAAP, recorded as capital leases, and (e) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (a) through (d).

“Default Ratio” means the ratio (expressed as a percentage and rounded to the nearest 1/100 of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of each calendar month by dividing: (a) the aggregate Outstanding Balance of all Pool Receivables that became Defaulted Receivables during such month, by (b) the aggregate credit sales made by the Originator during the month that is three calendar months before such month. The Outstanding Balance of any Defaulted Receivable shall be determined without regard to any credit memos or credit balances.

“Defaulted Receivable” means a Receivable:

(a) as to which any payment, or part thereof, remains unpaid for more than 60 days from the original due date for such payment, or

(b) without duplication (i) as to which an Insolvency Proceeding shall have occurred with respect to the Obligor thereof or any other Person obligated thereon with respect thereto, or (ii) that has been written off the Seller's books as uncollectible.

"Delinquency Ratio" means the ratio (expressed as a percentage and rounded to the nearest 1/100 of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of each calendar month by dividing: (a) the aggregate Outstanding Balance of all Pool Receivables that were Delinquent Receivables on such day by, (b) the aggregate Outstanding Balance of all Pool Receivables (excluding Delinquent Receivables that have a stated maturity which is more than 60 days after the original invoice date of such Receivable) on such day.

"Delinquent Receivable" means any portion of a Receivable as to which any payment, or part thereof, remains unpaid for more than 60 days from the original due date for such payment. The Outstanding Balance of any Delinquent Receivable shall be determined without regard to any credit memos or credit balances and shall exclude Delinquent Receivables that have a stated maturity which is more than 60 days after the original invoice date of such Receivable.

"Dilution Horizon" means, for any calendar month, the ratio (expressed as a percentage and rounded to the nearest 1/100th of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of such calendar month of: (a) the aggregate credit sales made by the Originator during the most recent calendar month and 50% of the next most recent calendar month's credit sales to (b) the Net Receivables Pool Balance at the last day of the most recent calendar month.

"Dilution Ratio" means the ratio (expressed as a percentage and rounded to the nearest 1/100th of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of each calendar month by dividing: (a) the aggregate amount of payments required to be made by the Seller pursuant to Section 1.4(e)(i) of the Agreement during such calendar month, by (b) the aggregate credit sales made by the Originator during the month that is one calendar month before such month.

"Dilution Reserve" means, on any date, an amount equal to: (a) the Capital at the close of business of the Servicer on such date multiplied by (b) (i) the Dilution Reserve Percentage on such date, divided by (ii) 100% minus the Dilution Reserve Percentage on such date.

"Dilution Reserve Percentage" means on any date, the product of (i) the Dilution Horizon multiplied by (ii) the sum of (x) 2.25 times the average of the Dilution Ratios for the twelve most recent calendar months and (y) the Spike Factor.

"Discount" means:

for the Portion of Capital for any Settlement Period:

$$AR \times C \times ED/Year + TF$$

where:

AR= the Alternate Rate for the Portion of Capital for such Settlement Period,

C= the Portion of Capital during such Settlement Period,

ED= the actual number of days during such Settlement Period,

TF= the Termination Fee, if any, for the Portion of Capital for such Settlement Period, and

Year= if such Portion of Capital is funded based upon: (i) LMIR, 360 days, and (ii) the Base Rate, 365 or 366 days, as applicable;

provided, that no provision of the Agreement shall require the payment or permit the collection of Discount in excess of the maximum permitted by applicable law; and provided further, that Discount for the Portion of Capital shall not be considered paid by any distribution to the extent that at any time all or a portion of such distribution is rescinded or must otherwise be returned for any reason.

“Eligible Receivable” means, at any time, a Pool Receivable:

(a) the Obligor of which is (i) (A) a United States resident and (B) not a Sanctioned Obligor, (ii) not a government or a governmental subdivision, affiliate or agency, provided, however, if the Obligor of such Receivable is a government or a governmental subdivision, affiliate or agency, such Receivable shall satisfy the requirements of this clause (a)(ii) if the sum of the Outstanding Balance of such Receivable and the aggregate Outstanding Balance of all other Eligible Receivables of Obligors who are governments or governmental subdivisions, affiliates or agencies does not exceed \$200,000, (iii) not subject to any action of the type described in paragraph (f) of Exhibit V to the Agreement, (iv) not an Affiliate of UGI; provided, however, if the Obligor of such Receivable is either UGI Utilities, Inc., UGI Penn Natural Gas, Inc. or UGI Central Penn Gas, Inc. (provided that UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. are wholly-owned subsidiaries of UGI Utilities, Inc.), such Receivable shall satisfy the requirements of this clause (a)(iv) if the sum of the Outstanding Balance of such Receivable and the aggregate Outstanding Balance of all other Eligible Receivables of the Obligors of which are UGI Utilities, Inc., UGI Penn Natural Gas, Inc. and/or UGI Central Penn Gas, Inc. does not exceed \$12,500,000, and (v) not a Reseller, provided, however, if the Obligor of such Receivable is a Reseller, such Receivable shall satisfy the requirements of this clause (a)(v) if the sum of the Outstanding Balance of such Receivable and the aggregate Outstanding Balance of all other Eligible Receivables of Obligors who are Resellers does not exceed \$2,000,000,

(b) that is denominated and payable only in U.S. dollars in the United States,

(c) that does not have a stated maturity which is more than 45 days after the original invoice date of such Receivable; provided, however, that up to 10% of the aggregate Outstanding Balance of all Receivables may have a stated maturity which is more than 45 days but not more than 60 days after the original invoice date of such Receivable,



(d) (i) that arises under a duly authorized Contract for the sale and delivery of goods and services in the ordinary course of the Originator's business or (ii) in the case of a Receivable arising in connection with the sale or assignment by the Originator to a Purchasing Utility of a Billing Program Receivable, such Receivable arises under an Approved Billing Program; provided, however, that Receivables described in clause (ii) above shall not constitute Eligible Receivables to the extent that the aggregate Outstanding Balance of such Receivables exceeds 20% of the aggregate Outstanding Balance of all Eligible Receivables,

(e) that arises under a duly authorized Contract that is in full force and effect and that is a legal, valid and binding obligation of the related Obligor, enforceable against such Obligor in accordance with its terms, subject to applicable bankruptcy, fraudulent transfer or conveyance, insolvency, reorganization, moratorium and other similar laws limiting the enforceability of creditors' rights generally, as from time to time in effect,

(f) that conforms in all material respects with all applicable laws, rulings and regulations in effect,

(g) that is not the subject of any asserted dispute, offset, hold back defense, Adverse Claim or other claim,

(h) that satisfies in all material respects all applicable requirements of the applicable Credit and Collection Policy,

(i) that has not been modified, waived or restructured since its creation, except as permitted pursuant to Section 4.2 of the Agreement,

(j) in which the Seller owns good and marketable title, free and clear of any Adverse Claims, and that arise under Contracts, the terms of which do not expressly prohibit the Seller from assigning its right to receive payment under the Contract or require any consent of the related Obligor for such assignment,

(k) for which the Issuer shall have a valid and enforceable undivided percentage ownership or security interest, to the extent of the Purchased Interest, and a valid and enforceable first priority perfected security interest therein and in the Related Security and Collections with respect thereto, in each case free and clear of any Adverse Claim,

(l) that constitutes an account as defined in the UCC, and that is not evidenced by instruments or chattel paper,

(m) that (i) is neither a Defaulted Receivable nor a Delinquent Receivable and (ii) either (A) is an Eligible Unbilled Receivable or (B) has been billed or invoiced to the related Obligor,

(n) for which neither the Originator thereof, the Seller nor the Servicer has established any offset arrangements with the related Obligor,

(o) of an Obligor as to which Defaulted Receivables of such Obligor do not exceed 25% of the Outstanding Balance of all such Obligor's Receivables; provided, however, that amounts owing from Cooperative Industries Inc. that are more than 90 days from the original invoice date as of the Closing Date and that are being paid in accordance with a negotiated payment schedule shall not be considered Defaulted Receivables for purposes of this clause (o), and

(p) that represents amounts earned and payable by the Obligor that are not subject to the performance of additional services by the Originator thereof.

"Eligible Unbilled Receivable" means, at any time, any Receivables as to which the invoice or bill with respect thereto has not yet been sent to the Obligor thereof if (a) the related Originator has recognized the related revenue on its financial books and records under GAAP; and (b) not more than [30] days have expired since such Receivable arose.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA also refer to any successor sections.

"ERISA Affiliate" means: (a) any corporation that is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Internal Revenue Code) as the Seller, the Originator or UGI, (b) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Internal Revenue Code) with the Seller, the Originator or UGI, or (c) a member of the same affiliated service group (within the meaning of Section 414(m) of the Internal Revenue Code) as the Seller, the Originator, any corporation described in clause (a) or any trade or business described in clause (b).

"Excess Concentration" means, at any time, without duplication, the sum of:

(i) the sum of the amounts by which the Outstanding Balance of Eligible Receivables of each Obligor then in the Receivables Pool exceeds an amount equal to: (a) the applicable Concentration Percentage for such Obligor, multiplied by (b) the Outstanding Balance of all Eligible Receivables then in the Receivables Pool; plus

(ii) the amount by which the aggregate Outstanding Balance of all Eligible Receivables that are Eligible Unbilled Receivables exceeds 35% of the Outstanding Balance of all Eligible Receivables then in the Receivables Pool.

"Facility Termination Date" means the earliest to occur of: (a) October 26, 2018, (b) the date determined pursuant to Section 2.2 of the Agreement and (c) the date the Purchase Limit reduces to zero pursuant to Section 1.1(b) of the Agreement.

“Federal Funds Rate” means, for any day, the per annum rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (including any such successor, “H.15(519)”) for such day opposite the caption “Federal Funds (Effective).” If on any relevant day such rate is not yet published in H.15(519), the rate for such day will be the rate set forth in the daily statistical release designated as the Composite 3:30 p.m. Quotations for U.S. Government Securities, or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, the “Composite 3:30 p.m. Quotations”) for such day under the caption “Federal Funds Effective Rate.” If on any relevant day the appropriate rate is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, the rate for such day will be the arithmetic mean as determined by the Administrator of the rates for the last transaction in overnight Federal funds arranged before 9:00 a.m. (New York time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Administrator.

“Federal Reserve Board” means the Board of Governors of the Federal Reserve System, or any entity succeeding to any of its principal functions.

“Fee Letter” has the meaning set forth in Section 1.5 of the Agreement.

“GAAP” means the generally accepted accounting principles and practices in the United States, consistently applied.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any court, and any Person owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

“Group A Obligor” means any Obligor with a short-term rating of at least: (a) “A-1” by Standard & Poor’s, or if such Obligor does not have a short-term rating from Standard & Poor’s, a rating of “A+” or better by Standard & Poor’s on its long-term senior unsecured and uncredit-enhanced debt securities, and (b) “P-1” by Moody’s, or if such Obligor does not have a short-term rating from Moody’s, “A1” or better by Moody’s on its long-term senior unsecured and uncredit-enhanced debt securities.

“Group A Obligor Percentage” means, at any time, for each Group A Obligor, the percentage equivalent of: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group A Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

“Group B Obligor” means an Obligor, not a Group A Obligor, with a short-term rating of at least: (a) “A-2” by Standard & Poor’s, or if such Obligor does not have a short-term rating from Standard & Poor’s, a rating of “BBB+” to “A” by Standard & Poor’s on its long-term senior unsecured and uncredit-enhanced debt securities, and (b) “P-2” by Moody’s, or if such Obligor does not have a short-term rating from Moody’s, “Baa1” to “A2” by Moody’s on its long-term senior unsecured and uncredit-enhanced debt securities.

“Group B Obligor Percentage” means, at any time, for each Group B Obligor, the percentage equivalent of: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group B Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

“Group C Obligor” means an Obligor, not a Group A Obligor or a Group B Obligor, with a short-term rating of at least: (a) “A-3” by Standard & Poor’s, or if such Obligor does not have a short-term rating from Standard & Poor’s, a rating of “BBB-” to “BBB” by Standard & Poor’s on its long-term senior unsecured and uncredit-enhanced debt securities, and (b) “P-3” by Moody’s, or if such Obligor does not have a short-term rating from Moody’s, “Baa3” to “Baa2” by Moody’s on its long-term senior unsecured and uncredit-enhanced debt securities.

“Group C Obligor Percentage” means, at any time, for each Group C Obligor, the percentage equivalent of: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group C Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

“Group D Obligor” means any Obligor that is not a Group A Obligor, Group B Obligor or Group C Obligor.

“Group D Obligor Percentage” means, at any time, for each Group D Obligor: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group D Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

“Indemnified Amounts” has the meaning set forth in Section 3.1 of the Agreement.

“Indemnified Party” has the meaning set forth in Section 3.1 of the Agreement.

“Indemnifying Party” has the meaning set forth in Section 3.3 of the Agreement.

“Independent Director” has the meaning set forth in paragraph 3(c) of Exhibit IV to the Agreement.

“Information Package” means a report, in substantially the form of either Annex A-1 (in the case of an Information Package delivered in connection with a Settlement Date) or Annex A-2 (in the case of an Information Package delivered at any other time) to the Agreement, furnished to the Administrator pursuant to the Agreement.

“Insolvency Proceeding” means: (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors of a Person, or composition, marshaling of assets for creditors of a Person, or other, similar arrangement in respect of its creditors generally or any substantial portion of its creditors, in each of cases (a) and (b) undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of the Internal Revenue Code also refer to any successor sections.

“Issuer” has the meaning set forth in the preamble to the Agreement.

“Issuer’s Share” of any amount means such amount multiplied by the Purchased Interest at the time of determination.

“LCR Security” means any commercial paper or security (other than the Company Notes and other equity securities issued to UGI or any Originator that is a consolidated subsidiary of UGI under GAAP) within the meaning of Paragraph \_\_.32(e)(1)(viii) of the final rules titled Liquidity Coverage Ratio: Liquidity Risk Measurement Standards, 79 Fed. Reg. 197, 61440 et seq. (October 10, 2014).

“LMIR” means for any day during any Settlement Period the greater of (a) 0% and (b) the one-month Eurodollar rate for U.S. dollar deposits as reported on the Reuters Screen LIBOR01 Page or any other page that may replace such page from time to time for the purpose of displaying offered rates of leading banks for London interbank deposits in United States dollars, as of 11:00 a.m. (London time) on such day, or if such day is not a Business Day, then the immediately preceding Business Day (or if not so reported, then as determined by the Administrator from another recognized source for interbank quotation), in each case, changing when and as such rate changes.

“Lock-Box Account” means an account in the name of the Seller and maintained by the Seller at a bank or other financial institution for the purpose of receiving Collections.

“Lock-Box Agreement” means an agreement, in form and substance satisfactory to the Administrator, among the Seller, the Originator, the Servicer, the Administrator, the Issuer and a Lock-Box Bank.

“Lock-Box Bank” means any of the banks or other financial institutions holding one or more Lock-Box Accounts.

“Loss Reserve” means, on any date, an amount equal to: (a) the Capital at the close of business of the Servicer on such date multiplied by (b)(i) the Loss Reserve Percentage on such date divided by (ii) 100% minus the Loss Reserve Percentage on such date.

“Loss Reserve Percentage” means, on any date, the product of (i) 2.25 times (ii) the highest average of the Default Ratios for any three consecutive calendar months during the twelve most recent calendar months times (iii) (A) the aggregate credit sales made by the Originator during the four most recent calendar months, divided by (B) the Net Receivables Pool Balance as of such date.

“Material Adverse Effect” means, relative to any Person with respect to any event or circumstance, a material adverse effect on:

(q) the assets, operations, business or financial condition of such Person,

(r) the ability of any of such Person to perform its obligations under the Agreement or any other Transaction Document to which it is a party,

(s) the validity or enforceability of any other Transaction Document, or the validity, enforceability or collectibility of a material portion of the Pool Receivables, or

(t) the status, perfection, enforceability or priority of the Issuer's or the Seller's interest in the Pool Assets.

"Moody's" means Moody's Investors Service, Inc.

"Net Receivables Pool Balance" means, at any time: (a) the Outstanding Balance of Eligible Receivables then in the Receivables Pool minus (b) the Excess Concentration.

"Obligor" means, with respect to any Receivable, the Person obligated to make payments pursuant to the Contract relating to such Receivable.

"Originator" has the meaning set forth in the Purchase and Sale Agreement.

"Originator Assignment Certificate" means the assignment, in substantially the form of Exhibit C to the Purchase and Sale Agreement, evidencing Seller's ownership of the Receivables generated by the Originator, as the same may be amended, supplemented, amended and restated, or otherwise modified from time to time in accordance with the Purchase and Sale Agreement.

"Outstanding Balance" of any Receivable at any time means the then outstanding principal balance thereof.

"Payment Date" has the meaning set forth in Section 2.2 of the Purchase and Sale Agreement.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"PNC" has the meaning set forth in the preamble to the Agreement.

"Pool Assets" has the meaning set forth in Section 1.2(d) of the Agreement.

"Pool Receivable" means a Receivable in the Receivables Pool.

"Portion of Capital" means any separate portion of Capital being funded or maintained by the Issuer (or its successors or permitted assigns) by reference to a particular interest rate basis. In addition, at any time when the Capital of the Purchased Interest is not divided into two or more such portions, "Portion of Capital" means 100% of the Capital.

"Purchase and Sale Agreement" means the Purchase and Sale Agreement, dated as of even date herewith, between the Seller and UGI, as such agreement may be amended, amended and restated, supplemented or otherwise modified from time to time.

“Purchase and Sale Indemnified Amounts” has the meaning set forth in Section 9.1 of the Purchase and Sale Agreement.

“Purchase and Sale Indemnified Party” has the meaning set forth in Section 9.1 of the Purchase and Sale Agreement.

“Purchase and Sale Termination Date” has the meaning set forth in Section 1.4 of the Purchase and Sale Agreement.

“Purchase and Sale Termination Event” has the meaning set forth in Section 8.1 of the Purchase and Sale Agreement.

“Purchase Facility” has the meaning set forth in Section 1.1 of the Purchase and Sale Agreement.

“Purchase Limit” means (i) at any time on or after October 27, 2017 and prior to but excluding May 1, 2018, \$150,000,000 and (ii) at any time on and after May 1, 2018, \$75,000,000, in each case, as such amount may be subsequently reduced pursuant to Section 1.1(b) of the Agreement; provided, that any such reduction of the Purchase Limit then in effect pursuant to clauses (i) or (ii) above, as applicable, shall automatically and permanently reduce the amount of the Purchase Limit set forth in such other clauses above in the same proportion as the percentage of the reduction of the Purchase Limit then in effect. References to the unused portion of the Purchase Limit shall mean, at any time, the Purchase Limit minus the then outstanding Capital.

References to the unused portion of the Purchase Limit shall mean, at any time, the Purchase Limit minus the then outstanding Capital.

“Purchase Notice” has the meaning set forth in Section 1.2(a) of the Agreement.

“Purchase Price” has the meaning set forth in Section 2.1 of the Purchase and Sale Agreement.

“Purchase Report” has the meaning set forth in Section 2.1 of the Purchase and Sale Agreement.

“Purchased Interest” means, at any time, the undivided percentage ownership interest in: (a) each and every Pool Receivable now existing or hereafter arising, (b) all Related Security with respect to such Pool Receivables and (c) all Collections with respect to, and other proceeds of, such Pool Receivables and Related Security. Such undivided percentage interest shall be computed as:

$$\frac{\text{Capital} + \text{Total Reserves}}{\text{Net Receivables Pool Balance}}$$

The Purchased Interest shall be determined from time to time pursuant to Section 1.3 of the Agreement.

“Purchasing Utility” means a jurisdictional natural gas or electricity distribution company.

“Receivable” means any indebtedness and other obligations (whether or not earned by performance) owed to the Seller (as assignee of the Originator) or the Originator by, or any right of the Seller or the Originator to payment from or on behalf of, an Obligor (including a Purchasing Utility), whether constituting an account, chattel paper, instrument or general intangible, arising in connection with (i) property or goods that have been or are to be sold or otherwise disposed of, or services rendered or to be rendered by the Originator (including, in each case and without limitation, the sale of electricity or natural gas) or (ii) the sale or assignment by the Originator to a Purchasing Utility of a Billing Program Receivable, and, in each case, includes the obligation (if any) to pay any finance charges, fees and other charges with respect thereto; provided, however, that “Receivable” shall not include any Billing Program Receivable. Indebtedness and other obligations arising from any one transaction, including indebtedness and other obligations represented by an individual invoice or agreement, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other obligations arising from any other transaction.

“Receivables Pool” means, at any time, all of the then outstanding Receivables purchased or otherwise acquired by the Seller pursuant to the Purchase and Sale Agreement prior to the Facility Termination Date.

“Reference Bank” means PNC.

“Related Rights” has the meaning set forth in Section 1.1 of the Purchase and Sale Agreement.

“Related Security” means, with respect to any Receivable:

(u) all of the Seller’s and the Originator thereof’s interest in any goods (including returned goods), and documentation of title evidencing the shipment or storage of any goods (including returned goods), relating to any sale giving rise to such Receivable,

(v) all instruments and chattel paper that may evidence such Receivable,

(w) all other security interests or liens and property subject thereto from time to time purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all UCC financing statements or similar filings relating thereto, and

(x) all of the Seller’s and the Originator thereof’s rights, interests and claims under the Contracts and all guaranties, indemnities, insurance, letters of credit and other agreements (including the related Contract) or arrangements of whatever character from time to time supporting or securing payment of such Receivable or otherwise relating to such Receivable, whether pursuant to the Contract related to such Receivable or otherwise.

“Reportable Compliance Event” means that any Covered Entity becomes a Sanctioned Person, or is charged by indictment, criminal complaint or similar charging instrument, arraigned, or custodially detained in connection with any Anti-Terrorism Law or any predicate crime to any



Anti-Terrorism Law, or has knowledge of facts or circumstances to the effect that it is reasonably likely that any aspect of its operations is in actual or probable violation of any Anti-Terrorism Law.

“Repurchase Price” has the meaning set forth in Section 5.14 of the Agreement.

“Reserve Floor” means, at any time: (a) the aggregate Capital at such time multiplied by (b) (i) the Reserve Floor Percentage, divided by (ii) 100%, minus the Reserve Floor Percentage.

“Reserve Floor Percentage” means, at any time, the sum (expressed as a percentage) of (a) Concentration Reserve Percentage plus (b) the product of (i) the average Dilution Ratios for the twelve most recent calendar months and (ii) the Dilution Horizon.

“Reseller” means an Obligor that purchases product from the Originator and for which the Originator acts as billing and collection agent with respect to such Obligor’s resale of the product.

“Restricted Payment” has the meaning set forth in paragraph 1(n) of Exhibit IV to the Agreement.

“Sanctioned Country” means a country subject to a sanctions program maintained under any Anti-Terrorism Law.

“Sanctioned Person” means any individual person, group, regime, entity or thing listed or otherwise recognized as a specially designated, prohibited, sanctioned or debarred person, group, regime, entity or thing, or subject to any limitations or prohibitions (including but not limited to the blocking of property or rejection of transactions), under any Anti-Terrorism Law.

“Seller” has the meaning set forth in the preamble to the Agreement.

“Seller’s Share” of any amount means the greater of: (a) \$0 and (b) such amount minus the Issuer’s Share.

“Servicer” has the meaning set forth in the preamble to the Agreement.

“Servicing Fee” shall mean the fee referred to in Section 4.6 of the Agreement.

“Servicing Fee Rate” shall mean the rate referred to in Section 4.6 of the Agreement.

“Settlement Date” means with respect to any Portion of Capital for any Settlement Period, (i) prior to the Facility Termination Date, the third Wednesday of each calendar month (or the next succeeding Business Day if such day is not a Business Day) beginning with December 19, 2001 and (ii) on and after the Facility Termination Date, each day selected from time to time by the Administrator (it being understood that the Administrator may select such Settlement Date to occur as frequently as daily), or, in the absence of such selection, the date specified in clause (i) above.

“Settlement Period” means: (a) before the Facility Termination Date: (i) initially the period commencing on the date of the initial purchase pursuant to Section 1.2 of the Agreement (or in the case of any fees payable hereunder, commencing on the Closing Date) and ending on (but not

including) the next Settlement Date, and (ii) thereafter, each period commencing on such Settlement Date and ending on (but not including) the next Settlement Date, and (b) on and after the Facility Termination Date: such period (including a period of one day) as shall be selected from time to time by the Administrator or, in the absence of any such selection, each period of 30 days from the last day of the preceding Settlement Period.

“Solvent” means, with respect to any Person at any time, a condition under which:

(i) the fair value and present fair saleable value of such Person’s total assets is, on the date of determination, greater than such Person’s total liabilities (including contingent and unliquidated liabilities) at such time;

(ii) the fair value and present fair saleable value of such Person’s assets is greater than the amount that will be required to pay such Person’s probable liability on its existing debts as they become absolute and matured (“debts,” for this purpose, includes all legal liabilities, whether matured or unmatured, liquidated or unliquidated, absolute, fixed, or contingent);

(iii) such Person is and shall continue to be able to pay all of its liabilities as such liabilities mature; and

(iv) such Person does not have unreasonably small capital with which to engage in its current and in its anticipated business.

For purposes of this definition:

(A) the amount of a Person’s contingent or unliquidated liabilities at any time shall be that amount which, in light of all the facts and circumstances then existing, represents the amount which can reasonably be expected to become an actual or matured liability;

(B) the “fair value” of an asset shall be the amount which may be realized within a reasonable time either through collection or sale of such asset at its regular market value;

(C) the “regular market value” of an asset shall be the amount which a capable and diligent business person could obtain for such asset from an interested buyer who is willing to Purchase such asset under ordinary selling conditions; and

(D) the “present fair saleable value” of an asset means the amount which can be obtained if such asset is sold with reasonable promptness in an arm’s-length transaction in an existing and not theoretical market.

“Spike Factor” means, for any calendar month, (a) the positive difference, if any, between: (i) the highest Dilution Ratio for any calendar month during the twelve most recent calendar months and (ii) the arithmetic average of the Dilution Ratios for such twelve months times (b) (i) the highest Dilution Ratio for any calendar month during the twelve most recent calendar months divided by (ii) the arithmetic average of the Dilution Ratios for such twelve months.

“Standard & Poor’s” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc.

“Subsidiary” means, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock of each class or other interests having ordinary voting power (other than stock or other interests having such power only by reason of the happening of a contingency) to elect a majority of the Board of Directors or other managers of such entity are at the time owned, or management of which is otherwise controlled: (a) by such Person, (b) by one or more Subsidiaries of such Person or (c) by such Person and one or more Subsidiaries of such Person.

“Tangible Net Worth” means, with respect to any Person, the tangible net worth of such Person as adjusted to eliminate the impact of any charges related to SFAS 133 and as determined in accordance with GAAP.

“Termination Day” means: (a) each day on which the conditions set forth in Section 2 of Exhibit II to the Agreement are not satisfied or (b) each day that occurs on or after the Facility Termination Date.

“Termination Event” has the meaning specified in Exhibit V to the Agreement.

“Termination Fee” means, for any Settlement Period during which a Termination Day occurs, the amount, if any, by which: (a) the additional Discount (calculated without taking into account any Termination Fee or any shortened duration of such Settlement Period pursuant to the definition thereof) that would have accrued during such Settlement Period on the reductions of Capital relating to such Settlement Period had such reductions not been made, exceeds (b) the income, if any, received by the Issuer from investing the proceeds of such reductions of Capital, as determined by the Administrator, which determination shall be binding and conclusive for all purposes, absent manifest error.

“Total Reserves” means, at any time the greater of (a) the sum of (i) the Yield Reserve, (ii) the Loss Reserve, and (iii) the Dilution Reserve and (b) the Reserve Floor.

“Transaction Documents” means the Agreement, the Lock-Box Agreements, the Fee Letter, the Purchase and Sale Agreement and all other certificates, instruments, UCC financing statements, reports, notices, agreements and documents executed or delivered under or in connection with any of the foregoing, in each case as the same may be amended, supplemented or otherwise modified from time to time in accordance with the Agreement.

“Turnover Rate” means, for any calendar month, an amount computed as of the last day of such calendar month equal to: (a) the Outstanding Balance of all Pool Receivables as of the last day of such calendar month divided by (b)(i) the aggregate credit sales made by the Originator during the three calendar months ended on or before the last day of such calendar month divided by (ii) 3.

“UCC” means the Uniform Commercial Code as from time to time in effect in the applicable jurisdiction.

“UGI” has the meaning set forth in the preamble to the Agreement.

“Unmatured Purchase and Sale Termination Event” means any event which, with the giving of notice or lapse of time, or both, would become a Purchase and Sale Termination Event.

“Unmatured Termination Event” means an event that, with the giving of notice or lapse of time, or both, would constitute a Termination Event.

“Weekly Settlement Date” means each Wednesday of each week (or the next succeeding Business Day if such day is not a Business Day), beginning December 5, 2001.

“Yield Reserve” means, on any date, an amount equal to: (a) the Capital at the close of business of the Servicer on such date multiplied by (b)(i) the Yield Reserve Percentage on such date divided by (ii) 100% minus the Yield Reserve Percentage on such date.

“Yield Reserve Percentage” means at any time:

$$\frac{(PY + SFR)}{12} \times 2.0 \times TR$$

where:

PY= the Base Rate as of the last day of the most recent Settlement Period,

TR= the Turnover Rate, and

SFR= the Servicing Fee Rate

Other Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9. Unless the context otherwise requires, “or” means “and/or,” and “including” (and with correlative meaning “include” and “includes”) means including without limiting the generality of any description preceding such term.

**EXHIBIT II**  
**CONDITIONS OF PURCHASES**

1. Conditions Precedent to Initial Purchase. The initial purchase under this Agreement is subject to the following conditions precedent that the Administrator shall have received on or before November 30, 2001, each in form and substance (including the date thereof) satisfactory to the Administrator:

(a) A counterpart of the Agreement and the other Transaction Documents executed by the parties thereto.

(b) Certified copies of: (i) the resolutions of the Board of Directors of each of the Seller, the Originator and UGI authorizing the execution, delivery and performance by the Seller, the Originator and UGI, as the case may be, of the Agreement and the other Transaction Documents to which it is a party; (ii) all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to the Agreement and the other Transaction Documents and (iii) the certificate of incorporation and by-laws of the Seller and UGI.

(c) A certificate of the Secretary or Assistant Secretary of the Seller, the Originator and UGI certifying the names and true signatures of its officers who are authorized to sign the Agreement and the other Transaction Documents. Until the Administrator receives a subsequent incumbency certificate from the Seller, the Originator or UGI, as the case may be, the Administrator shall be entitled to rely on the last such certificate delivered to it by the Seller, the Originator or UGI, as the case may be.

(d) Proper financing statements or other instrument similar in effect, suitable for filing, under the UCC of all jurisdictions that the Administrator may deem necessary or desirable in order to perfect the interests of the Seller, UGI and the Issuer contemplated by the Agreement and the Purchase and Sale Agreement.

(e) Proper financing statements or other instrument similar in effect, suitable for filing, if any, necessary to release all security interests and other rights of any Person in the Receivables, Contracts or Related Security previously granted by the Originator, UGI or the Seller.

(f) Completed UCC search reports, dated on or shortly before the date of the initial purchase hereunder, listing the financing statements filed in all applicable jurisdictions referred to in subsection (e) above that name the Originator or the Seller as debtor, together with copies of such other financing statements, and similar search reports with respect to judgment liens, federal tax liens and liens of the Pension Benefit Guaranty Corporation in such jurisdictions, as the Administrator may request, showing no Adverse Claims on any Pool Assets.

(g) Copies of executed Lock-Box Agreements with each Lock-Box Bank (to be delivered within 30 days of the Closing Date).

(h) Favorable opinions, in form and substance reasonably satisfactory to the Administrator, of Morgan, Lewis & Bockius LLP, counsel for the Seller, the Originator and the Servicer.

(i) Satisfactory results of a review and audit (performed by representatives of the Administrator) of the Servicer's collection, operating and reporting systems, the Credit and Collection Policy of the Originator, historical receivables data and accounts, including satisfactory results of a review of the Servicer's operating location(s) and satisfactory review and approval of the Eligible Receivables in existence on the date of the initial purchase under the Agreement.

(j) A pro forma Information Package representing the performance of the Receivables Pool for the calendar month before closing.

(k) Evidence of payment by the Seller of all accrued and unpaid fees (including those contemplated by the Fee Letter), costs and expenses to the extent then due and payable on the date thereof, including any such costs, fees and expenses arising under or referenced in Section 5.4 of the Agreement and the Fee Letter.

(l) The Fee Letter duly executed by the Seller and the Servicer.

(m) Good standing certificates with respect to each of the Seller, the Originator and the Servicer issued by the Secretary of State (or similar official) of the state of each such Person's organization or formation and principal place of business.

(n) All Transaction Documents duly executed by the parties thereto.

(o) A computer file containing all information with respect to the Receivables as the Administrator or the Issuer may reasonably request.

(p) Such other approvals, opinions or documents as the Administrator or the Issuer may reasonably request.

2. Conditions Precedent to All Purchases and Reinvestments. Each purchase (except as to clause (a), including the initial purchase) and each reinvestment shall be subject to the further conditions precedent that:

(a) in the case of each purchase, the Servicer shall have delivered to the Administrator on or before such purchase, in form and substance satisfactory to the Administrator, a completed pro forma Information Package to reflect the level of Capital and related reserves and the calculation of the Purchased Interest after such subsequent purchase and a completed Purchase Notice in the form of Annex B; and

(b) on the date of such purchase or reinvestment the following statements shall be true (and acceptance of the proceeds of such purchase or reinvestment shall be deemed a representation and warranty by the Seller that such statements are then true):

(i) the representations and warranties contained in Exhibit III or VI to the Agreement are true and correct in all material respects on and as of the date of such purchase or reinvestment as though made on and as of such date (except to the extent that such representations and warranties relate expressly to an earlier date, and in which case such representations and warranties shall be true and correct in all material respects as of such earlier date);

(ii) no event has occurred and is continuing, or would result from such purchase or reinvestment, that constitutes a Termination Event or an Unmatured Termination Event;

(iii) after giving effect to such purchase proposed hereby, the Purchased Interest will not exceed 100% and the Capital does not exceed the Purchase Limit; and

(iv) the Facility Termination Date shall not have occurred.

**EXHIBIT III**  
**REPRESENTATIONS AND WARRANTIES**

1. Representations and Warranties of the Seller. The Seller represents and warrants as follows:

(a) The Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified to do business and is in good standing as a foreign corporation in every jurisdiction where the nature of its business requires it to be so qualified, except where the failure to be so qualified would not have a Material Adverse Effect.

(b) The execution, delivery and performance by the Seller of the Agreement and the other Transaction Documents to which it is a party, including its use of the proceeds of purchases and reinvestments: (i) are within its corporate powers; (ii) have been duly authorized by all necessary corporate action; (iii) do not contravene or result in a default under or conflict with: (A) its charter or by-laws, (B) any law, rule or regulation applicable to it, (C) any indenture, loan agreement, mortgage, deed of trust or other material agreement or instrument to which it is a party or by which it is bound, or (D) any order, writ, judgment, award, injunction or decree binding on or affecting it or any of its property; and (iv) do not result in or require the creation of any Adverse Claim upon or with respect to any of its properties. The Agreement and the other Transaction Documents to which it is a party have been duly executed and delivered by the Seller.

(c) No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for its due execution, delivery and performance by the Seller of its obligations under the Agreement or any other Transaction Document to which it is a party, other than the Uniform Commercial Code filings referred to in Exhibit II to the Agreement, all of which shall be suitable for filing on or before the date of the first purchase hereunder.

(d) Each of the Agreement and the other Transaction Documents to which the Seller is a party constitutes a legal, valid and binding obligation enforceable against the Seller in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws from time to time in effect affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

(e) There is no pending or, to Seller's knowledge, threatened action or proceeding affecting Seller or any of its properties before any Governmental Authority or arbitrator.

(f) No proceeds of any purchase or reinvestment will be used to acquire any equity security of a class that is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

(g) The Seller is the legal and beneficial owner of the Pool Receivables and Related Security, free and clear of any Adverse Claim. Upon each purchase or reinvestment, the Issuer shall acquire a valid and enforceable perfected undivided percentage ownership or security interest, to



the extent of the Purchased Interest, in each Pool Receivable then existing or thereafter arising and in the Related Security, Collections and other proceeds with respect thereto, free and clear of any Adverse Claim. The Agreement creates a security interest in favor of the Issuer in the Pool Assets, and the Issuer has a first priority perfected security interest in the Pool Assets, free and clear of any Adverse Claims. No effective financing statement or other instrument similar in effect covering any Pool Asset is on file in any recording office, except those filed in favor of the Seller pursuant to the Purchase and Sale Agreement and the Issuer relating to the Agreement.

(h) Each Information Package (if prepared by the Seller or one of its Affiliates, or to the extent that information contained therein is supplied by the Seller or an Affiliate), written information, exhibit, financial statement, document, book, record or report furnished or to be furnished at any time by or on behalf of the Seller to the Administrator in connection with the Agreement or any other Transaction Document to which it is a party is or will be complete and accurate in all material respects as of its date or (except as otherwise disclosed to the Administrator at such time) as of the date so furnished,

(i) The Seller's principal place of business and chief executive office (as such terms are used in the UCC) are located at the address referred to in Sections 1(b) of Exhibit IV to the Agreement and the offices where it keeps its records concerning the Receivables are located at the addresses set forth in Schedule IV to the Agreement.

(j) The names and addresses of all the Lock-Box Banks, together with the account numbers of the Lock-Box Accounts (and the related lock-boxes) at such Lock-Box Banks, are specified in Schedule II to the Agreement (or at such other Lock-Box Banks and/or with such other Lock-Box Accounts (and such other related lock-boxes) as have been notified to the Administrator in accordance with the Agreement) and all Lock-Box Accounts (and all related lock-boxes) are subject to Lock-Box Agreements. The Seller has not granted to any Person, other than the Administrator as contemplated by the Lock-Box Agreements dominion and control of any Lock-Box Account (and any related lock-boxes, or the right to take control of any such account at a future time or upon the occurrence of a future event.

(k) The Seller is not in violation of any order of any court, arbitrator or Governmental Authority.

(l) No proceeds of any purchase or reinvestment will be used for any purpose that violates any applicable law, rule or regulation, including Regulations T, U or X of the Federal Reserve Board.

(m) Each Pool Receivable included as an Eligible Receivable in the calculation of the Net Receivables Pool Balance is an Eligible Receivable.

(n) No event has occurred and is continuing, or would result from a purchase in respect of, or reinvestment in respect of, the Purchased Interest or from the application of the proceeds therefrom, that constitutes a Termination Event or an Unmatured Termination Event.

(o) The Seller has accounted for each sale of undivided percentage ownership interests in Receivables in its books and financial statements as sales, consistent with GAAP.

(p) The Seller has complied in all material respects with the Credit and Collection Policies of the Originator with regard to each Receivable originated by the Originator.

(q) The Seller has complied in all material respects with all of the terms, covenants and agreements contained in the Agreement and the other Transaction Documents that are applicable to it.

(r) The Seller's complete corporate name is set forth in the preamble to the Agreement, and it does not use and has not during the last six years used any other corporate name, trade name, doing-business name or fictitious name, except as set forth on Schedule III to the Agreement and except for names first used after the date of the Agreement and set forth in a notice delivered to the Administrator pursuant to Section 1(l)(v) of Exhibit IV to the Agreement.

(s) The Seller is not an "investment company," or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended. In addition, the Seller is not a "covered fund" under Section 13 of the U.S. Bank Holding Company Act of 1956, as amended, and the applicable rules and regulations thereunder (the "Volcker Rule"). In determining that Seller is not a "covered fund" under the Volcker Rule, Seller is entitled to rely on the exemption from the definition of "investment company" set forth in Section 3(c)(5)(A) or (B) of the Investment Company Act of 1940, as amended.

(t) With respect to each Receivable transferred to the Seller under the Purchase and Sale Agreement, Seller has given reasonably equivalent value to the Originator thereof in consideration therefor and such transfer was not made for or on account of an antecedent debt. No transfer by the Originator of any Receivable under the Purchase and Sale Agreement is or may be voidable under any section of the Bankruptcy Code.

(u) Each Contract with respect to each Receivable is effective to create, and has created, a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of the Receivable created thereunder and any accrued interest thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(v) Since its most recent fiscal year end, there has been no change in the business, operations, financial condition, properties or assets of the Seller which would have a Material Adverse Effect on its ability to perform its obligations under the Agreement or any other Transaction Document to which it is a party or materially and adversely affect the transactions contemplated under the Agreement or such other Transaction Documents.

(w) No Covered Entity is a Sanctioned Person. No Covered Entity, either in its own right or through any third party, (a) has any of its assets in a Sanctioned Country or in the possession,

custody or control of a Sanctioned Person in violation of any Anti-Terrorism Law; (b) does business in or with, or derives any of its income from investments in or transactions with, any Sanctioned Country or Sanctioned Person in violation of any Anti-Terrorism Law; or (c) engages in any dealings or transactions prohibited by any Anti-Terrorism Law.

(x) LCR Security. The Seller has not issued any LCR Securities, and the Seller is a consolidated subsidiary of UGI under GAAP.

2. Representations and Warranties of UGI (including in its capacity as the Servicer). UGI, individually and in its capacity as the Servicer, represents and warrants as follows:

(a) UGI is a limited liability company duly formed and validly subsisting under the laws of the Commonwealth of Pennsylvania and is duly qualified to do business and is in good standing as a foreign limited liability company in every jurisdiction where the nature of its business requires it to be so qualified, except (i) for the District of Columbia and the State of New York, in which jurisdictions the Servicer shall be qualified within 90 days after the Closing Date and (ii) where the failure to be so qualified would not have a Material Adverse Effect.

(b) The execution, delivery and performance by UGI of its obligations under the Agreement and the other Transaction Documents to which it is a party, including UGI in its capacity as the Servicer: (i) are within its organizational powers; (ii) have been duly authorized by all necessary organizational action; (iii) do not contravene or result in a default under or conflict with: (A) its limited liability company operating agreement, (B) any law, rule or regulation applicable to it, (C) any indenture, loan agreement, mortgage, deed of trust or other material agreement or instrument to which it is a party or by which it is bound, or (D) any order, writ, judgment, award, injunction or decree binding on or affecting it or any of its property; and (iv) do not result in or require the creation of any Adverse Claim upon or with respect to any of its properties. The Agreement and the other Transaction Documents to which UGI is a party have been duly executed and delivered by UGI.

(c) No authorization, approval or other action by, and no notice to or filing with any Governmental Authority or other Person, is required for the due execution, delivery and performance by UGI of its obligations under the Agreement or any other Transaction Document to which it is a party.

(d) Each of the Agreement and the other Transaction Documents to which UGI is a party constitutes the legal, valid and binding obligation of UGI enforceable against UGI in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws from time to time in effect affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

(e) The balance sheets of UGI and its consolidated Subsidiaries as at September 30, 2001, and the related statements of income and retained earnings for the fiscal year then ended, copies of which have been furnished to the Administrator, fairly present the financial condition of UGI and its consolidated Subsidiaries as at such date and the results of the operations of UGI and

its Subsidiaries for the period ended on such date, all in accordance with GAAP consistently applied, and since September 30, 2001 there has been no event or circumstances which have had a Material Adverse Effect.

(f) Except as disclosed in the most recent audited financial statements of UGI furnished to the Administrator or as otherwise disclosed in writing to the Administrator, there is no pending or, to its best knowledge, threatened action or proceeding affecting it or any of its Subsidiaries before any Governmental Authority or arbitrator that could reasonably be expected to have a Material Adverse Effect.

(g) No proceeds of any purchase or reinvestment will be used to acquire any equity security of a class that is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

(h) Each Information Package (if prepared by UGI or one of its Affiliates, or to the extent that information contained therein is supplied by UGI or an Affiliate), written information, exhibit, financial statement, document, book, record or report furnished or to be furnished at any time by or on behalf of UGI to the Administrator in connection with the Agreement is or will be complete and accurate in all material respects as of its date or (except as otherwise disclosed to the Administrator at such time) as of the date so furnished.

(i) The principal place of business and chief executive office (as such terms are used in the UCC) of UGI and the office where it keeps its records concerning the Receivables are located at the address referred to in Section 2(b) of Exhibit IV to the Agreement.

(j) UGI is not in violation of any order of any court, arbitrator or Governmental Authority to which UGI or any of its assets are bound, which is reasonably likely to have a Material Adverse Effect.

(k) UGI has complied in all material respects with the Credit and Collection Policy of the Originator with regard to each Receivable originated by the Originator.

(l) UGI has complied in all material respects with all of the terms, covenants and agreements contained in the Agreement and the other Transaction Documents that are applicable to it.

(m) UGI is not an “investment company” or a company “controlled” by an “investment company” within the meaning of the Investment Company Act of 1940, as amended. In addition, UGI is not a “holding company,” a “subsidiary company” of a “holding company,” or an “affiliate” of a “holding company” or of a “subsidiary company” of a “holding company” within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(n) Since its most recent fiscal year end, there has been no change in the business, operations, financial condition, properties or assets of UGI which is reasonably likely to have a Material Adverse Effect on its ability to perform its obligations under the Agreement or any other Transaction Document to which it is a party or materially and adversely affect the transactions contemplated under the Agreement or such other Transaction Documents.

(o) No license or approval is required for the Administrator or any successor Servicer to use any program (other than MAS90 Software) used by the Servicer in the servicing of the Receivables, other than such licenses and approvals that have been obtained and are in full force and effect.

(p) No Covered Entity is a Sanctioned Person. No Covered Entity, either in its own right or through any third party, (a) has any of its assets in a Sanctioned Country or in the possession, custody or control of a Sanctioned Person in violation of any Anti-Terrorism Law; (b) does business in or with, or derives any of its income from investments in or transactions with, any Sanctioned Country or Sanctioned Person in violation of any Anti-Terrorism Law; or (c) engages in any dealings or transactions prohibited by any Anti-Terrorism Law.

## EXHIBIT IV COVENANTS

1. Covenants of the Seller. Until the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date all other amounts owed by the Seller under the Agreement to the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full:

(a) Compliance with Laws, Etc. The Seller shall comply in all material respects with all applicable laws, rules, regulations and orders, and preserve and maintain its corporate existence, rights, franchises, qualifications and privileges, except to the extent that the failure so to comply with such laws, rules, regulations or orders or the failure so to preserve and maintain such rights, franchises, qualifications and privileges would not have a Material Adverse Effect.

(b) Offices, Records and Books of Account, Etc. The Seller: (i) shall keep its principal place of business and chief executive office (as such terms or similar terms are used in the UCC) and the office where it keeps its records concerning the Receivables at the address of the Seller set forth under its name on the signature page to the Agreement or, pursuant to clause (l)(v) below, at any other locations in jurisdictions where all actions reasonably requested by the Administrator to protect and perfect the interest of the Issuer in the Receivables and related items (including the Pool Assets) have been taken and completed and (ii) shall provide the Administrator with at least 30 days' written notice before making any change in the Seller's name or making any other change in the Seller's identity or corporate structure (including a Change in Control) that could render any UCC financing statement filed in connection with this Agreement "seriously misleading" as such term (or similar term) is used in the UCC; each notice to the Administrator pursuant to this sentence shall set forth the applicable change and the effective date thereof. The Seller also will maintain and implement (or cause the Servicer to maintain and implement) administrative and operating procedures (including an ability to recreate records evidencing Receivables and related Contracts in the event of the destruction of the originals thereof), and keep and maintain (or cause the Servicer to keep and maintain) all documents, books, records, computer tapes and disks and other information reasonably necessary or advisable for the collection of all Receivables (including records adequate to permit the daily identification of each Receivable and all Collections of and adjustments to each existing Receivable).

(c) Performance and Compliance with Contracts and Credit and Collection Policy. The Seller shall (and shall cause the Servicer to), at its expense, timely and fully perform and comply with all material provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables, and timely and fully comply in all material respects with the applicable Credit and Collection Policies with regard to each Receivable and the related Contract.

(d) Ownership Interest, Etc. The Seller shall (and shall cause the Servicer to), at its expense, take all action necessary or desirable to establish and maintain a valid and enforceable undivided percentage ownership or security interest, to the extent of the Purchased Interest, in the Pool Receivables, the Related Security and Collections with respect thereto, and a first priority perfected security interest in the Pool Assets, in each case free and clear of any Adverse Claim, in

favor of the Issuer, including taking such action to perfect, protect or more fully evidence the interest of the Issuer as the Issuer, through the Administrator, may reasonably request.

(e) Sales, Liens, Etc. The Seller shall not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon or with respect to, any or all of its right, title or interest in, to or under any Pool Assets (including the Seller's undivided interest in any Receivable, Related Security or Collections, or upon or with respect to any account to which any Collections of any Receivables are sent), or assign any right to receive income in respect of any items contemplated by this paragraph.

(f) Extension or Amendment of Receivables. Except as provided in the Agreement, the Seller shall not, and shall not permit the Servicer to, extend the maturity or adjust the Outstanding Balance or otherwise modify the terms of any Pool Receivable in any material respect, or amend, modify or waive, in any material respect, any term or condition of any related Contract (which term or condition relates to payments under, or the enforcement of, such Contract).

(g) Change in Business or Credit and Collection Policy. The Seller shall not make (or permit the Originator to make) any material change in the character of its business or in any Credit and Collection Policy (other than a change to the insurance provisions of any such policy) that would have a Material Adverse Effect with respect to the Receivables. The Seller shall not make (or permit the Originator to make) any other material adverse change in any Credit and Collection Policy without receiving the prior written consent of the Administrator.

(h) Audits. The Seller shall (and shall cause the Originator to), from time to time during regular business hours as reasonably requested in advance (unless a Termination Event or an Unmatured Termination Event exists or there shall be a material adverse variance in the performance of the Receivables) by the Administrator, permit the Administrator, or its agents or representatives: (i) to examine and make copies of and abstracts from all books, records and documents (including computer tapes and disks) in the possession or under the control of the Seller (or the Originator) relating to Receivables and the Related Security, including the related Contracts, (ii) to visit the offices and properties of the Seller and the Originator for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to Receivables and the Related Security or the Seller's, UGI's or the Originator's performance under the Transaction Documents or under the Contracts with any of the officers, employees, agents or contractors of the Seller or the Originator having knowledge of such matters and (iii) without limiting the clauses (i) and (ii) above, no more than once annually (unless a Termination Event has occurred and is continuing or there shall be a material variance in the performance of the Receivables) to engage certified public accountants or other auditors acceptable to the Seller and the Administrator to conduct, at the Seller's expense, a review of the Seller's books and records with respect to such Receivables.

(i) Change in Lock-Box Banks, Lock-Box Accounts and Payment Instructions to Obligors. The Seller shall not, and shall not permit the Servicer or the Originator to, add or terminate any bank as a Lock-Box Bank or any account as a Lock-Box Account (or any related lock-box) from those listed in Schedule II to the Agreement, or make any change in its instructions to Obligors regarding payments to be made to the Seller, the Originator, the Servicer or any Lock-Box Account (or the related lock-box), unless the Administrator shall have consented thereto in writing and the

Administrator shall have received copies of all agreements and documents (including Lock-Box Agreements) that it may request in connection therewith.

(j) Deposits to Lock-Box Accounts. The Seller shall (or shall cause the Servicer to): (i) within 30 days of the initial purchase hereunder, instruct all Obligors to make payments of all Receivables to one or more Lock-Box Accounts or to lock-boxes to which only Lock-Box Banks have access (and shall instruct the Lock-Box Banks to cause all items and amounts relating to such Receivables received in such lock-boxes to be removed and deposited into a Lock-Box Account on a daily basis), and (ii) deposit, or cause to be deposited, any Collections received by it, the Servicer or the Originator into Lock-Box Accounts not later than two Business Days after receipt thereof. Each Lock-Box Account shall at all times be subject to a Lock-Box Agreement. The Seller will not (and will not permit the Servicer to) deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than (i) Collections and (ii) on payments received from end-users payable to a Reseller in respect of product sold by such Reseller to such end-user, provided that such payments do not remain on deposit in such Lock-Box Account for more than two Business Days after deposit therein.

(k) Marking of Records. At its expense, the Seller shall: (i) mark (or cause the Servicer to mark) its master data processing records relating to Pool Receivables and related Contracts with a legend evidencing that the undivided percentage ownership interests with regard to the Purchased Interest related to such Receivables and related Contracts have been sold in accordance with the Agreement, and (ii) cause the Originator so to mark its master data processing records pursuant to the Purchase and Sale Agreement.

(l) Reporting Requirements. The Seller will provide to the Administrator (in multiple copies, if requested by the Administrator) the following:

(i) as soon as available and in any event within 105 days after the end of each fiscal year of the Seller, a copy of the annual report for such year for the Seller containing unaudited financial statements for such year certified as to accuracy by the chief financial officer or treasurer of the Seller;

(ii) as soon as possible and in any event within five Business Days after becoming aware of the occurrence of each Termination Event or Unmatured Termination Event, a statement of the chief financial officer of the Seller setting forth details of such Termination Event or Unmatured Termination Event and the action that the Seller has taken and proposes to take with respect thereto;

(iii) promptly after the filing or receiving thereof, copies of all reports and notices that the Seller or any Affiliate files under ERISA with the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor with respect to any Benefit Plan that is subject to Title IV of ERISA or that the Seller or any Affiliate receives with respect to any Benefit Plan that is subject to Title IV of ERISA from any of the foregoing or from any multiemployer plan (within the meaning of Section 4001(a)(3) of ERISA) to which the Seller or any of its Affiliates is or was, within the preceding five years, a contributing employer, in each case in respect of the assessment of withdrawal liability or



an event or condition that could, in the aggregate, reasonably result in the imposition of material liability on the Seller and/or any such Affiliate;

(iv) at least thirty days before any change in the Seller's name or any other change requiring the amendment of UCC financing statements, a notice setting forth such changes and the effective date thereof;

(v) promptly after the Seller obtains knowledge thereof, notice of any: (A) material litigation, investigation or proceeding that may exist at any time between the Seller and any Person or (B) material litigation or proceeding relating to any Transaction Document;

(vi) promptly after becoming aware of the occurrence thereof, notice of a material adverse change in the business, operations, property or financial or other condition of the Seller, the Servicer or the Originator; and

(vii) such other information respecting the Receivables or the condition or operations, financial or otherwise, of the Seller or any of its Affiliates as the Administrator may from time to time reasonably request.

(m) Certain Agreements. Without the prior written consent of the Administrator, the Seller will not (and will not permit the Originator to) amend, modify, waive, revoke or terminate any Transaction Document to which it is a party or any provision of Seller's certificate of incorporation or by-laws;

(n) Restricted Payments. (V) Except pursuant to clause (ii) below, the Seller will not: (A) purchase or redeem any shares of its capital stock, (B) declare or pay any dividend or set aside any funds for any such purpose, (C) prepay, purchase or redeem any Debt, (D) lend or advance any funds or (E) repay any loans or advances to, for or from any of its Affiliates (the amounts described in clauses (A) through (E) being referred to as "Restricted Payments").

(i) Subject to the limitations set forth in clause (iii) below, the Seller may make Restricted Payments only by declaring and paying dividends or making returns of capital.

(ii) The Seller may make Restricted Payments only out of the funds it receives pursuant to Sections 1.4(b)(ii) and (iv) of the Agreement. Furthermore, the Seller shall not pay, make or declare: (A) any dividend if, after giving effect thereto, the Seller's Tangible Net Worth would be less than \$4,000,000, or (B) any Restricted Payment (including any dividend) if, after giving effect thereto, any Termination Event or Unmatured Termination Event shall have occurred and be continuing.

(o) Other Business. The Seller will not: (i) engage in any business other than the transactions contemplated by the Transaction Documents; (ii) create, incur or permit to exist any Debt of any kind (or cause or permit to be issued for its account any letters of credit or bankers' acceptances) other than pursuant to this Agreement; or (iii) form any Subsidiary or make any investments in any other Person; provided, however, that the Seller shall be permitted to incur

minimal obligations to the extent necessary for the day-to-day operations of the Seller (such as expenses for stationery, audits, maintenance of legal status, etc.).

(p) Use of Seller's Share of Collections. The Seller shall apply the Seller's Share of Collections to make payments in the following order of priority: (i) the payment of its expenses (including all obligations payable to the Issuer and the Administrator under the Agreement and under the Fee Letter); and (ii) other legal and valid corporate purposes.

(q) Tangible Net Worth. The Seller will not permit its Tangible Net Worth, at any time, to be less than \$6,000,000.

(r) Anti-Money Laundering/International Trade Law Compliance. No Covered Entity will become a Sanctioned Person. No Covered Entity, either in its own right or through any third party, will (a) have any of its assets in a Sanctioned Country or in the possession, custody or control of a Sanctioned Person in violation of any Anti-Terrorism Law; (b) do business in or with, or derive any of its income from investments in or transactions with, any Sanctioned Country or Sanctioned Person in violation of any Anti-Terrorism Law; (c) engage in any dealings or transactions prohibited by any Anti-Terrorism Law or (d) use the proceeds of any purchase to fund any operations in, finance any investments or activities in, or, make any payments to, a Sanctioned Country or Sanctioned Person in violation of any Anti-Terrorism Law. The funds used to repay Seller's obligations under this Agreement and each of the other Transaction Documents will not be derived from any unlawful activity. Each Covered Entity shall comply with all Anti-Terrorism Laws. Seller shall promptly notify the Administrator in writing upon the occurrence of a Reportable Compliance Event.

(s) LCR Security. The Seller shall not issue any LCR Security.

2. Covenants of the Servicer and UGI. Until the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date all other amounts owed by the Seller under the Agreement to the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full:

(a) Compliance with Laws, Etc. The Servicer and, to the extent that it ceases to be the Servicer, UGI shall comply (and shall cause the Originator to comply) in all material respects with all applicable laws, rules, regulations and orders, and preserve and maintain its organizational existence, rights, franchises, qualifications and privileges, except to the extent that the failure so to comply with such laws, rules, regulations or orders or the failure so to preserve and maintain such existence, rights, franchises, qualifications and privileges would not have a Material Adverse Effect.

(b) Offices, Records and Books of Account, Etc. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall keep (and shall cause the Originator to keep) its principal place of business and chief executive office (as such terms or similar terms are used in the applicable UCC) and the office where it keeps its records concerning the Receivables at the address of the Servicer set forth under its name on the signature page to the Agreement or, upon at least 30 days' prior written notice of a proposed change to the Administrator, at any other locations in jurisdictions where all actions reasonably requested by the Administrator to protect and perfect the interest of the Issuer in the Receivables and related items (including the Pool Assets) have been taken and

completed. The Servicer and, to the extent that it ceases to be the Servicer, UGI, also will (and will cause the Originator to) maintain and implement administrative and operating procedures (including an ability to recreate records evidencing Receivables and related Contracts in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records, computer tapes and disks and other information reasonably necessary or advisable for the collection of all Receivables (including records adequate to permit the daily identification of each Receivable and all Collections of and adjustments to each existing Receivable).

(c) Performance and Compliance with Contracts and Credit and Collection Policy. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall (and shall cause the Originator to), at its expense, timely and fully perform and comply with all material provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables, and timely and fully comply in all material respects with the Credit and Collection Policy with regard to each Receivable and the related Contract.

(d) Extension or Amendment of Receivables. Except as provided in the Agreement, the Servicer and, to the extent that it ceases to be the Servicer, UGI, shall not extend (and shall not permit the Originator to extend), the maturity or adjust the Outstanding Balance or otherwise modify the terms of any Pool Receivable in any material respect, or amend, modify or waive, in any material respect, any term or condition of any related Contract (which term or condition relates to payments under, or the enforcement of, such Contract).

(e) Change in Business or Credit and Collection Policy. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall not make (and shall not permit the Originator to make) any material change in the character of its business or in any Credit and Collection Policy (other than a change to the insurance provisions of any such policy) without the consent of the Administrator that would be reasonably likely to have a Material Adverse Effect. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall not make (and shall not permit the Originator to make) any other material adverse change in any Credit and Collection Policy without receiving the prior written consent of the Administrator.

(f) Audits. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall (and shall cause the Originator to), from time to time during regular business hours as reasonably requested in advance (unless a Termination Event or an Unmatured Termination Event exists or there shall be a material adverse variance in the performance of the Receivables) by the Administrator, permit the Administrator, or its agents or representatives: (i) to examine and make copies of and abstracts from all books, records and documents (including computer tapes and disks) in its possession or under its control relating to Receivables and the Related Security, including the related Contracts; (ii) to visit its offices and properties for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to Receivables and the Related Security or its performance hereunder or under the Contracts with any of its officers, employees, agents or contractors having knowledge of such matters and (iii), without limiting the clauses (i) and (ii) above, no more than once annually (unless a Termination Event has occurred and is continuing or there shall be a material variance in the performance of the Receivables) to engage certified public

accountants or other auditors acceptable to the Servicer and the Administrator to conduct, at the Servicer's expense, a review of the Servicer's books and records with respect to such Receivables.

(g) Change in Lock-Box Banks, Lock-Box Accounts and Payment Instructions to Obligors. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall not (and shall not permit the Originator to) add or terminate any bank as a Lock-Box Bank or any account as a Lock-Box Account (or any related lock-box) from those listed in Schedule II to the Agreement, or make any change in its instructions to Obligors regarding payments to be made to the Servicer or any Lock-Box Account (or the related lock-box), unless the Administrator shall have consented thereto in writing and the Administrator shall have received copies of all agreements and documents (including Lock-Box Agreements) that it may request in connection therewith.

(h) Deposits to Lock-Box Accounts. The Servicer shall: (i) within 30 days of the initial purchase hereunder, instruct all Obligors to make payments of all Receivables to one or more Lock-Box Accounts or to the lock-boxes to which only Lock-Box Banks have access (and shall instruct the Lock-Box Banks to cause all items and amounts relating to such Receivables received in such lock-boxes to be removed and deposited into a Lock-Box Account on a daily basis), and (ii) deposit, or cause to be deposited, any Collections received by it into Lock-Box Accounts not later than one Business Day after receipt thereof. Each Lock-Box Account shall at all times be subject to a Lock-Box Agreement. The Servicer will not (and will not permit the Originator to) deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than (i) Collections and (ii) on payments received from end-users payable to a Reseller in respect of product sold by such Reseller to such end-user, provided that such payments do not remain on deposit in such Lock-Box Account for more than two Business Days after deposit therein.

(i) Marking of Records. At its expense, the Servicer shall mark its master data processing records relating to Pool Receivables and related Contracts with a legend evidencing that the undivided percentage ownership interests with regard to the Purchased Interest related to such Receivables and related Contracts have been sold in accordance with the Agreement.

(j) Reporting Requirements. UGI shall provide to the Administrator (in multiple copies, if requested by the Administrator) the following:

(i) as soon as available and in any event within 50 days after the end of the first three quarters of each fiscal year of UGI, balance sheets of UGI and its consolidated Subsidiaries as of the end of such quarter and statements of income, retained earnings and cash flow of UGI and its consolidated Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the chief financial officer of such Person;

(ii) as soon as available and in any event within 105 days after the end of each fiscal year of such Person, a copy of the annual report for such year for such Person and its consolidated Subsidiaries, containing financial statements for such year audited by independent certified public accountants of nationally recognized standing;

(iii) as to the Servicer only, as soon as available and in any event not later than two Business Days prior to (A) the Settlement Date, an Information Package as of the most recently completed calendar month, (B) any purchase made pursuant to Section 1.2, an Information Package as of the most recent purchase, or within six Business Days of a request by the Administrator, an Information Package for such periods as is specified by the Administrator (including on a semi-monthly, weekly or daily basis);

(iv) as soon as possible and in any event within five Business Days after becoming aware of the occurrence of each Termination Event or Unmatured Termination Event, a statement of the chief financial officer of UGI setting forth details of such Termination Event or Unmatured Termination Event and the action that such Person has taken and proposes to take with respect thereto;

(v) promptly after the sending or filing thereof, copies of (or notice thereof if available on EDGAR) all reports that UGI sends to any of its security holders, and copies of all reports and registration statements that UGI or any Subsidiary files with the Securities and Exchange Commission; provided, that any filings with the Securities and Exchange Commission that have been granted “confidential” treatment shall be provided promptly after such filings have become publicly available;

(vi) promptly after the filing or receiving thereof, copies of all reports and notices that UGI or any of its Affiliate files under ERISA with the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor with respect to any Benefit Plan that is subject to Title IV of ERISA or that UGI or any of its Affiliates receives with respect to any Benefit Plan that is subject to Title IV of ERISA from any of the foregoing or from any multiemployer plan (within the meaning of Section 4001(a)(3) of ERISA) to which UGI or any of its Affiliate is or was, within the preceding five years, a contributing employer, in each case in respect of the assessment of withdrawal liability or an event or condition that could, in the aggregate, reasonably result in the imposition of material liability on UGI and/or any such Affiliate;

(vii) at least thirty days before any change in UGI’s or the Originator’s name or any other change requiring the amendment of UCC financing statements, a notice setting forth such changes and the effective date thereof;

(viii) promptly after UGI obtains knowledge thereof, notice of any: (A) litigation, investigation or proceeding that may exist at any time between UGI or any of its Subsidiaries and any Governmental Authority that, if not cured or if adversely determined, as the case may be, would have a Material Adverse Effect; (B) litigation or proceeding adversely affecting UGI or any of its Subsidiaries in which the amount involved is \$1,000,000 or more and not covered by insurance or in which injunctive or similar relief is sought; or (C) litigation or proceeding relating to any Transaction Document;

(ix) promptly after becoming aware thereof, notice of a material adverse change in the business, operations, property or financial or other condition of UGI or any of its Subsidiaries; and

(x) such other information respecting the Receivables or the condition or operations, financial or otherwise, of UGI or any of its Affiliates as the Administrator may from time to time reasonably request.

(k) Net Worth. At any time of determination, the net worth (as adjusted to eliminate the impact of any charges related to SFAS 133) of the Servicer shall not be less than the lesser of (a) \$93,000,000 or (b) \$93,000,000 less an amount equal to the sum of all dividends paid by the Servicer from June 30, 2004 through such time; provided, however, that at no time shall the net worth (as adjusted above) of the Servicer (as reduced by all such dividends paid during the period referred to above) be less than \$40,000,000.

(l) Anti-Money Laundering/International Trade Law Compliance. No Covered Entity will become a Sanctioned Person. No Covered Entity, either in its own right or through any third party, will (a) have any of its assets in a Sanctioned Country or in the possession, custody or control of a Sanctioned Person in violation of any Anti-Terrorism Law; (b) do business in or with, or derive any of its income from investments in or transactions with, any Sanctioned Country or Sanctioned Person in violation of any Anti-Terrorism Law; (c) engage in any dealings or transactions prohibited by any Anti-Terrorism Law or (d) use the proceeds of any purchase to fund any operations in, finance any investments or activities in, or, make any payments to, a Sanctioned Country or Sanctioned Person in violation of any Anti-Terrorism Law. The funds used to repay Servicer's obligations under this Agreement and each of the other Transaction Documents will not be derived from any unlawful activity. Each Covered Entity shall comply with all Anti-Terrorism Laws. Servicer shall promptly notify the Administrator in writing upon the occurrence of a Reportable Compliance Event.

3. Separate Existence. Each of the Seller and UGI hereby acknowledges that the Issuer and the Administrator are entering into the transactions contemplated by this Agreement and the other Transaction Documents in reliance upon the Seller's identity as a legal entity separate from UGI and its Affiliates. Therefore, from and after the date hereof, each of the Seller and UGI shall take all steps specifically required by the Agreement or reasonably required by the Administrator to continue the Seller's identity as a separate legal entity and to make it apparent to third Persons that the Seller is an entity with assets and liabilities distinct from those of UGI and any other Person, and is not a division of UGI, its Affiliates or any other Person. Without limiting the generality of the foregoing and in addition to and consistent with the other covenants set forth herein, each of the Seller and UGI shall take such actions as shall be required in order that:

(a) The Seller will be a limited purpose corporation whose primary activities are restricted in its certificate of incorporation to: (i) purchasing or otherwise acquiring from the Originator (or its Affiliates), owning, holding, granting security interests or selling interests in Pool Assets (or other receivables originated by the Originator or its Affiliates, and certain related assets), (ii) entering into agreements for the selling and servicing of the Receivables Pool (or other receivables pools originated by the Originator or its Affiliates), and (iii) conducting such other activities as it deems necessary or appropriate to carry out its primary activities;

(b) The Seller shall not engage in any business or activity, or incur any indebtedness or liability, other than as expressly permitted by the Transaction Documents;

(c) Not less than one member of the Seller's Board of Directors (the "Independent Director") shall be an individual who is not a direct, indirect or beneficial stockholder, officer, director, employee, affiliate, associate or supplier of UGI, or any of their Affiliates. The certificate of incorporation of the Seller shall provide that: (i) the Seller's Board of Directors shall not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to the Seller unless the Independent Director shall approve the taking of such action in writing before the taking of such action, and (ii) such provision cannot be amended without the prior written consent of the Independent Director;

(d) The Independent Director shall not at any time serve as a trustee in bankruptcy for the Seller, UGI or any Affiliate thereof;

(e) Any employee, consultant or agent of the Seller will be compensated from the Seller's funds for services provided to the Seller. The Seller will not engage any agents other than its attorneys, auditors and other professionals, and a servicer and any other agent contemplated by the Transaction Documents for the Receivables Pool, which servicer will be fully compensated for its services by payment of the Servicing Fee;

(f) The Seller will contract with the Servicer to perform for the Seller all operations required on a daily basis to service the Receivables Pool. The Seller will pay the Servicer the Servicing Fee pursuant hereto. The Seller will not incur any material indirect or overhead expenses for items shared with UGI (or any other Affiliate thereof) that are not reflected in the Servicing Fee. To the extent, if any, that the Seller (or any Affiliate thereof) shares items of expenses not reflected in the Servicing Fee or the manager's fee, such as legal, auditing and other professional services, such expenses will be allocated to the extent practical on the basis of actual use or the value of services rendered, and otherwise on a basis reasonably related to the actual use or the value of services rendered; it being understood that UGI shall pay all expenses relating to the preparation, negotiation, execution and delivery of the Transaction Documents, including legal, agency and other fees;

(g) The Seller's operating expenses will not be paid by UGI, or any other Affiliate thereof;

(h) All of the Seller's business correspondence and other communications shall be conducted in the Seller's own name and on its own separate stationery;

(i) The Seller's books and records will be maintained separately from those of UGI and any other Affiliate thereof;

(j) All financial statements of UGI or any Affiliate thereof that are consolidated to include Seller will contain detailed notes clearly stating that: (i) a special purpose corporation exists as a Subsidiary of UGI, (ii) the Originator has sold receivables and other related assets to such special purpose Subsidiary that, in turn, has sold undivided interests therein to certain financial institutions and other entities and (iii) that the special purpose Subsidiary's assets are not available to satisfy the obligations of UGI or any Affiliate;

(k) The Seller's assets will be maintained in a manner that facilitates their identification and segregation from those of UGI or any Affiliate thereof;

(l) The Seller will strictly observe corporate formalities in its dealings with UGI, or any Affiliate thereof, and funds or other assets of the Seller will not be commingled with those of UGI, or any Affiliate thereof except as permitted by the Agreement in connection with servicing the Pool Receivables. The Seller shall not maintain joint bank accounts or other depository accounts to which UGI or any Affiliate thereof (other than UGI in its capacity of Servicer) has independent access. The Seller is not named, and has not entered into any agreement to be named, directly or indirectly, as a direct or contingent beneficiary or loss payee on any insurance policy (other than directors and officers liability and credit insurance policies) with respect to any loss relating to the property of UGI or any Subsidiary or other Affiliate of UGI. The Seller will pay to the appropriate Affiliate the marginal increase or, in the absence of such increase, the market amount of its portion of the premium payable with respect to any insurance policy that covers the Seller and such Affiliate;

(m) The Seller will maintain arm's-length relationships with UGI (and any Affiliate thereof). Any Person that renders or otherwise furnishes services to the Seller will be compensated by the Seller at market rates for such services it renders or otherwise furnishes to the Seller. Neither the Seller nor UGI will be or will hold itself out to be responsible for the debts of the other or the decisions or actions respecting the daily business and affairs of the other. The Seller and UGI will immediately correct any known misrepresentation with respect to the foregoing, and they will not operate or purport to operate as an integrated single economic unit with respect to each other or in their dealing with any other entity; and

(n) UGI shall not pay the salaries of Seller's employees, if any.



**EXHIBIT V**  
**TERMINATION EVENTS**

Each of the following shall be a “Termination Event”:

- (a) (i) the Seller, UGI, the Originator or the Servicer (if UGI or any of its Affiliates) shall fail to perform or observe in any material respect any term, covenant or agreement under the Agreement or any other Transaction Document and, except as otherwise provided herein, such failure shall continue for thirty days after knowledge or notice thereof, (ii) the Seller or the Servicer shall fail to make when due any payment or deposit to be made by it under the Agreement and such failure shall continue unremedied for two (2) Business Days or (iii) UGI shall resign as Servicer, and no successor Servicer reasonably satisfactory to the Administrator shall have been appointed;
- (b) UGI (or any Affiliate thereof) shall fail to transfer to any successor Servicer when required any rights pursuant to the Agreement that UGI (or such Affiliate) then has as Servicer;
- (c) any representation or warranty made or deemed made by the Seller, UGI or the Originator (or any of their respective officers) under or in connection with the Agreement or any other Transaction Document, or any written information or report delivered by the Seller, UGI or the Originator or the Servicer pursuant to the Agreement or any other Transaction Document, shall prove to have been incorrect or untrue in any respect when made or deemed made (pursuant to paragraph 2(b) of Exhibit II hereof or with respect to any Information Package) or delivered; provided, however, if the violation of this paragraph (c) by the Seller or the Servicer may be cured without any potential or actual detriment to the Issuer or the Administrator, the Seller or the Servicer, as applicable, shall have 30 days from the earlier of (i) such Person’s knowledge of such failure and (ii) notice to such Person of such failure to cure any such violation, before a Termination Event shall occur so long as such Person is diligently attempting to effect such cure;
- (d) the Seller or the Servicer shall fail to deliver the Information Package pursuant to the Agreement, and such failure shall remain unremedied for two Business Days;
- (e) the Agreement or any purchase or reinvestment pursuant to the Agreement shall for any reason: (i) cease to create, or the Purchased Interest shall for any reason cease to be, a valid and enforceable perfected undivided percentage ownership or security interest to the extent of the Purchased Interest in each Pool Receivable, the Related Security and Collections with respect thereto, free and clear of any Adverse Claim, or (ii) cease to create with respect to the Pool Assets, or the interest of the Issuer with respect to such Pool Assets shall cease to be, a valid and enforceable first priority perfected security interest, free and clear of any Adverse Claim;
- (f) the Seller, UGI or the Originator shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Seller, UGI or the Originator seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the

entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Seller, UGI or the Originator shall take any corporate action to authorize any of the actions set forth above in this paragraph;

(g) (i) the (A) Default Ratio shall exceed 2.75% or (B) Delinquency Ratio shall exceed 10.0% or (ii) the average for three consecutive calendar months of (A) the Default Ratio shall exceed 2.00%, (B) the Delinquency Ratio shall exceed 9.0%, (C) the Dilution Ratio shall exceed 1.75% or (iii) Days' Sales Outstanding exceeds 45 days;

(h) a Change in Control shall occur with respect to the Seller, the Originator or UGI,

(i) at any time (i) the sum of (A) the Capital plus (B) the Total Reserves, exceeds (ii) the sum of (A) the Net Receivables Pool Balance at such time plus (B) the Issuer's Share of the amount of Collections then on deposit in the Lock-Box Accounts (other than amounts set aside therein representing Discount and fees), and such circumstance shall not have been cured within five (5) Business Days of becoming aware thereof;

(j) (i) UGI or any of its Subsidiaries shall fail to pay any principal of or premium or interest on any of its Debt that is outstanding in a principal amount of at least \$5,000,000 in the aggregate when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement, mortgage, indenture or instrument relating to such Debt (and shall have not been waived); or (ii) any other event shall occur or condition shall exist under any agreement, mortgage, indenture or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement, mortgage, indenture or instrument (and shall have not been waived), if, in either case: (a) the effect of such non-payment, event or condition is to give the applicable debt holders the right (whether acted upon or not) to accelerate the maturity of such Debt, or (b) any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to repay, redeem, purchase or defease such Debt shall be required to be made, in each case before the stated maturity thereof;

(k) either: (i) a contribution failure shall occur with respect to any Benefit Plan sufficient to give rise to a lien under Section 302(f) of ERISA, (ii) the Internal Revenue Service shall file a notice of lien asserting a claim or claims pursuant to the Internal Revenue Code with regard to any of the assets of Seller, the Originator or any ERISA Affiliate and such lien shall have been filed and not released within 10 days, or (iii) the Pension Benefit Guaranty Corporation shall, or shall indicate its intention in writing to the Seller, the Originator or any ERISA Affiliate to, either file a notice of lien asserting a claim pursuant to ERISA with regard to any assets of the Seller, the Originator or any ERISA Affiliate or terminate any Benefit Plan subject to Title IV of ERISA that has unfunded benefit liabilities, or any steps shall have been taken to terminate any Benefit Plan subject to Title

IV of ERISA that has unfunded benefit liabilities so as to result in any material liability to the Seller or the Originator and such lien shall have been filed and not released within 10 days;

(l) (i) one or more final and unappealable judgments for the payment of money shall be entered against the Seller or (ii) one or more final and unappealable judgments for the payment of money in an amount in excess of \$20,000,000, individually or in the aggregate, shall be entered against the Servicer or the Originator on claims not covered by insurance or as to which the insurance carrier has denied its responsibility, and such judgment shall continue unsatisfied and in effect for sixty (60) consecutive days without a stay of execution; or

(m) [RESERVED]; or

(n) the “Purchase and Sale Termination Date” under and as defined in the Purchase and Sale Agreement shall occur under the Purchase and Sale Agreement or the Originator shall for any reason cease to transfer, or cease to have the legal capacity to transfer, or otherwise be incapable of transferring Receivables to the Seller under the Purchase and Sale Agreement.

**EXHIBIT VI**  
**SUPPLEMENTAL PERFECTION REPRESENTATIONS,**  
**WARRANTIES AND COVENANTS**

In addition to the representations, warranties and covenants contained in Exhibit III hereof, the Seller hereby makes the following additional representations, warranties and covenants:

1. Receivables; Lock-box Accounts.

(a) The Pool Receivables constitute “accounts”, “general intangibles” or “tangible chattel paper”, each within the meaning of the applicable UCC.

(b) Lock-Box Accounts. Each Lock-Box Account constitutes a “deposit account” within the meaning of the applicable UCC.

2. Creation of Security Interest. The Seller owns and has good and marketable title to the Pool Receivables and Lock-Box Accounts (and the related lock-boxes), free and clear of any Adverse Claim. The Agreement creates a valid and continuing security interest (as defined in the applicable UCC) in the Pool Receivables and the Lock-Box Accounts (and the related lock-boxes) in favor of the Issuer, which security interest is prior to all other Adverse Claims and is enforceable as such as against any creditors of and purchasers from the Seller.

3. Perfection.

(a) General. The Seller has or has caused, or will or will cause within ten days after the date hereof, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the sale of the Pool Receivables from the Originator to the Seller pursuant to the Purchase and Sale Agreement and the security interest granted by the Seller to the Issuer in the Receivables and Lock-Box Accounts (and the related lock-boxes) hereunder.

(b) Tangible Chattel Paper. With respect to any Pool Receivable that constitutes “tangible chattel paper”, the Servicer is in possession of the original copies of the tangible chattel paper that constitute or evidence such Pool Receivables, and the Seller has filed or has caused the Originator to file, or will file or will cause the Originator to file within ten days after the date hereof, the financing statements described in paragraph (a) above, each of which will contain a statement that: “A purchase of or a grant of a security interest in any property described in this financing statement will violate the rights of the Issuer.” The Pool Receivables to the extent they are evidenced by “tangible chattel paper” do not have any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Seller or the Issuer.

(c) Lock-Box Accounts. With respect to all Lock-Box Accounts (and all related lock-boxes), the Seller has delivered to the Administrator, on behalf of the Issuer, a fully executed Lock-Box Agreement pursuant to which the applicable Lock-Box Bank has agreed, following the occurrence and continuation of a Termination Event, to comply with all instructions given by the

Administrator with respect to all funds on deposit in such Lock-Box Account (and all funds sent to the respective lock-box), without further consent by the Seller or the Servicer.

4. Priority.

(a) Other than the transfer of the Receivables by the Originator to the Seller pursuant to the Purchase and Sale Agreement and the grant of security interest by the Seller to the Issuer in the Pool Receivables and Lock-Box Accounts (and the related lock-boxes) hereunder, neither the Seller nor the Originator has pledged, assigned, sold, conveyed, or otherwise granted a security interest in any of the Pool Receivables or Lock-Box Accounts (and the related lock-boxes) to any other Person.

(b) Neither the Seller nor the Originator has authorized, or is aware of, any filing of any financing statement against the Seller or the Originator that includes a description of collateral covering the Pool Receivables or any other Pool Assets, other than any financing statement filed pursuant to the Purchase and Sale Agreement and the Agreement or financing statements that have been validly terminated prior to the date hereof.

(c) The Seller is not aware of any judgment, ERISA or tax lien filings against either the Seller or the Originator.

(d) None of the Lock-Box Accounts (and the related lock-boxes) are in the name of any Person other than the Seller or the Issuer. None of the Seller, the Servicer or the Originator has consented to any Lock-Box Bank's complying with instructions of any person other than the Administrator.

5. Survival of Supplemental Representations. Notwithstanding any other provision of the Agreement or any other Transaction Document, the representations contained in this Exhibit VI shall be continuing, and remain in full force and effect until such time as all the Capital has finally been paid in full and all other obligations of the Seller under the Agreement or any other Transaction Documents have been fully performed.

6. [Reserved].

7. Seller to Maintain Perfection and Priority. In order to evidence the interests of the Issuer under this Agreement, the Seller shall, from time to time take such action, or execute and deliver such instruments (other than filing financing statements) as may be necessary or advisable (including, without limitation, such actions as are requested by the Administrator on behalf of the Issuer) to maintain and perfect, as a first-priority interest, the Issuer's security interest in the Pool Assets. The Seller shall, from time to time and within the time limits established by law, prepare and present to the Administrator for the Administrator's authorization and approval all financing statements, amendments, continuations or initial financing statements in lieu of a continuation statement, or other filings necessary to continue, maintain and perfect the Issuer's security interest in the Pool Assets as a first-priority interest. The Administrator's approval of such filings shall authorize the Seller to file such financing statements under the UCC without the signature of the Seller, the Originator or the Issuer where allowed by applicable law. Notwithstanding anything

else in the Transaction Documents to the contrary, neither the Seller, the Servicer, nor the Originator, shall have any authority to file a termination, partial termination, release, partial release or any amendment that deletes the name of a debtor or excludes collateral of any such financing statements, without the prior written consent of the Administrator, on behalf of the Issuer.

**SCHEDULE I**  
**CREDIT AND COLLECTION POLICY**

**SCHEDULE II**  
**LOCK-BOX BANKS AND LOCK-BOX ACCOUNTS**

<u>Lock-Box Bank</u>	<u>Seller</u>	<u>Lock Box No.</u>	<u>Account No.</u>
PNC Bank, National Association	Energy Services Funding Corporation	XXXXXXXXXX	XXXXXXXXXX



**SCHEDULE III**  
**TRADE NAMES**

Corporate Name

Trade Names / Fictitious Names

Energy Services Funding Corporation

None

**SCHEDULE IV**  
**LOCATION OF RECORDS OF SELLER**

460 North Gulph Road  
King of Prussia, Pennsylvania 19406-2815

1 Meridian Boulevard  
Reading, Pennsylvania 19610

**FORM OF INFORMATION PACKAGE (Settlement Date)**

**FORM OF INFORMATION PACKAGE (Inter-Settlement Date)**

**FORM OF PURCHASE NOTICE**

FORM OF PURCHASE NOTICE

\_\_\_\_\_, [20\_\_]

PNC Bank, National Association  
Three PNC Plaza  
225 Fifth Avenue  
Pittsburgh, PA 15222-2707

Ladies and Gentlemen:

Reference is hereby made to the Receivables Purchase Agreement, dated as of November 30, 2001 (as heretofore amended or supplemented, the "Receivables Purchase Agreement"), among Energy Services Funding Corporation ("Seller"), UGI Energy Services, LLC, as Servicer and PNC Bank, National Association, as issuer (the "Issuer") and as administrator (the "Administrator"). Capitalized terms used in this Purchase Notice and not otherwise defined herein shall have the meanings assigned thereto in the Receivables Purchase Agreement.

This letter constitutes a Purchase Notice pursuant to Section 1.2(a) of the Receivables Purchase Agreement. Seller desires to sell pursuant to the Receivables Purchase Agreement an undivided variable percentage interest in a pool of receivables on [\_\_\_\_\_, 20\_\_], for a Purchase Price of \$\_\_\_\_\_. Subsequent to this purchase, the aggregate outstanding Capital will be \$\_\_\_\_\_. The pro forma calculation of the Purchased Interest after giving effect to the increase in Capital is [\_\_\_\_\_].

Seller hereby represents and warrants as of the date hereof, and as of the date of purchase, as follows:

(i) the representations and warranties contained in Exhibit III of the Receivables Purchase Agreement are correct in all respects on and as of such dates as though made on and as of such dates and shall be deemed to have been made (pursuant to paragraph 2(b) of Exhibit II of the Receivables Purchase Agreement) on such dates (except to the extent that such representations and warranties relate expressly to an earlier date, and in which case such representations and warranties shall be true and correct in all respects as of such earlier date);

(ii) no Termination Event or Unmatured Termination Event has occurred and is continuing, or would result from such purchase;

(iii) after giving effect to the purchase proposed hereby, the Purchased Interest will not exceed 100% and the Capital will not exceed the Purchase Limit;

(iv) no Default Event shall have occurred and is continuing; and

(v) the Facility Termination Date shall not have occurred.

IN WITNESS WHEREOF, the undersigned has caused this Purchase Notice to be executed by its duly authorized officer as of the date first above written.

ENERGY SERVICES FUNDING CORPORATION

By:

Name Printed:

Title:

**FORM OF PAYDOWN NOTICE**



## FORM OF PAYDOWN NOTICE

\_\_\_\_\_, \_\_\_\_\_

PNC Bank, National Association  
225 Fifth Avenue  
Pittsburgh, New York 15222-2707  
Attention: William Falcon

Ladies and Gentlemen:

Reference is hereby made to the Receivables Purchase Agreement, dated as of November 30, 2001 (as amended, supplemented or otherwise modified, the “Receivables Purchase Agreement”), among Energy Services Funding Corporation, as Seller, UGI Energy Services, LLC, as Servicer and PNC Bank, National Association, as Issuer and as Administrator. Capitalized terms used in this paydown notice and not otherwise defined herein shall have the meanings assigned thereto in the Receivables Purchase Agreement.

This letter constitutes a paydown notice pursuant to Section 1.4(f)(i) of the Receivables Purchase Agreement. The Seller desires to reduce the Capital on \_\_\_\_\_, \_\_\_\_\_<sup>1</sup> by the application of \$\_\_\_\_\_ in cash to pay Capital and Discount to accrue through such date with respect to such Capital, together with all costs related to such reduction of Capital.

<sup>1</sup> Notice must be given (i) at least one Business Day prior to the requested paydown date, in the case of reductions of greater than \$1,000,000 and less than or equal to \$3,000,000; (ii) at least two Business Days prior the requested paydown date, in the case of reductions of greater than \$3,000,000 and less than or equal to \$10,000,000; and (ii) at least five Business Days prior to the requested paydown date, in the case of reductions of greater than \$10,000,000.

IN WITNESS WHEREOF, the undersigned has caused this paydown notice to be executed by its duly authorized officer as of the date first above written.

ENERGY SERVICES FUNDING CORPORATION

By:

Name:

Title:

Receivables Purchase Agreement

(UGI)

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**CONFORMED COPY**

Form of  
PURCHASE AND SALE AGREEMENT  
Dated as of November 30, 2001,  
as amended by  
Amendment No. 1, dated August 29, 2003  
Amendment No. 2, dated September 5, 2006  
Amendment No. 3, dated August 26, 2010  
Amendment No. 4, dated October 1, 2013  
between  
UGI ENERGY SERVICES, LLC  
and  
ENERGY SERVICES FUNDING CORPORATION

THIS **PURCHASE AND SALE AGREEMENT** (this "Agreement"), dated as of November 30, 2001, is entered into between UGI ENERGY SERVICES, LLC (the "Originator"), a Pennsylvania limited liability company, and ENERGY SERVICES FUNDING CORPORATION, a Delaware corporation (the "Company").

## **DEFINITIONS**

Unless otherwise indicated herein, capitalized terms used in this Agreement are defined in Exhibit I to the Receivables Purchase Agreement of even date herewith (as the same may be amended, supplemented or otherwise modified from time to time, the "Receivables Purchase Agreement") among the Company, as the Seller; UGI Energy Services, LLC (individually, "UGI"), as the initial Servicer; Market Street Funding Corporation; and PNC Bank, National Association, as the Administrator. All references herein to months are to calendar months unless otherwise expressly indicated.

## **BACKGROUND:**

1. The Company is a special purpose corporation, the issued and outstanding shares of which are owned by the Originator;
2. The Originator generates Receivables in the ordinary course of its business;
3. The Originator, in order to finance its business, wishes to sell or contribute, as the case may be, Receivables to the Company, and the Company is willing to purchase or accept Receivables, as the case may be, from the Originator, on the terms and subject to the conditions set forth herein; and
4. The Originator and the Company intend this transaction to be an absolute and irrevocable true sale and conveyance of Receivables by the Originator to the Company, providing the Company with the full benefits of ownership of the Receivables, and the Originator and the Company do not intend the transactions hereunder to be characterized as a loan from the Company to the Originator.

**NOW, THEREFORE**, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

## **ARTICLE I AGREEMENT TO PURCHASE AND SELL**

SECTION 1.1 Agreement To Purchase and Sell. On the terms and subject to the conditions set forth in this Agreement, the Originator, severally and for itself, agrees to sell to the Company, and the Company agrees to purchase from the Originator, from time to time on or after the Closing Date, but before the Purchase and Sale Termination Date, all of the Originator's right, title and interest in and to:

(a) each Receivable of the Originator that existed and was owing to the Originator at the closing of the Originator's business on December 3, 2001 (the "Cut-off Date") other than Receivables contributed pursuant to Section 3.1 (the "Contributed Receivables");

(b) each Receivable generated by the Originator from and including the Cut-off Date to and including the Purchase and Sale Termination Date (other than any Receivable later contributed pursuant to the second sentence of Section 3.1);

(c) all rights to, but not the obligations of the Originator under, all Related Security;

(d) all monies due or to become due to the Originator with respect to any of the foregoing;

(e) all books and records of the Originator related to any of the foregoing, and all rights, remedies, powers, privileges, title and interest of the Originator in each lock-box and related lock-box address and account to which Collections are sent, all amounts on deposit therein, all certificates and instruments, if any, from time to time evidencing such accounts and amounts on deposit therein, and all related agreements between the Originator and each Lock-Box Bank; and

(f) all collections and other proceeds and products of any of the foregoing (as defined in the applicable UCC) that are or were received by the Originator on or after the Cut-off Date, including, without limitation, all funds which either are received by the Originator, the Company or the Servicer from or on behalf of the Obligors in payment of any amounts owed (including, without limitation, invoice price, finance charges, interest and all other charges) in respect of Receivables, or are applied to such amounts owed by the Obligors (including, without limitation, any insurance payments that the Originator or the Servicer applies in the ordinary course of its business to amounts owed in respect of any Receivable, and net proceeds of sale or other disposition of repossessed goods or other collateral or property of the Obligors in respect of Receivables or any other parties directly or indirectly liable for payment of such Receivables).

All purchases and contributions hereunder are absolute and irrevocable and shall be made without recourse except as expressly provided in Sections 3.3, 3.4 and 9.1, but shall be made pursuant to, and in reliance upon, the representations, warranties and covenants of the Originator set forth in this Agreement and each other Transaction Document. No obligation or liability to any Obligor on any Receivable is intended to be, or shall be, assumed by the Company hereunder, and any such assumption is expressly disclaimed. The Company's foregoing commitment to purchase Receivables and the proceeds and rights described in clauses (c) through (f) (collectively, the "Related Rights") is herein called the "Purchase Facility."

In connection with the transfer of ownership or the grant of the security interest in the Receivables and Related Rights, by signing this Agreement in the space provided, the Originator hereby authorizes the filing of all applicable UCC financing statements in all necessary jurisdictions.

## SECTION 1.2 Timing of Purchases.

(a) Closing Date Purchases. The Originator's entire right, title and interest in, to and under (i) each Receivable that existed and was owing to the Originator at the Cut-off Date (other than Contributed Receivables), (ii) all Receivables created by the Originator from and including the Cut-off Date, to and including the Closing Date (other than Contributed Receivables), and (iii) all Related Rights with respect thereto automatically shall be deemed to have been sold by the Originator to the Company on the Closing Date.

(b) Subsequent Purchases. After the Closing Date, until the Purchase and Sale Termination Date, each Receivable and the Related Rights generated by the Originator shall be, and shall be deemed to have been, sold by the Originator to the Company immediately (and without further action) upon the creation of such Receivable.

SECTION 1.3 Consideration for Purchases. On the terms and subject to the conditions set forth in this Agreement, the Company agrees to make Purchase Price payments to the Originator in accordance with Article III and to reflect all contributions in accordance with Section 3.1.

SECTION 1.4 Purchase and Sale Termination Date. The "Purchase and Sale Termination Date" shall be the earlier to occur of (a) the date the Purchase Facility is terminated pursuant to Section 8.2 and (b) the Facility Termination Date.

SECTION 1.5 Intention of the Parties. It is the express intent of the parties hereto that the transfers of the Receivables, Contributed Receivables and Related Rights by the Originator to the Company, as contemplated by this Agreement, be treated as true, final, absolute and irrevocable sales or contributions, as applicable (without recourse except as expressly provided in Sections 3.3, 3.4 and 9.1), of all of the Originator's legal and equitable right, title and interest in, to and under the Receivables or the Contributed Receivables, as applicable, and Related Rights. If, however, notwithstanding the intent of the parties, such transactions are deemed to be loans, the Originator hereby grants to the Company a first priority security interest in all of the Originator's right, title and interest in and to: (i) the Receivables, Contributed Receivables and the Related Rights now existing and hereafter created by the Originator, (ii) all monies due or to become due and all amounts received with respect thereto, (iii) all books and records of the Originator related to any of the foregoing, and all rights, remedies, powers, privileges, title and interest of the Originator in each lock-box and related lock-box address and account to which Collections are sent, all amounts on deposit therein, all certificates and instruments, if any, from time to time evidencing such accounts and amounts on deposit therein, and all related agreements between the Originator and each Lock-Box Bank, and (iv) all proceeds and products of any of the foregoing to secure all of the Originator's obligations hereunder.

## **ARTICLE II PURCHASE REPORT; CALCULATION OF PURCHASE PRICE**



SECTION 2.1 Purchase Report. On the Closing Date and on each Settlement Date, the Servicer shall deliver to the Company and the Originator a report in substantially the form of Exhibit A (each such report being herein called a “Purchase Report”) setting forth, among other things:

(a) Receivables purchased by the Company from the Originator on the Closing Date (in the case of the Purchase Report to be delivered on the Closing Date);

(b) Receivables purchased by the Company from the Originator during the period commencing on, and including, the Settlement Date immediately preceding such Settlement Date to (but not including) such Settlement Date (in the case of each subsequent Purchase Report); and

(c) the calculations of reductions of the Purchase Price for any Receivables as provided in Section 3.3(a) and (b).

SECTION 2.2 Calculation of Purchase Price. The “Purchase Price” to be paid to the Originator (or in the case of Contributed Receivables, the amount to be recognized as a capital contribution) for the Receivables that are hereunder purchased from or contributed by, as the case may be, the Originator shall be determined in accordance with the following formula:

$$PP = OB \times FMVD$$

where:

PP = Purchase Price for each Receivable as calculated on the relevant Payment Date.

OB = The Outstanding Balance of such Receivable on the relevant Payment Date.

FMVD = Fair Market Value Discount, as measured on such Payment Date, which is equal to the quotient (expressed as percentage) of (a) one divided by (b) the sum of (i) one, *plus* (ii) a fraction, the numerator of which is 6% and the denominator of which is 12.

“Payment Date” means (i) the Closing Date and (ii) each Business Day thereafter that the Originator is open for business.

“Prime Rate” means a *per annum* rate equal to the “Prime Rate” as published in the “Money Rates” section of The Wall Street Journal or if such information ceases to be published in The Wall Street Journal, such other publication as determined by the Administrator in its reasonable discretion.

### **ARTICLE III**

#### **PAYMENT OF PURCHASE PRICE**

SECTION 3.1 Contribution of Receivables and Initial Purchase Price Payment. (a) On the Closing Date, UGI shall, and hereby does, irrevocably and absolutely contribute to the capital of the Company Receivables and Related Rights consisting of each Receivable of UGI

that existed and was owing to UGI on the Closing Date beginning with the oldest of such Receivables and continuing chronologically thereafter such that the aggregate Outstanding Balance of all such Contributed Receivables shall be not less than \$4,000,000. Notwithstanding anything in this Agreement to the contrary, UGI shall not be prevented from contributing Receivables to the Company from time to time. Contributions made in connection with the immediately preceding sentence (i) shall have no effect on the aggregate Purchase Price of any Receivables sold by UGI to the Company on the date of such contribution and (ii) shall not affect the aggregate outstanding balance of any Company Note.

(b) On the terms and subject to the conditions set forth in this Agreement, the Company agrees to pay to the Originator the Purchase Price for the purchase to be made from the Originator on the Closing Date partially in cash (in an amount to be agreed between the Company and the Originator and set forth in the initial Purchase Report) and partially by issuing a promissory note in the form of Exhibit B to the Originator with an initial principal balance equal to the remaining Purchase Price (each such promissory note, as it may be amended, supplemented, endorsed or otherwise modified from time to time, together with all promissory notes issued from time to time in substitution therefor or renewal thereof in accordance with the Transaction Documents, each being herein called a “Company Note”).

**SECTION 3.2 Subsequent Purchase Price Payments.** On each Payment Date subsequent to the Closing Date, on the terms and subject to the conditions set forth in this Agreement, the Company shall pay to the Originator the Purchase Price for the Receivables generated by the Originator on such Payment Date and sold to the Company hereunder:

(a) First, in cash to the extent the Company has cash available therefor; and

(b) Second, to the extent any portion of the Purchase Price remains unpaid, the principal amount outstanding under the applicable Company Note shall be increased by an amount equal to such remaining Purchase Price.

The Servicer shall make all appropriate record keeping entries with respect to each of the Company Notes to reflect the foregoing payments and reductions made pursuant to Section 3.3, and in the absence of manifest error the Servicer’s books and records shall constitute rebuttable presumptive evidence of the principal amount of, and accrued interest on, each of the Company Notes at any time. Furthermore, the Servicer shall hold the Company Notes for the benefit of the Originator. The Originator hereby irrevocably authorizes the Servicer to mark the Company Notes “CANCELED” and to return such Company Notes to the Company upon the final payment thereof after the occurrence of the Purchase and Sale Termination Date.

**SECTION 3.3 Settlement as to Specific Receivables and Dilution.**

(a) If, on the day of purchase or contribution of any Receivable from the Originator hereunder, any of the representations or warranties set forth in Sections 5.4 and 5.12 are not true with respect to such Receivable or as a result of any action or inaction of the Originator, on any subsequent day, any of such representations or warranties set forth in Sections 5.4 and 5.12 are no longer true with respect to such Receivable, then the Purchase Price (or in the

case of a Contributed Receivable, the capital contribution with respect to such Receivable (the “Contributed Value”), with respect to such Receivable shall be reduced by an amount equal to the Outstanding Balance of such Receivable and shall be accounted to the Originator as provided in clause (c) below; provided, that if the Company thereafter receives payment on account of Collections due with respect to such Receivable, the Company promptly shall deliver such funds to the Originator.

(b) If, on any day, the Outstanding Balance of any Receivable (including any Contributed Receivable) purchased or contributed hereunder is reduced or adjusted as a result of any defective, rejected, returned goods or services, or any discount or other adjustment made by the Originator, the Company or the Servicer or any setoff or dispute between the Originator or the Servicer and an Obligor as indicated on the books of the Company (or, for periods prior to the Closing Date, the books of the Originator), then the Purchase Price or Contributed Value, as the case may be, with respect to such Receivable shall be reduced by the amount of such net reduction and shall be accounted to the Originator as provided in clause (c) below.

(c) Any reduction in the Purchase Price or Contributed Value of any Receivable pursuant to clause (a) or (b) above shall be applied as a credit for the account of the Company against the Purchase Price of Receivables subsequently purchased by or contributed to the Company from the Originator hereunder; provided, however if there have been no purchases of Receivables from the Originator (or insufficiently large purchases of Receivables) to create a Purchase Price sufficient to so apply such credit: (i) shall be paid in cash to the Company by the Originator in the manner and for application as described in the following proviso, or (ii) shall be deemed to be a payment under, and shall be deducted from the principal amount outstanding under, the Company Note payable to the Originator; against, the amount of such credit shall be paid in cash to the Company by the Originator in the manner and for application as described in the following proviso;

provided, further, that at any time (y) when a Termination Event or Unmatured Termination Event exists under the Receivables Purchase Agreement or (z) on or after the Purchase and Sale Termination Date, the amount of any such credit shall be paid by the Originator to the Company by deposit in immediately available funds into the relevant Lock-Box Account for application by the Servicer to the same extent as if Collections of the applicable Receivable in such amount had actually been received on such date.

SECTION 3.4 Reconveyance of Receivables. In the event that the Originator has paid to the Company the full Outstanding Balance of any Receivable pursuant to Section 3.3, the Company shall reconvey such Receivable to the Originator, without representation or warranty, but free and clear of all liens, security interests, charges, and encumbrances created by the Company.

## **ARTICLE IV CONDITIONS OF PURCHASES**

SECTION 4.1 Conditions Precedent to Initial Purchase. The initial purchase hereunder is subject to the condition precedent that the Servicer (on the Company’s behalf) shall

have received, on or before the Closing Date, the following, each (unless otherwise indicated) dated the Closing Date, and each in form and substance satisfactory to the Servicer (acting on the Company's behalf):

(a) An Originator Assignment Certificate in the form of Exhibit C from the Originator, duly completed, executed and delivered by the Originator;

(b) A copy of the resolutions of the Board of Directors of the Originator approving the Transaction Documents to be delivered by it and the transactions contemplated hereby and thereby, certified by the Secretary or Assistant Secretary of the Originator;

(c) Good standing or validly subsisting certificates for the Originator issued as of a recent date acceptable to the Servicer by the Secretary of State of the jurisdiction of the Originator's organization and each jurisdiction where the Originator is qualified to transact business;

(d) A certificate of the Secretary or Assistant Secretary of the Originator certifying the names and true signatures of the officers authorized on such Person's behalf to sign the Transaction Documents to be delivered by it (on which certificate the Servicer and the Company may conclusively rely until such time as the Servicer shall receive from such Person a revised certificate meeting the requirements of this clause (d));

(e) Copies of the certificate or articles of incorporation or other organizational document of the Originator duly certified by the Secretary of State of the jurisdiction of the Originator's organization as of a recent date, together with a copy of the by-laws of the Originator, each duly certified by the Secretary or an Assistant Secretary of the Originator;

(f) Originals of the proper financing statements (Form UCC-1) that have been duly executed and name the Originator as the debtor/seller and the Company as the secured party/purchaser (and the Issuer, as assignee of the Company) of the Receivables generated by the Originator as may be necessary or, in the Servicer's or the Administrator's opinion, desirable under the UCC of all appropriate jurisdictions to perfect the Company's ownership interest in all Receivables and such other rights, accounts, instruments and moneys (including, without limitation, Related Security) in which an ownership or security interest may be assigned to it hereunder;

(g) A written search report from a Person satisfactory to the Servicer listing all effective financing statements that name the Originator as debtor or seller and that are filed in the jurisdictions in which filings were made pursuant to the foregoing clause (f), together with copies of such financing statements (none of which, except for those described in the foregoing clause (f), shall cover any Receivable or any Related Rights which are to be sold to the Company hereunder), and tax and judgment lien search reports from a Person satisfactory to the Servicer showing no evidence of such liens filed against the Originator;

(h) A favorable opinion of Morgan, Lewis & Bockius LLP, counsel to the Originator, in form and substance satisfactory to the Servicer and the Administrator;

(i) [Intentionally Omitted.]

(j) A certificate from an officer of the Originator to the effect that the Servicer and the Originator have placed on the most recent, and have taken all steps reasonably necessary to ensure that there shall be placed on each subsequent, data processing report that the Originator generates which are of the type that a proposed purchaser or lender would use to evaluate the Receivables, the following legend (or the substantive equivalent thereof): “THE RECEIVABLES DESCRIBED HEREIN HAVE BEEN CONTRIBUTED OR SOLD BY UGI ENERGY SERVICES, LLC TO ENERGY SERVICES FUNDING CORPORATION PURSUANT TO A PURCHASE AND SALE AGREEMENT, DATED AS OF NOVEMBER 30, 2001, AS MAY BE AMENDED FROM TIME TO TIME, BETWEEN UGI ENERGY SERVICES, LLC AND ENERGY SERVICES FUNDING CORPORATION, AS PURCHASER; AND AN UNDIVIDED, FRACTIONAL OWNERSHIP INTEREST IN THE RECEIVABLES DESCRIBED HEREIN HAS BEEN SOLD TO MARKET STREET FUNDING CORPORATION PURSUANT TO A RECEIVABLES PURCHASE AGREEMENT, DATED AS OF NOVEMBER 30, 2001 AS MAY BE AMENDED FROM TIME TO TIME, AMONG ENERGY SERVICES FUNDING CORPORATION, AS SELLER, UGI ENERGY SERVICES, LLC, AS SERVICER, MARKET STREET FUNDING CORPORATION, AND PNC BANK, NATIONAL ASSOCIATION, AS ADMINISTRATOR”; and

(k) Such other approvals, opinions or documents as the Administrator or the Issuer may reasonably request.

SECTION 4.2 Certification as to Representations and Warranties. The Originator, by accepting the Purchase Price related to each purchase of Receivables generated by the Originator, shall be deemed to have certified that the representations and warranties contained in Article V are true and correct on and as of such day, with the same effect as though made on and as of such day.

SECTION 4.3 Additional Originators. Additional Persons may be added as Originators hereunder, with the consent of the Company and the Administrator, provided that the following conditions are satisfied on or before the date of such addition:

(a) The Servicer shall have given the Administrator and the Company at least thirty days prior written notice of such proposed addition and the identity of the proposed additional Originator and shall have provided such other information with respect to such proposed additional Originator as the Administrator may reasonably request;

(b) such proposed additional Originator has executed and delivered to the Company and the Administrator an agreement substantially in the form attached hereto as Exhibit D (a “Joinder Agreement”);

(c) such proposed additional Originator has delivered to the Company and the Administrator each of the documents with respect to the Originator described in Sections 4.1 and 4.2;

(d) the Administrator shall have received a written statement from each of Moody's and Standard & Poor's confirming that the addition of the Originator will not result in a downgrade or withdrawal of the current ratings of the Notes; and

(e) the Purchase and Sale Termination Date shall not have occurred.

## **ARTICLE V**

### **REPRESENTATIONS AND WARRANTIES OF THE ORIGINATOR**

In order to induce the Company to enter into this Agreement and to make purchases hereunder, the Originator hereby makes, with respect to itself, the representations and warranties set forth in this Article V.

**SECTION 5.1 Organization and Valid Subsistence.** The Originator has been duly incorporated or formed and is validly existing or subsisting as a corporation, limited liability company or partnership, as applicable, in good standing under the laws of its jurisdiction of incorporation or formation, with corporate power and authority to own its properties and to conduct its business as such properties are presently owned and such business is presently conducted.

**SECTION 5.2 Due Qualification.** The Originator is located and is qualified to transact business as a foreign corporation, limited liability company or partnership, as applicable, in good standing in all jurisdictions in which (a) the ownership or lease of its property or the conduct of its business requires such licensing or qualification (except for the District of Columbia and the State of New York, in which jurisdictions the Originator shall be qualified within 90 days after the Closing Date) and (b) the failure to be so licensed or qualified would be reasonably likely to have a Material Adverse Effect.

**SECTION 5.3 Power and Authority; Due Authorization.** The Originator has (a) all necessary corporate power, authority and legal right (i) to execute and deliver, and perform its obligations under, each Transaction Document to which it is a party (including the use of the proceeds of the Purchase Price) and (ii) to generate, own, sell, contribute and assign Receivables on the terms and subject to the conditions herein and therein provided; and (b) duly authorized such execution and delivery and such sale, contribution and assignment and the performance of such obligations by all necessary corporate action.

**SECTION 5.4 Valid Sale; Binding Obligations.** Each sale or contribution, as the case may be, of Receivables made by the Originator pursuant to this Agreement is and shall constitute an irrevocable and absolute valid sale or contribution, as the case may be, transfer, and assignment of Receivables to the Company, enforceable against creditors of, and purchasers from, the Originator; and this Agreement constitutes, and each other Transaction Document to be signed by the Originator, when duly executed and delivered by the Originator, will constitute, a legal, valid, and binding obligation of the Originator, enforceable against the Originator in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' rights generally and

by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

SECTION 5.5 No Violation. The consummation by the Originator of the transactions contemplated by this Agreement and the other Transaction Documents to be signed by the Originator, and the fulfillment by the Originator of the terms hereof or thereof, will not (a) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a default under (i) the Originator's certificate or articles of incorporation or bylaws, limited partnership agreements, articles of organization or limited liability company agreements, as applicable or (ii) any indenture, loan agreement, mortgage, deed of trust, or other similar agreement or instrument to which it is a party or by which it is bound, (b) result in the creation or imposition of any Adverse Claim upon any of its properties pursuant to the terms of any such indenture, loan agreement, mortgage, deed of trust, or other similar agreement or instrument, other than the Transaction Documents, or (c) violate any law or any order, rule or regulation applicable to it of any court or of any state or foreign regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over it or any of its properties.

SECTION 5.6 Proceedings. Except as set forth in Schedule 5.6, there is no action, suit, proceeding or investigation pending before any court, regulatory body, arbitrator, administrative agency, or other tribunal or governmental instrumentality (a) asserting the invalidity of any Transaction Document, (b) seeking to prevent the Originator from transferring any Receivable hereunder (or in the case such transfer does not constitute a sale or an absolute conveyance under any applicable law, from granting or maintaining the security interest in any Receivable) to the Company or the consummation of any of the transactions contemplated by any Transaction Document or (c) seeking any determination or ruling that is reasonably likely to have a Material Adverse Effect.

SECTION 5.7 Bulk Sales Acts. No transaction contemplated hereby requires compliance with, or will be subject to avoidance under, any bulk sales act or similar law.

SECTION 5.8 Government Approvals. Except for the filing of the UCC financing statements referred to in Article IV, all of which, at the time required in Article IV, shall have been duly made and shall be in full force and effect, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the Originator's due execution, delivery and performance of any Transaction Document to which it is a party.

SECTION 5.9 Financial Condition.

(a) Material Adverse Effect. Since September 30, 2001, no event has occurred that has had, or is reasonably likely to have, a Material Adverse Effect.

(b) Solvent. On the date hereof, and on the date of each purchase hereunder (both before and after giving effect to such purchase), the Originator shall be Solvent.

SECTION 5.10 Licenses, Contingent Liabilities, and Labor Controversies.

(a) The Originator has not failed to obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of its properties or to the conduct of its business, which violation or failure to obtain would be reasonably likely to have a Material Adverse Effect.

(b) There are no labor controversies pending against the Originator that have had (or are reasonably likely to have) a Material Adverse Effect.

SECTION 5.11 Margin Regulations. No use of any funds acquired by the Originator under this Agreement will conflict with or contravene any of Regulations, T, U and X promulgated by the Federal Reserve Board from time to time.

SECTION 5.12 Quality of Title.

(a) Each Receivable of the Originator (together with the Related Rights with respect to such Receivable) which is to be sold to the Company hereunder is or shall be owned by the Originator, free and clear of any Adverse Claim, except as provided herein and in the Receivables Purchase Agreement. Whenever the Company makes a purchase or accepts a contribution hereunder, it shall have acquired and shall continue to have maintained a valid and perfected ownership interest (free and clear of any Adverse Claim) in all Receivables (except for those Receivables reconveyed to the Originator pursuant to Section 3.4) generated by the Originator and all Collections related thereto, and in the Originator's entire right, title and interest in and to the Related Rights with respect thereto.

(b) No effective financing statement or other instrument similar in effect covering any Receivable generated by the Originator or any Related Rights is on file in any recording office except such as may be filed in favor of the Company or the Originator, as the case may be, in accordance with this Agreement or in favor of the Issuer in accordance with the Receivables Purchase Agreement.

(c) Unless otherwise identified to the Company on the date of the purchase or contribution hereunder, each Receivable purchased hereunder is on the date of purchase or contribution an Eligible Receivable.

SECTION 5.13 Accuracy of Information. All factual written information heretofore or contemporaneously furnished (and prepared) by the Originator to the Company or the Administrator for purposes of or in connection with any Transaction Document or any transaction contemplated hereby or thereby is, and all other such factual written information hereafter furnished (and prepared) by the Originator to the Company or the Administrator pursuant to or in connection with any Transaction Document will be, true and accurate in all material respects on the date as of which such information is dated or certified.

SECTION 5.14 Offices. The Originator's principal place of business and chief executive office is located at the address set forth in Schedule 5.14A and the offices where the



Originator keeps all its books, records and documents evidencing its Receivables, the related Contracts and all other agreements related to such Receivables are located at the addresses specified in Schedule 5.14B (or at such other locations, notified to the Servicer and the Administrator in accordance with Section 6.1(f)), in jurisdictions where all action required by Section 7.3 has been taken and completed. The Originator's organization type, jurisdiction of organization and organizational identification number are set forth on Schedule 5.14A.

SECTION 5.15 Trade Names. The Originator does not use any trade name other than its actual limited liability company name and the trade names set forth in Schedule 5.15. From and after the date that fell five (5) years before the date hereof, except as set forth in Schedule 5.15, the Originator has not been known by any legal name other than its limited liability company name as of the date hereof, nor has the Originator been the subject of any merger or other corporate reorganization.

SECTION 5.16 Taxes. The Originator has filed all tax returns and reports required by law to have been filed by it and has paid all taxes and governmental charges thereby shown to be owing, except any such taxes or charges which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books.

SECTION 5.17 Compliance with Applicable Laws. The Originator is in compliance with the requirements of all applicable laws, rules, regulations and orders of all Governmental Authorities, a breach of any of which, individually or in the aggregate, would be reasonably likely to have a Material Adverse Effect.

SECTION 5.18 Reliance on Separate Legal Identity. The Originator acknowledges that the Issuer and the Administrator are entering into the Receivables Purchase Agreement in reliance upon the Company's identity as a legal entity separate from the Originator.

SECTION 5.19 Investment Company. The Originator is not an "investment company," or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940 as amended. In addition, the Originator is not a "holding company," a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

SECTION 5.20 Valid Contracts. Each Contract with respect to each Receivable is effective to create, and has created, a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of the Receivable created thereunder and any accrued interest thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

## **ARTICLE VI COVENANTS OF THE ORIGINATOR**

SECTION 6.1 Affirmative Covenants. Until the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date on which all other amounts owed by the Originator under this Agreement or the Receivables Purchase Agreement to the Seller, the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full, the Originator will, unless the Administrator and the Company shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders with respect to the Receivables generated by it and the Contracts and other agreements related thereto except where the failure to so comply would not materially and adversely affect the collectibility of such Receivables or the rights of the Company hereunder.

(b) Preservation of Corporate Existence. Except as otherwise permitted in Section 6.3(e), preserve and maintain its existence as a corporation, partnership or limited liability company, as applicable, and all rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation, partnership or limited liability company, as applicable, in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification would be reasonably likely to have a Material Adverse Effect.

(c) Receivables Reviews. (i) From time to time during regular business hours as reasonably requested in advance by the Company or the Administrator (unless a Termination Event or an Unmatured Termination Event exists or there shall be a material variance in the performance of the Receivables), permit the Company or the Administrator, or their respective agents or representatives, (A) to examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in possession or under the control of the Originator relating to Receivables, including, without limitation, the related Contracts and purchase orders and other agreements related thereto, and (B) to visit the offices and properties of the Originator for the purpose of examining such materials described in clause (A) above and to discuss matters relating to Receivables originated by it or the performance hereunder with any of the officers or employees of the Originator having knowledge of such matters, and (ii) without limiting the foregoing clause (i) above, permit certified public accountants or other auditors acceptable to the Company and Administrator to conduct, at the Company's expense, a review of the Originator's books and records with respect to such Receivables, provided that the Company shall not pay for more than one audit per year unless a Termination Event has occurred and is continuing.

(d) Keeping of Records and Books of Account. Maintain and implement administrative and operating procedures (including, without limitation, an ability to re-create records evidencing Receivables it generates in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of such Receivables (including, without limitation, records adequate to permit the daily identification of each new Receivable and all Collections of and adjustments to each existing Receivable).

(e) Performance and Compliance with Receivables and Contracts. Timely and fully perform and comply, in all material respects, with all provisions, covenants and other promises required to be observed by it under the Contracts and all other agreements related to the Receivables that it generates.

(f) Location of Records. Keep its principal place of business and chief executive office, and the offices where it keeps its records concerning or related to Receivables, at the address(es) referred to in Schedule 5.14 or, upon 15 days' prior written notice to the Company and the Administrator, at such other locations in jurisdictions where all action required by Section 7.3 shall have been taken and completed.

(g) Credit and Collection Policies. Comply in all material respects with its Credit and Collection Policy in connection with the Receivables that it generates and all Contracts and other agreements related thereto.

(h) Post Office Boxes. Within 30 days of the Closing Date, the only post office boxes into which Obligor will have been directed to send payments are post office boxes in the name of the relevant Lock-Box Banks.

(i) Transaction Documents. Comply in all material respects with the Transaction Documents to which it is a party.

(j) Change Affecting UCC. At least 30 days before any change in the Originator's name or any other change requiring the amendment of UCC financing statements, provide to the Company and the Servicer notice setting forth such changes and the effective date thereof and, prior to the effectiveness of such change, take all steps necessary to amend such financing statements to reflect such change.

SECTION 6.2 Reporting Requirements. Until the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date on which all other amounts owed by the Originator under this Agreement or the Receivables Purchase Agreement to the Seller, the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full, the Originator will, unless the Servicer (on behalf of the Company) shall otherwise consent in writing, furnish to the Company and the Administrator:

(a) Purchase and Sale Termination Events. As soon as possible after the Originator has knowledge of the occurrence of, and in any event within three Business Days after the Originator has knowledge of the occurrence of each Purchase and Sale Termination Event or each Unmatured Purchase and Sale Termination Event in respect of the Originator, the statement of the chief financial officer or chief accounting officer of the Originator describing such Purchase and Sale Termination Event or Unmatured Purchase and Sale Termination Event and the action that the Originator proposes to take with respect thereto, in each case in reasonable detail;

(b) Proceedings. As soon as possible and in any event within three Business Days after the Originator otherwise has knowledge thereof, written notice of (i) material litigation, investigation or proceeding of the type described in Section 5.6 not previously disclosed to the Company and (ii) all materially adverse developments that have occurred with respect to any previously disclosed litigation, proceedings and investigations; and

(c) Other. Promptly, from time to time, such other information, documents, records or reports respecting the Receivables or the conditions or operations, financial or otherwise, of the Originator as the Company, the Issuer or the Administrator may from time to time reasonably request in order to protect the interests of the Company, the Issuer or the Administrator under or as contemplated by the Transaction Documents.

**SECTION 6.3 Negative Covenants**. Until the latest of the Facility Termination Date, the date on which no Capital or of Discount in respect of the Purchased Interest shall be outstanding or the date on which all other amounts owed by the Originator under this Agreement or the Receivables Purchase Agreement to the Seller, the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full, the Originator agrees that, unless the Servicer (on behalf of the Company) and the Administrator shall otherwise consent in writing, it shall not:

(a) Sales, Liens, Etc. Except as otherwise provided herein or in any other Transaction Document, sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon or with respect to, any Receivable or related Contract or Related Security, or any interest therein, or any Collections thereon, or assign any right to receive income in respect thereof.

(b) Extension or Amendment of Receivables. Except as otherwise permitted in Section 4.2(a) of the Receivables Purchase Agreement, extend, amend or otherwise modify the terms of any Receivable in any material respect generated by it, or amend, modify or waive, in any material respect, any Contract related thereto (which term or condition relates to payments under, or the enforcement of, such Contract).

(c) Change in Business or Credit and Collection Policy. Make any change in the character of its business or materially alter its Credit and Collection Policy (other than a change to the insurance provisions of any such policy), which change or alteration would, in either case, materially adversely change the credit standing required of particular Obligor or potential Obligor or impair the collectibility of a material portion of Receivables generated by it.

(d) Receivables Not to be Evidenced by Promissory Notes or Chattel Paper. Take any action to cause or permit any Receivable generated by it to become evidenced by any “instrument” or “chattel paper” (as defined in the applicable UCC).

(e) Mergers, Acquisitions, Sales, etc. (i) Be a party to any merger or consolidation, except a merger or consolidation where the Originator is the surviving entity, or (ii) directly or indirectly sell, transfer, assign, convey or lease (A) whether in one or a series of

transactions, all or substantially all of its assets or (B) any Receivables or any interest therein (other than pursuant to this Agreement).

(f) Lock-Box Banks. Make any changes in its instructions to Obligors regarding Collections or add or terminate any bank as a Lock-Box Bank unless the requirements of paragraph 2(g) of Exhibit IV to the Receivables Purchase Agreement have been met.

(g) Accounting for Purchases. Account for or treat (whether in financial statements or otherwise) the transactions contemplated hereby in any manner other than as sales or contributions to capital of the Receivables and Related Rights by the Originator to the Company.

(h) Transaction Documents. Enter into, execute, deliver or otherwise become bound by any agreement, instrument, document or other arrangement that restricts the right of the Originator to amend, supplement, amend and restate or otherwise modify, or to extend or renew, or to waive any right under, this Agreement or any other Transaction Document; provided, however, that the Originator may enter into the Credit Agreement as in effect as of August 26, 2010 (without giving effect to any future amendments, amendments and restatements, supplements or other modifications thereto).

**SECTION 6.4 Substantive Consolidation**. The Originator hereby acknowledges that this Agreement and the other Transaction Documents are being entered into in reliance upon the Company's identity as a legal entity separate from the Originator and its Affiliates. Therefore, from and after the date hereof, the Originator shall take all reasonable steps necessary to make it apparent to third Persons that the Company is an entity with assets and liabilities distinct from those of the Originator and any other Person, and is not a division of the Originator, its Affiliates or any other Person. Without limiting the generality of the foregoing and in addition to and consistent with the other covenants set forth herein, the Originator shall take such actions as shall be required in order that:

(a) except as provided for in Section 10.6, the Originator shall not be involved in the day to day management of the Company;

(b) the Originator shall maintain separate corporate records and books of account from the Company and otherwise will observe corporate formalities and have a separate area from the Company for its business;

(c) the financial statements and books and records of the Originator shall be prepared after the date of creation of the Company to reflect and shall reflect the separate existence of the Company; provided, that the Company's assets and liabilities may be included in a consolidated financial statement issued by an Affiliate of the Company; provided, however, all financial statements of UGI or any Affiliate thereof that are consolidated to include the Company will contain detailed notes clearly stating that (i) a special purpose corporation exists as a Subsidiary of UGI, (ii) the Originator has sold receivables and other related assets to such special purpose Subsidiary that, in turn, has sold undivided interests therein to certain financial

institutions and other entities and (iii) that the special purpose Subsidiary's assets are not available to satisfy the obligations of UGI or any Affiliate;

(d) except as permitted by the Receivables Purchase Agreement or this Agreement, (i) the Originator shall maintain its assets separately from the assets of the Company, and (ii) the Company's assets, and records relating thereto, have not been, are not, and shall not be, commingled with those of the Originator;

(e) all of the Company's business correspondence and other communications shall be conducted in the Company's own name and on its own stationery;

(f) the Originator shall not act as an agent for the Company, other than UGI in its capacity as the Servicer, and in connection therewith, shall present itself to the public as an agent for the Company and a legal entity separate from the Company;

(g) the Originator shall not conduct any of the business of the Company in its own name;

(h) except as provided in Section 10.6, the Originator shall not pay any liabilities of the Company out of its own funds or assets;

(i) the Originator shall maintain an arm's-length relationship with the Company;

(j) the Originator shall not assume or guarantee or become obligated for the debts of the Company or hold out its credit as being available to satisfy the obligations of the Company;

(k) the Originator shall not acquire obligations of the Company;

(l) the Originator shall allocate fairly and reasonably overhead or other expenses that are properly shared with the Company, including, without limitation, shared office space;

(m) the Originator shall identify and hold itself out as a separate and distinct entity from the Company;

(n) the Originator shall correct any known misunderstanding respecting its separate identity from the Company;

(o) the Originator shall not enter into, or be a party to, any transaction with the Company, except in the ordinary course of its business and on terms which are intrinsically fair and not less favorable to it than would be obtained in a comparable arm's-length transaction with an unrelated third party; and

(p) the Originator shall not pay the salaries of the Company's employees, if any.

The provisions of this Section 6.4 shall survive any termination of this Agreement for one year and one day after the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date on which all other amounts owed by the Originator under this Agreement or the Receivables Purchase Agreement to the Seller, the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full.

**ARTICLE VII**  
**ADDITIONAL RIGHTS AND OBLIGATIONS IN**  
**RESPECT OF RECEIVABLES**

SECTION 7.1 Rights of the Company. The Originator hereby authorizes the Company, the Servicer or their respective designees to take any and all steps in the Originator's name necessary or desirable, in their respective determination, to collect on behalf of the Company all amounts due under any and all Receivables, including, without limitation, indorsing the name of the Originator on checks and other instruments representing Collections and enforcing such Receivables and the provisions of the related Contracts that concern payment and/or enforcement of rights to payment.

SECTION 7.2 Responsibilities of the Originator. Anything herein to the contrary notwithstanding:

(a) Collection Procedures. Within 30 days of the Closing Date, the Originator agrees to direct its respective Obligors to make payments of Receivables directly to a post office box related to the relevant Lock-Box Account at a Lock-Box Bank. The Originator further agrees to transfer any Collections that it receives directly to the Servicer (for the Company's account) within two (2) Business Days of receipt thereof, and agrees that all such Collections shall be deemed to be received in trust for the Company.

(b) The Originator shall perform its obligations hereunder, and the exercise by the Company or its designee of its rights hereunder shall not relieve the Originator from such obligations.

(c) None of the Company, the Servicer or the Administrator shall have any obligation or liability to any Obligor or any other third Person with respect to any Receivables, Contracts related thereto or any other related agreements, nor shall the Company, the Servicer, the Issuer or the Administrator be obligated to perform any of the obligations of the Originator thereunder.

(d) The Originator hereby grants to the Servicer an irrevocable power of attorney, with full power of substitution, coupled with an interest, to take, upon the occurrence and continuation of a Purchase and Sale Termination Event, in the name of the Originator and on behalf of the Company all steps necessary or advisable to endorse, negotiate or otherwise realize on any writing or other right of any kind held or transmitted by the Originator or transmitted or received by the Company (whether or not from the Originator) in connection with any

Receivable and to take all other steps necessary to comply with its obligations as Servicer set forth in Article IV of the Receivables Purchase Agreement.

**SECTION 7.3 Further Action Evidencing Purchases.** The Originator agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action that the Servicer may reasonably request in order to perfect, protect or more fully evidence the Receivables and Related Rights purchased by or contributed to the Company hereunder, or to enable the Company to exercise or enforce any of its rights hereunder or under any other Transaction Document. Without limiting the generality of the foregoing, upon the request of the Servicer, the Originator will:

(a) execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate; and

(b) mark the master data processing records that evidence or list (i) such Receivables and (ii) related Contracts with the legend set forth in Section 4.1(j).

The Originator hereby authorizes the Company or its designee to file one or more financing or continuation statements, and amendments thereto and assignments thereof, relative to all or any of the Receivables and Related Rights now existing or hereafter generated by the Originator. If the Originator fails to perform any of its agreements or obligations under this Agreement, the Company or its designee may (but shall not be required to) itself perform, or cause the performance of, such agreement or obligation, and the expenses of the Company or its designee incurred in connection therewith shall be payable by the Originator as provided in Section 9.1.

**SECTION 7.4 Application of Collections.** Any payment by an Obligor in respect of any amount owed by it to the Originator shall, except as otherwise specified by such Obligor or required by applicable law and unless otherwise instructed by the Servicer (with the prior written consent of the Administrator) or the Administrator, be applied as a Collection of any Receivable or Receivables of such Obligor to the extent of any amounts then due and payable thereunder (such application to be made starting with the oldest outstanding Receivable or Receivables) before being applied to any other indebtedness of such Obligor.

## **ARTICLE VIII PURCHASE AND SALE TERMINATION EVENTS**

**SECTION 8.1 Purchase and Sale Termination Events.** Each of the following events or occurrences described in this Section 8.1 shall constitute a “Purchase and Sale Termination Event”:

(a) A Termination Event (as defined in the Receivables Purchase Agreement) shall have occurred and, in the case of a Termination Event (other than one described in paragraph (f) of Exhibit V of the Receivables Purchase Agreement), the Administrator, shall have declared the Facility Termination Date to have occurred; or



(b) The Originator shall fail to make any payment or deposit to be made by it hereunder when due and such failure shall remain unremedied for two (2) Business Days; or

(c) Any representation or warranty made or deemed to be made (pursuant to Section 4.2) by the Originator (or any of its officers) under or in connection with this Agreement, any other Transaction Documents, or any other written information or report delivered pursuant hereto or thereto shall prove to have been false or incorrect in any material respect when made or deemed made; provided, however, that if the violation of this paragraph (c) by the Originator may be cured without any potential or actual detriment to the Purchaser, the Administrator or any Program Support Provider, the Originator shall have 30 days from the earlier of (i) such Person's knowledge of such failure and (ii) notice to such Person of such failure to cure any such violation, before a Purchase and Sale Termination Event shall occur so long as such Person is diligently attempting to effect such cure; or

(d) The Originator shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed and such failure shall remain unremedied for 30 days after written notice thereof shall have been given by the Servicer to the Originator.

## SECTION 8.2 Remedies.

(a) Optional Termination. Upon the occurrence of a Purchase and Sale Termination Event, the Company (and not the Servicer) shall have the option, by notice to the Originator (with a copy to the Administrator), to declare the Purchase Facility as terminated.

(b) Remedies Cumulative. Upon any termination of the Purchase Facility pursuant to Section 8.2(a), the Company shall have, in addition to all other rights and remedies under this Agreement, all other rights and remedies provided under the UCC of each applicable jurisdiction and other applicable laws, which rights shall be cumulative.

## ARTICLE IX INDEMNIFICATION

SECTION 9.1 Indemnities by the Originator. Without limiting any other rights which the Company may have hereunder or under applicable law, the Originator hereby agrees to indemnify the Company and each of its officers, directors, employees and agents (each of the foregoing Persons being individually called a "Purchase and Sale Indemnified Party"), forthwith on demand, from and against any and all damages, losses, claims, judgments, liabilities and related costs and expenses, including reasonable attorneys' fees and disbursements (all of the foregoing being collectively called "Purchase and Sale Indemnified Amounts") awarded against or incurred by any of them arising out of or as a result of the failure of the Originator to perform its obligations under this Agreement or any other Transaction Document, or arising out of the claims asserted against a Purchase and Sale Indemnified Party relating to the transactions contemplated herein or therein or the use of proceeds thereof or therefrom, excluding, however, (i) Purchase and Sale Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Purchase and Sale Indemnified Party, (ii) recourse with

respect to any Receivable to the extent that such Receivable is uncollectible on account of insolvency, bankruptcy or lack of creditworthiness of the related Obligor (except as otherwise specifically provided under this Agreement) and (iii) any tax based upon or measured by net income property, or gross receipts. Without limiting the foregoing, the Originator shall indemnify each Purchase and Sale Indemnified Party for Purchase and Sale Indemnified Amounts relating to or resulting from:

(a) the transfer by the Originator of an interest in any Receivable to any Person other than the Company;

(b) the breach of any representation or warranty made by the Originator (or any of its officers) under or in connection with this Agreement or any other Transaction Document, or any written information or report delivered by the Originator pursuant hereto or thereto, which shall have been false or incorrect in any respect when made or deemed made;

(c) the failure by the Originator to comply with any applicable law, rule or regulation with respect to any Receivable generated by the Originator or the related Contract, or the nonconformity of any Receivable generated by the Originator or the related Contract with any such applicable law, rule or regulation;

(d) the failure to vest and maintain vested in the Company an ownership interest in the Receivables generated by the Originator free and clear of any Adverse Claim, other than an Adverse Claim arising solely as a result of an act of the Company, the Issuer or the Administrator whether existing at the time of the purchase or contribution of such Receivables or at any time thereafter;

(e) the failure to file, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables or purported Receivables generated by the Originator, whether at the time of any purchase or contribution or at any subsequent time;

(f) any dispute, claim, offset or defense (other than discharge in bankruptcy) of the Obligor to the payment of any Receivable or purported Receivable generated by the Originator (including, without limitation, a defense based on such Receivable's or the related Contract's not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the services related to any such Receivable or the furnishing of or failure to furnish such services;

(g) any product liability claim arising out of or in connection with services that are the subject of any Receivable generated by the Originator; and

(h) any tax or governmental fee or charge (other than any tax excluded pursuant to clause (iii) in the proviso to the preceding sentence), all interest and penalties thereon or with respect thereto, and all out-of-pocket costs and expenses, including the reasonable fees and expenses of counsel in defending against the same, which may arise by reason of the

purchase or ownership of the Receivables generated by the Originator or any Related Security connected with any such Receivables.

If for any reason the indemnification provided above in this Section 9.1 is unavailable to a Purchase and Sale Indemnified Party or is insufficient to hold such Purchase and Sale Indemnified Party harmless, then the Originator, severally and for itself, shall contribute to the amount paid or payable by such Purchase and Sale Indemnified Party to the maximum extent permitted under applicable law.

## **ARTICLE X MISCELLANEOUS**

### **SECTION 10.1 Amendments, etc.**

(a) The provisions of this Agreement may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and executed by the Company and the Originator (with the prior written consent of the Administrator).

(b) No failure or delay on the part of the Company, the Servicer, the Originator or any third party beneficiary in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on the Company, the Servicer or the Originator in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by the Company or the Servicer under this Agreement shall, except as may otherwise be stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval under this Agreement shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

(c) The Transaction Documents contain a final and complete integration of all prior expressions by the parties hereto with respect to the subject matter thereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter thereof, superseding all prior oral or written understandings.

**SECTION 10.2 Notices, etc.** All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including facsimile communication) and shall be personally delivered or sent by certified mail, postage prepaid, via nationally recognized courier, or by facsimile, to the intended party at the mailing address or facsimile number of such party set forth under its name on the signature pages hereof or at such other address or facsimile number as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be effective (i) if personally delivered, when received, (ii) if sent by certified mail three (3) Business Days after having been deposited in the mail, postage prepaid, (iii) if transmitted by facsimile, when sent, receipt confirmed by telephone or electronic means (and shall be followed by a hard copy sent by first class mail), and (iv) if by nationally recognized overnight courier, the next Business Day.

SECTION 10.3 No Waiver; Cumulative Remedies. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. Without limiting the foregoing, the Originator hereby authorizes the Company, at any time and from time to time, to the fullest extent permitted by law, to set off, against any obligations of the Originator to the Company arising in connection with the Transaction Documents (including, without limitation, amounts payable pursuant to Section 9.1) that are then due and payable or that are not then due and payable but are accruing in respect of the then current Settlement Period, any and all indebtedness at any time owing by the Company to or for the credit or the account of the Originator.

SECTION 10.4 Binding Effect; Assignability. This Agreement shall be binding upon and inure to the benefit of the Company and the Originator and their respective successors and permitted assigns. The Originator may not assign any of its rights hereunder or any interest herein without the prior written consent of the Company, except as otherwise herein specifically provided. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until such time as the parties hereto shall agree in writing. The rights and remedies with respect to any breach of any representation and warranty made by the Originator pursuant to Article V and the indemnification and payment provisions of Article IX and Section 10.6 shall be continuing and shall survive any termination of this Agreement.

SECTION 10.5 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 10.6 Costs, Expenses and Taxes. In addition to the obligations of the Originator under Article IX, the Originator, agrees to pay on demand:

(a) to the Company (and any successor and permitted assigns thereof) all reasonable costs and expenses incurred by such Person in connection with the enforcement of this Agreement and the other Transaction Documents; and

(b) all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement or the other Transaction Documents to be delivered hereunder, and agrees to indemnify each Purchase and Sale Indemnified Party against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

SECTION 10.7 SUBMISSION TO JURISDICTION. EACH PARTY HERETO HEREBY IRREVOCABLY (a) SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE OF NEW YORK OR THE FEDERAL COURT OF THE UNITED STATES FOR SOUTHERN DISTRICT OF NEW YORK, NEW YORK OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY TRANSACTION DOCUMENT; (b) AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH STATE OR UNITED STATES FEDERAL COURT; (c) WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE

DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING; (d) IRREVOCABLY CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO SUCH PERSON AT ITS ADDRESS SPECIFIED IN SECTION 10.2; AND (e) AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SECTION 10.7 SHALL AFFECT THE COMPANY'S RIGHT TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING ANY ACTION OR PROCEEDING AGAINST THE ORIGINATOR OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTIONS.

SECTION 10.8 WAIVER OF JURY TRIAL. EACH PARTY HERETO WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER OR RELATING TO THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT, OR ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR ARISING FROM ANY RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT, AND AGREES THAT (a) ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY AND (b) ANY PARTY HERETO (OR ANY ASSIGNEE OR THIRD PARTY BENEFICIARY OF THIS AGREEMENT) MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF ANY OTHER PARTY OR PARTIES HERETO TO WAIVER OF ITS OR THEIR RIGHT TO TRIAL BY JURY.

SECTION 10.9 Captions and Cross References; Incorporation by Reference. The various captions (including, without limitation, the table of contents) in this Agreement are included for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. References in this Agreement to any underscored Section or Exhibit are to such Section or Exhibit of this Agreement, as the case may be. The Exhibits hereto are hereby incorporated by reference into and made a part of this Agreement.

SECTION 10.10 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement.

SECTION 10.11 Acknowledgment and Agreement. By execution below, the Originator expressly acknowledges and agrees that all of the Company's rights, title, and interests in, to, and under this Agreement (but not its obligations), shall be assigned by the Company pursuant to the Receivables Purchase Agreement, and the Originator consents to such assignment. Each of the parties hereto acknowledges and agrees that the Administrator, and the Issuer are third party beneficiaries of the rights of the Company arising hereunder and under the other Transaction Documents to which the Originator is a party.

SECTION 10.12 No Proceeding. The Originator hereby agrees that it will not institute against, or cause to be instituted against, the Issuer, or join any other Person in instituting against the Issuer, any insolvency proceeding (namely, any proceeding of the type referred to in the definition of Insolvency Proceeding) so long as any Notes shall be outstanding or there shall have elapsed less than one year plus two days since the last day on which any such Notes shall have been outstanding.

SECTION 10.13 Limited Recourse. Except as explicitly set forth herein, the obligations of the Company and the Originator under this Agreement or any other Transaction Documents to which each is a party are solely the obligations of the Company and each Originator. No recourse under any Transaction Document shall be had against, and no liability shall attach to, any officer, employee, director, or beneficiary, whether directly or indirectly, of the Company or the Originator; provided, however, that this Section shall not relieve any such Person of any liability it might otherwise have for its own gross negligence or willful misconduct.

[Signature Page Follows]

**IN WITNESS WHEREOF**, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

ENERGY SERVICES FUNDING CORPORATION

By:

Name:

Title:

Address: Energy Services Funding Corporation  
460 North Gulph Road, Suite 200  
King of Prussia, PA 19406-2815

Attention:

Telephone:

Facsimile:

UGI ENERGY SERVICES, LLC

By:

Name:

Title:

Address: UGI Energy Services, LLC  
1100 Berkshire Boulevard, Suite 305  
Wyomissing, PA 19610

Attention:

Telephone:

Facsimile:

*Purchase and Sale Agreement  
(UGI)*

**PROCEEDINGS**

Complaint of GASMARK against Columbia Gas of Pennsylvania, Inc. (“Columbia”), filed with the Public Utility Commission on July 19, 2001, regarding (i) the imposition of Operational Flow Orders and Operational Matching Orders, (ii) the imposition of penalties for the failure to deliver gas to Columbia’s local market areas, and (iii) certain of Columbia’s tariff provisions and business practices; Answer and new matter of Columbia filed on August 13, 2001, seeking unspecified sanctions against GASMARK for failure to honor its delivery obligations as a licensed supplier on the Columbia system.



CHIEF EXECUTIVE OFFICE OF THE ORIGINATOR

<u>Originator</u>	<b>Jurisdiction of Organization and Type of <u>Organization</u></b>	<b>Chief Executive <u>Office</u></b>	<b>Organizational Identification <u>Number</u></b>
UGI Energy Services, LLC	Pennsylvania limited liability company	1100 Berkshire Blvd Suite 305 Wyomissing, PA 19610	4175358

**LOCATION OF BOOKS AND RECORDS OF THE ORIGINATOR**

**Originator**

UGI Energy Services, LLC

**Location of Books and Records**

460 North Gulph Road  
King of Prussia, Pennsylvania 19406-2815

100 Kachel Boulevard  
Suite 400  
Reading, Pennsylvania 19607

1100 Berkshire Boulevard  
Suite 305  
Wyomissing, Pennsylvania 19610

**TRADE NAMES**

**Current Legal Name**

UGI Energy Services, LLC

**Trade Names**

GASMARK

POWERMARK

UGI EnergyLink

**Prior Legal Names**

UGI Energy Services, Inc.

UGI Newco, LLC

**FORM OF PURCHASE REPORT**

Originator:

Purchaser: Energy Services Funding Corporation

Payment Date:

1. Outstanding Balance of Receivables Purchased:

2. Fair Market Value Discount:

$$1 / \{1 + [(0.06\%) / 12]\}$$

3. Purchase Price (1 x 2) = \$ \_\_\_\_\_

**FORM OF SUBORDINATED COMPANY NOTE**

\_\_\_\_\_, 200\_\_\_\_

FOR VALUE RECEIVED, the undersigned, Energy Services Funding Corporation, a Delaware corporation (“Company”), promises to pay to UGI Energy Services Inc., a Pennsylvania limited liability company (the “Originator”), on the terms and subject to the conditions set forth herein and in the Purchase and Sale Agreement referred to below, the aggregate unpaid Purchase Price of all Receivables purchased by the Company from the Originator pursuant to such Purchase and Sale Agreement, as such unpaid Purchase Price is shown in the records of the Servicer.

1. Purchase and Sale Agreement. This Company Note is one of the Company Notes described in, and is subject to the terms and conditions set forth in, that certain Purchase and Sale Agreement of even date herewith (as the same may be amended, supplemented, amended and restated or otherwise modified in accordance with its terms, the “Purchase and Sale Agreement”), between the Company and the Originator. Reference is hereby made to the Purchase and Sale Agreement for a statement of certain other rights and obligations of the Company and the Originator.

2. Definitions. Capitalized terms used (but not defined) herein have the meanings assigned thereto in Exhibit I to the Receivables Purchase Agreement (as defined in the Purchase and Sale Agreement). In addition, as used herein, the following terms have the following meanings:

“Bankruptcy Proceedings” has the meaning set forth in clause (b) of paragraph 9 hereof.

“Final Maturity Date” means the Payment Date immediately following the date that falls one hundred twenty one (121) days after the Purchase and Sale Termination Date.

“Interest Period” means the period from and including a Settlement Date (or, in the case of the first Interest Period, the date hereof) to but excluding the next Settlement Date.

“Prime Rate” has the meaning assigned thereto in the Purchase and Sale Agreement.

“Receivables Purchase Agreement” means the Receivables Purchase Agreement, dated as of November 30, 2001, entered into among Energy Services Funding Corporation, UGI Energy Services, LLC, Market Street Funding Corporation and PNC Bank, National Association, as may be amended, amended and restated, supplemented or otherwise modified from time to time.

“Senior Interests” means, collectively, (i) all accrued and unpaid Discount, (ii) all fees payable by the Company to the Senior Interest Holders pursuant to the Receivables Purchase Agreement, (iii) all amounts payable pursuant to Section 1.7 and 1.8 of the Receivables Purchase Agreement, (iv) the aggregate Capital and (v) all other obligations owed by the Company to the

Senior Interest Holders under the Receivables Purchase Agreement and other Transaction Documents that are due and payable, together with any and all interest and Discount accruing on any such amount after the commencement of any Bankruptcy Proceedings, notwithstanding any provision or rule of law that might restrict the rights of any Senior Interest Holder, as against the Company or anyone else, to collect such interest.

“Senior Interest Holders” means, collectively, the Issuer, the Administrator and the Indemnified Parties.

“Subordination Provisions” means, collectively, clauses (a) through (l) of paragraph 9 hereof.

“One-Month LIBOR Rate” means, for any Interest Period, the rate set forth for "one month" under "London Interbank Offered Rates (Libor):" as published in the Wall Street Journal on the first day of such Interest Period.

3. Interest. Subject to the Subordination Provisions set forth below, the Company promises to pay interest on this Company Note as follows:

(a) Prior to the Final Maturity Date, the aggregate unpaid Purchase Price from time to time outstanding during any Interest Period shall bear interest at a rate per annum equal to the One-Month LIBOR Rate for such Interest Period as determined by the Servicer; and

(b) From (and including) the Final Maturity Date to (but excluding) the date on which the entire aggregate unpaid Purchase Price payable to the Originator is fully paid, such aggregate unpaid Purchase Price from time to time outstanding shall bear interest at a rate per annum equal to the Prime Rate.

4. Interest Payment Dates. Subject to the Subordination Provisions set forth below, the Company shall pay accrued interest on this Company Note on each Settlement Date, and shall pay accrued interest on the amount of each principal payment made in cash on a date other than a Settlement Date at the time of such principal payment.

5. Basis of Computation. Interest accrued hereunder that is computed by reference to the One-Month LIBOR Rate shall be computed for the actual number of days elapsed on the basis of a 360-day year, and interest accrued hereunder that is computed by reference to the rate described in paragraph 3(b) of this Company Note shall be computed for the actual number of days elapsed on the basis of a 365- or 366-day year.

6. Principal Payment Dates. Subject to the Subordination Provisions set forth below, payments of the principal amount of this Company Note shall be made as follows:

(a) The principal amount of this Company Note shall be reduced by an amount equal to each payment deemed made pursuant to Section 3.3 of the Purchase and Sale Agreement; and

(b) The entire remaining unpaid Purchase Price of all Receivables purchased by the Company from the Originator pursuant to the Purchase and Sale Agreement shall be due and payable on the Final Maturity Date.

Subject to the Subordination Provisions set forth below, the principal amount of and accrued interest on this Company Note may be prepaid on any Business Day without premium or penalty.

7. Payment Mechanics. All payments of principal and interest hereunder are to be made in lawful money of the United States of America.

8. Enforcement Expenses. In addition to and not in limitation of the foregoing, but subject to the Subordination Provisions set forth below and to any limitation imposed by applicable law, the Company agrees to pay all expenses, including reasonable attorneys' fees and legal expenses, incurred by the Originator in seeking to collect any amounts payable hereunder which are not paid when due.

9. Subordination Provisions. The Company covenants and agrees, and the Originator and any other holder of this Company Note (collectively, the Originator and any such other holder are called the "Holder"), by its acceptance of this Company Note, likewise covenants and agrees on behalf of itself and any holder of this Company Note, that the payment of the principal amount of and interest on this Company Note is hereby expressly subordinated in right of payment to the payment and performance of the Senior Interests to the extent and in the manner set forth in the following clauses of this paragraph 9:

(a) No payment or other distribution of the Company's assets of any kind or character, whether in cash, securities, or other rights or property, shall be made on account of this Company Note except to the extent such payment or other distribution is (i) permitted under paragraph 1(n) of Exhibit IV of the Receivables Purchase Agreement or (ii) made pursuant to clause (a) or (b) of paragraph 6 of this Company Note;

(b) In the event of any dissolution, winding up, liquidation, readjustment, reorganization or other similar event relating to the Company, whether voluntary or involuntary, partial or complete, and whether in bankruptcy, insolvency or receivership proceedings, or upon an assignment for the benefit of creditors, or any other marshalling of the assets and liabilities of the Company or any sale of all or substantially all of the assets of the Company other than as permitted by the Purchase and Sale Agreement (such proceedings being herein collectively called "Bankruptcy Proceedings"), the Senior Interests shall first be paid and performed in full and in cash before the Originator shall be entitled to receive and to retain any payment or distribution in respect of this Company Note. In order to implement the foregoing during any Bankruptcy Proceeding: (i) all payments and distributions of any kind or character in respect of this Company Note to which Holder would be entitled except for this clause (b) shall be made directly to the Administrator (for the benefit of the Senior Interest Holders); (ii) Holder shall promptly file a claim or claims, in the form required in any Bankruptcy Proceedings, for the full outstanding amount of this Company Note, and shall use commercially reasonable efforts to cause said claim or claims to be approved and all payments and other distributions in respect thereof to be made directly to the Administrator (for the

benefit of the Senior Interest Holders) until the Senior Interests shall have been paid and performed in full and in cash; and (iii) Holder hereby irrevocably agrees that the Issuer (or the Administrator acting on the Issuer's behalf), in the name of Holder or otherwise, may demand, sue for, collect, receive and receipt for any and all such payments or distributions, and file, prove and vote or consent in any such Bankruptcy Proceedings with respect to any and all claims of Holder relating to this Company Note, in each case until the Senior Interests shall have been paid and performed in full and in cash;

(c) In the event that Holder receives any payment or other distribution of any kind or character from the Company or from any other source whatsoever, in respect of this Company Note, other than as expressly permitted by the terms of this Company Note, such payment or other distribution shall be received in trust for the Senior Interest Holders and shall be turned over by Holder to the Administrator (for the benefit of the Senior Interest Holders) forthwith. Holder will mark its books and records so as clearly to indicate that this Company Note is subordinated in accordance with the terms hereof. All payments and distributions received by the Administrator in respect of this Company Note, to the extent received in or converted into cash, may be applied by the Administrator (for the benefit of the Senior Interest Holders) first to the payment of any and all expenses (including reasonable attorneys' fees and legal expenses) paid or incurred by the Senior Interest Holders in enforcing these Subordination Provisions, or in endeavoring to collect or realize upon this Company Note, and any balance thereof shall, solely as between the Originator and the Senior Interest Holders, be applied by the Administrator (in the order of application set forth in Section 1.4(d)(ii) of the Receivables Purchase Agreement) toward the payment of the Senior Interests; but as between the Company and its creditors, no such payments or distributions of any kind or character shall be deemed to be payments or distributions in respect of the Senior Interests;

(d) Notwithstanding any payments or distributions received by the Senior Interest Holders in respect of this Company Note, while any Bankruptcy Proceedings are pending Holder shall not be subrogated to the then existing rights of the Senior Interest Holders in respect of the Senior Interests until the Senior Interests have been paid and performed in full and in cash. If no Bankruptcy Proceedings are pending, Holder shall only be entitled to exercise any subrogation rights that it may acquire (by reason of a payment or distribution to the Senior Interest Holders in respect of this Company Note) to the extent that any payment arising out of the exercise of such rights would be permitted under paragraph 1(n) of Exhibit IV of the Receivables Purchase Agreement;

(e) These Subordination Provisions are intended solely for the purpose of defining the relative rights of Holder, on the one hand, and the Senior Interest Holders on the other hand. Nothing contained in these Subordination Provisions or elsewhere in this Company Note is intended to or shall impair, as between the Company, its creditors (other than the Senior Interest Holders) and Holder, the Company's obligation, which is unconditional and absolute, to pay Holder the principal of and interest on this Company Note as and when the same shall become due and payable in accordance with the terms hereof or to affect the relative rights of Holder and creditors of the Company (other than the Senior Interest Holders);



(f) Holder shall not, until the Senior Interests have been paid and performed in full and in cash, (i) cancel, waive, forgive, transfer or assign, or commence legal proceedings to enforce or collect, or subordinate to any obligation of the Company, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing, or due or to become due, other than the Senior Interests, this Company Note or any rights in respect hereof or (ii) convert this Company Note into an equity interest in the Company, unless Holder shall have received the prior written consent of the Administrator and the Issuer in each case;

(g) Holder shall not, without the advance written consent of the Administrator and the Issuer, commence, or join with any other Person in commencing, any Bankruptcy Proceedings with respect to the Company until at least one year and one day shall have passed since the Senior Interests shall have been paid and performed in full and in cash;

(h) If, at any time, any payment (in whole or in part) of any Senior Interest is rescinded or must be restored or returned by a Senior Interest Holder (whether in connection with Bankruptcy Proceedings or otherwise), these Subordination Provisions shall continue to be effective or shall be reinstated, as the case may be, as though such payment had not been made;

(i) Each of the Senior Interest Holders may, from time to time, at its sole discretion, without notice to Holder, and without waiving any of its rights under these Subordination Provisions, take any or all of the following actions: (i) retain or obtain an interest in any property to secure any of the Senior Interests; (ii) retain or obtain the primary or secondary obligations of any other obligor or obligors with respect to any of the Senior Interests; (iii) extend or renew for one or more periods (whether or not longer than the original period), alter or exchange any of the Senior Interests, or release or compromise any obligation of any nature with respect to any of the Senior Interests; (iv) amend, supplement, amend and restate, or otherwise modify any Transaction Document; and (v) release its security interest in, or surrender, release or permit any substitution or exchange for all or any part of any rights or property securing any of the Senior Interests, or extend or renew for one or more periods (whether or not longer than the original period), or release, compromise, alter or exchange any obligations of any nature of any obligor with respect to any such rights or property;

(j) Holder hereby waives: (i) notice of acceptance of these Subordination Provisions by any of the Senior Interest Holders; (ii) notice of the existence, creation, non-payment or non-performance of all or any of the Senior Interests; and (iii) all diligence in enforcement, collection or protection of, or realization upon, the Senior Interests, or any thereof, or any security therefor;

(k) Each of the Senior Interest Holders may, from time to time, on the terms and subject to the conditions set forth in the Transaction Documents to which such Persons are party, but without notice to Holder, assign or transfer any or all of the Senior Interests, or any interest therein; and, notwithstanding any such assignment or transfer or any subsequent assignment or transfer thereof, such Senior Interests shall be and remain Senior Interests for the purposes of these Subordination Provisions, and every immediate and successive assignee or transferee of any of the Senior Interests or of any interest of such assignee or transferee in the Senior Interests shall be

entitled to the benefits of these Subordination Provisions to the same extent as if such assignee or transferee were the assignor or transferor; and

(l) These Subordination Provisions constitute a continuing offer from the holder of this Company Note to all Persons who become the holders of, or who continue to hold, Senior Interests; and these Subordination Provisions are made for the benefit of the Senior Interest Holders, and the Administrator may proceed to enforce such provisions on behalf of each of such Persons.

10. General. No failure or delay on the part of the Originator in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No amendment, modification or waiver of, or consent with respect to, any provision of this Company Note shall in any event be effective unless (i) the same shall be in writing and signed and delivered by the Company and Holder and (ii) all consents required for such actions under the Transaction Documents shall have been received by the appropriate Persons.

11. Maximum Interest. Notwithstanding anything in this Company Note to the contrary, the Company shall never be required to pay unearned interest on any amount outstanding hereunder and shall never be required to pay interest on the principal amount outstanding hereunder at a rate in excess of the maximum interest rate that may be contracted for, charged or received under applicable federal or state law (such maximum rate being herein called the “Highest Lawful Rate”). If the effective rate of interest which would otherwise be payable under this Company Note would exceed the Highest Lawful Rate, or if the holder of this Company Note shall receive any unearned interest or shall receive monies that are deemed to constitute interest which would increase the effective rate of interest payable by the Company under this Company Note to a rate in excess of the Highest Lawful Rate, then (i) the amount of interest which would otherwise be payable by the Company under this Company Note shall be reduced to the amount allowed by applicable law, and (ii) any unearned interest paid by the Company or any interest paid by the Company in excess of the Highest Lawful Rate shall be refunded to the Company. Without limitation of the foregoing, all calculations of the rate of interest contracted for, charged or received by the Originator under this Company Note that are made for the purpose of determining whether such rate exceeds the Highest Lawful Rate applicable to the Originator (such Highest Lawful Rate being herein called the “Originator’s Maximum Permissible Rate”) shall be made, to the extent permitted by usury laws applicable to the Originator (now or hereafter enacted), by amortizing, prorating and spreading in equal parts during the actual period during which any amount has been outstanding hereunder all interest at any time contracted for, charged or received by the Originator in connection herewith. If at any time and from time to time (i) the amount of interest payable to the Originator on any date shall be computed at the Originator’s Maximum Permissible Rate pursuant to the provisions of the foregoing sentence and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to the Originator would be less than the amount of interest payable to the Originator computed at the Originator’s Maximum Permissible Rate, then the amount of interest payable to the Originator in respect of such subsequent interest computation period shall continue to be computed at the Originator’s Maximum Permissible Rate until the total amount of

interest payable to the Originator shall equal the total amount of interest which would have been payable to the Originator if the total amount of interest had been computed without giving effect to the provisions of the foregoing sentence.

12. No Negotiation. This Company Note is not negotiable except that it may be assigned to any Affiliate of the Originator.

13. GOVERNING LAW. THIS COMPANY NOTE HAS BEEN DELIVERED IN THE STATE OF NEW YORK, AND SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

14. Captions. Paragraph captions used in this Company Note are for convenience only and shall not affect the meaning or interpretation of any provision of this Company Note.

[signature page follows]

ENERGY SERVICES FUNDING  
CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FORM OF ORIGINATOR ASSIGNMENT CERTIFICATE**

ORIGINATOR ASSIGNMENT CERTIFICATE

Reference is made to the Purchase and Sale Agreement of even date herewith (as the same may be amended, supplemented, amended and restated or otherwise modified from time to time, the "Purchase and Sale Agreement") between the undersigned and Energy Services Funding Corporation (the "Company"). Unless otherwise defined herein, capitalized terms used herein have the meanings provided in the Purchase and Sale Agreement or in Exhibit I to the Receivables Purchase Agreement (as defined in the Purchase and Sale Agreement), as applicable.

The undersigned hereby sells, assigns and transfers unto the Company and its successors and assigns all right, title and interest of the undersigned in and to:

- (a) each Receivable of the undersigned that existed and was owing to the undersigned as of the Cut-off Date other than Receivables contributed pursuant to Section 3.1 of the Purchase and Sale Agreement;
- (b) each Receivable generated by the undersigned from and including the Cut-off Date to and including the Purchase and Sale Termination Date (other than any Receivable later contributed pursuant to the second sentence of Section 3.1 of the Purchase and Sale Agreement);
- (c) all rights of the undersigned to, but not the obligations under, all Related Security;
- (d) all monies due or to become due to the undersigned with respect to any of the foregoing;
- (e) all books and records of the undersigned related to any of the foregoing, and all rights, remedies, powers, privileges, title and interest of the undersigned in each lock-box and related lock-box address and account to which Collections are sent, all amounts on deposit therein, all certificates and instruments, if any, from time to time evidencing such accounts and amounts on deposit therein, and all related agreements between the undersigned and each Lock-Box Bank; and
- (f) all collections and other proceeds and products of any of the foregoing (as defined in the applicable UCC) that are or were received by the undersigned on or after the Cut-off Date, including, without limitation, all funds which either are received by the undersigned, the Company or the Servicer from or on behalf of the Obligors in payment of any amounts owed (including, without limitation, invoice price, finance charges, interest and all other charges) in respect of Receivables, or are applied to such amounts owed by the Obligors (including, without limitation, insurance payments that the undersigned or the Servicer applies in the ordinary course of its business to amounts

owed in respect of any Receivable, and net proceeds of sale or other disposition of repossessed goods or other collateral or property of the Obligor in respect of Receivables or any other parties directly or indirectly liable for payment of such Receivables).

This Originator Assignment Certificate is made without recourse but on the terms and subject to the conditions set forth in the Transaction Documents to which the undersigned is a party. The undersigned acknowledges and agrees that the Company and its successors and assigns are accepting this Originator Assignment Certificate in reliance on the representations, warranties and covenants of the undersigned contained in the Transaction Documents to which the undersigned is a party.

THIS ORIGINATOR ASSIGNMENT CERTIFICATE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE PURCHASE AND SALE AGREEMENT AND THE INTERNAL LAWS OF THE STATE OF NEW YORK.

[signature page follows]

IN WITNESS WHEREOF, the undersigned has caused this Originator Assignment Certificate to be duly executed and delivered by its duly authorized officer this \_\_\_\_ day of \_\_\_\_\_, 200\_\_.

**[ORIGINATOR]**

By:

Name:

Title:

**FORM OF JOINDER AGREEMENT**

THIS **JOINDER AGREEMENT**, dated as of \_\_\_\_\_, 20\_\_ (this “Agreement”) is executed by \_\_\_\_\_, a corporation organized under the laws of \_\_\_\_\_ (the “Additional Seller”), with its principal place of business located at \_\_\_\_\_.

**BACKGROUND:**

A. Energy Services Funding Corporation (the “Buyer”) and UGI Energy Services, LLC (the “Seller”) have entered into that certain Purchase and Sale Agreement, dated as of November 30, 2001 (as amended through the date hereof, and as it may be further amended from time to time, the “Purchase and Sale Agreement”).

B. The Additional Seller desires to become a Seller pursuant to Section 4.3 of the Purchase and Sale Agreement.

**NOW, THEREFORE**, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Additional Seller hereby agrees as follows:

SECTION 1. Definitions. Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned thereto in the Purchase and Sale Agreement or in the Receivables Purchase Agreement (as defined in the Purchase and Sale Agreement).

SECTION 2. Transaction Documents. The Additional Seller hereby agrees that it shall be bound by all of the terms, conditions and provisions of, and shall be deemed to be a party to (as if it were an original signatory to), the Purchase and Sale Agreement and each of the other relevant Transaction Documents. From and after the later of the date hereof and the date that the Additional Seller has complied with all of the requirements of Section 4.3 of the Purchase and Sale Agreement, the Additional Seller shall be a Seller for all purposes of the Purchase and Sale Agreement and all other Transaction Documents. The Additional Seller hereby acknowledges that it has received copies of the Purchase and Sale Agreement and the other Transaction Documents.

SECTION 3. Representations and Warranties. The Additional Seller hereby makes all of the representations and warranties set forth in Article V (to the extent applicable) of the Purchase and Sale Agreement as of the date hereof (unless such representations or warranties relate to an earlier date, in which as of such earlier date), as if such representations and warranties were fully set forth herein. The Additional Seller hereby represents and warrants that the chief place of business and chief executive office of the Additional Seller, and the offices where the Additional Seller keeps all of its Records and Related Security is as follows:



The Additional Seller hereby represents and warrants that it is a **[corporation], [limited liability company] [limited partnership]** organized in \_\_\_\_\_ and its organizational number is \_\_\_\_\_.

SECTION 4. Miscellaneous. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York. This Agreement is executed by the Additional Seller for the benefit of the Buyer, and its assigns, and each of the foregoing parties may rely hereon. This Agreement shall be binding upon, and shall inure to the benefit of, the Additional Seller and its successors and permitted assigns.

*[Signature Page Follows]*

**IN WITNESS WHEREOF**, the undersigned has caused this Agreement to be executed by its duly authorized officer as of the date and year first above written.

**[NAME OF ADDITIONAL SELLER]**

By:

Name:

Title:

Consented to

ENERGY SERVICES FUNDING CORPORATION

By:

Name:

Title:

PNC BANK, NATIONAL ASSOCIATION,  
as Administrator

By:

Name:

Title:

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## **EXHIBITS FROM RECEIVABLES PURCHASE AGREEMENT INCORPORATED BY REFERENCE**

### **EXHIBIT I DEFINITIONS**

As used in the Agreement (including its Exhibits, Schedules and Annexes), the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined). Unless otherwise indicated, all Section, Annex, Exhibit and Schedule references in this Exhibit are to Sections of and Annexes, Exhibits and Schedules to the Agreement.

“Administration Account” means the account (account number XXXXXXXXXX, ABA number XXXXXXXXXX) of the Issuer maintained at the office of PNC at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707, or such other account as may be so designated in writing by the Administrator to the Servicer.

“Administrator” has the meaning set forth in the preamble to the Agreement.

“Adverse Claim” means a lien, security interest or other charge or encumbrance, or any other type of preferential arrangement; it being understood that any thereof in favor of, or assigned to, the Issuer or the Administrator (for the benefit of the Issuer) shall not constitute an Adverse Claim.

“Affected Person” has the meaning set forth in Section 1.7 of the Agreement.

“Affiliate” means, as to any Person: (a) any Person that, directly or indirectly, is in control of, is controlled by or is under common control with such Person, or (b) who is a director or officer: (i) of such Person or (ii) of any Person described in clause (a), except that, with respect to the Issuer, Affiliate shall mean the holder(s) of its capital stock. For purposes of this definition, control of a Person shall mean the power, direct or indirect: (x) to vote 51% or more of the securities having ordinary voting power for the election of directors or managers of such Person, or (y) to direct or cause the direction of the management and policies of such Person, in either case whether by ownership of securities, contract, proxy or otherwise.

“Agreement” has the meaning set forth in the preamble to the Agreement.

“Alternate Rate” for any Settlement Period for any Portion of Capital of the Purchased Interest means an interest rate per annum equal to: (a) 2.00% per annum above the Euro-Rate for such Settlement Period, or, in the sole discretion of the Administrator, (b) the Base Rate for such Settlement Period; provided, however, that the “Alternate Rate” for any day while a Termination Event exists shall be an interest rate equal to 3.00% per annum above the Base Rate in effect on such day. “Attorney Costs” means and includes all reasonable fees and disbursements of any law firm or other external counsel, the reasonable allocated cost of internal legal services and all reasonable disbursements of internal counsel.

“Approved Billing Program” means any consolidated billing or similar agreement between a Purchasing Utility and the Originator pursuant to which the Originator may from time to time sell and/or assign receivables, which agreement has been approved in writing by the Administrator; provided, that if (i) the Originator delivers to the Administrator in writing and in accordance with Section 5.2 a copy of such an agreement (or a substantially final draft thereof) with a request that it be approved as an “Approved Billing Program” and (ii) the Administrator does not, on or prior to the date that is ten (10) Business Days following such delivery, notify the Originator or the Servicer that the Administrator is withholding such approval, the Administrator shall be deemed to have approved such agreement as an “Approved Billing Program” in accordance with this definition. Without limiting the generality of the foregoing, each of the following agreements shall be an Approved Billing Program: (x) that certain Consolidated Utility Billing Service and Assignment Agreement, contemplated to be entered into between Consolidated Edison Company of New York, Inc. and the Originator, containing terms and conditions in form and substance substantially similar to those set forth in the draft of such agreement previously delivered by the Originator to the Administrator on April 7, 2009 and (y) that certain Third Party Supplier Customer Account Services Master Service Agreement, dated November 6, 2008, by and between Public Service Electric and Gas Company and the Originator, a copy of which was delivered by the Originator to the Administrator on April 20, 2009.

“Bankruptcy Code” means the United States Bankruptcy Reform Act of 1978 (11 U.S.C. § 101, et seq.), as amended from time to time.

“Base Rate” means, for any day, a fluctuating interest rate per annum as shall be in effect from time to time, which rate shall be at all times equal to the higher of:

(a) the rate of interest in effect for such day as publicly announced from time to time by PNC in Pittsburgh, Pennsylvania as its “prime rate.” Such “prime rate” is set by PNC based upon various factors, including PNC’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate, and

(b) 0.50% per annum above the latest Federal Funds Rate.

“BBA” means the British Bankers’ Association.

“Benefit Plan” means any employee benefit pension plan as defined in Section 3(2) of ERISA in respect of which the Seller, the Originator, UGI or any ERISA Affiliate is an “employer” as defined in Section 3(5) of ERISA.

“Billing Program Receivable” means a Receivable described in clause (i) of the definition of the term “Receivable”, which is sold and/or assigned by the Originator to a Purchasing Utility from time to time pursuant to an Approved Billing Program.

“Business Day” means any day (other than a Saturday or Sunday) on which: (a) banks are not authorized or required to close in New York City, New York or Pittsburgh, Pennsylvania, and

(b) if this definition of “Business Day” is utilized in connection with the Euro-Rate, dealings are carried out in the London interbank market.

“Capital” means the amount paid to the Seller in respect of the Purchased Interest by the Issuer pursuant to the Agreement, or such amount divided or combined in order to determine the Discount applicable to any Portion of Capital, in each case reduced from time to time by Collections distributed and applied on account of such Capital pursuant to Section 1.4(d) of the Agreement; provided, that if such Capital shall have been reduced by any distribution, and thereafter all or a portion of such distribution is rescinded or must otherwise be returned for any reason, such Capital shall be increased by the amount of such rescinded or returned distribution as though it had not been made.

“Change in Control” means that (a) with respect to the Seller, UGI ceases to own, directly or indirectly, 100% of the capital stock of the Seller free and clear of all Adverse Claims, (b) with respect to UGI, UGI Enterprises, Inc. shall cease to own 51% or more of the shares of outstanding voting stock of UGI on a fully diluted basis.

“Closing Date” means November 30, 2001.

“Collections” means, with respect to any Pool Receivable: (a) all funds that are received by the Originator, UGI, the Seller or the Servicer in payment of any amounts owed in respect of such Receivable (including purchase price, finance charges, interest and all other charges), or applied to amounts owed in respect of such Receivable (including insurance payments and net proceeds of the sale or other disposition of repossessed goods or other collateral or property of the related Obligor or any other Person directly or indirectly liable for the payment of such Pool Receivable and available to be applied thereon), (b) all amounts deemed to have been received pursuant to Section 1.4(e) of the Agreement and (c) all other proceeds of such Pool Receivable.

“Concentration Percentage” means for any: (a) Group A Obligor, 16.00%, (b) Group B Obligor, 12.00%, (c) Group C Obligor, 8.00% and (d) Group D Obligor, 4.00%.

“Concentration Reserve Percentage” means, at any time, the largest of: (a) the sum of five largest Group D Obligor Percentages, (b) the sum of the three largest Group C Obligor Percentages, (c) the sum of two largest Group B Obligor Percentages and (d) the largest Group A Obligor Percentage.

“Contract” means, with respect to any Receivable, any and all contracts, instruments, agreements, leases, invoices, notes or other writings pursuant to which such Receivable arises or that evidence such Receivable or under which an Obligor becomes or is obligated to make payment in respect of such Receivable.

“Contributed Receivables” has the meaning set forth in Section 2.2 of the Purchase and Sale Agreement.

“CP Rate” for any Settlement Period for any Portion of Capital means a rate calculated by the Administrator equal to: (a) the rate (or if more than one rate, the weighted average of the rates)



at which Notes of the Issuer on each day during such period have been outstanding; provided, that if such rate(s) is a discount rate(s), then the CP Rate shall be the rate (or if more than one rate, the weighted average of the rates) resulting from converting such discount rate(s) to an interest-bearing equivalent rate plus (b) the commissions and charges charged by such placement agent or commercial paper dealer with respect to such Notes, expressed as a percentage of the face amount of such Notes and converted to an interest-bearing equivalent rate per annum. Notwithstanding the foregoing, the “CP Rate” for any day while a Termination Event exists shall be an interest rate equal to 3.00% above the Base Rate in effect on such day.

“Credit Agreement” means that certain Credit Agreement, dated on or about August 26, 2010, among UGI, as borrower, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, PNC Bank, National Association, Wells Fargo Bank, National Association, and certain other parties, as such agreement may be amended, amended and restated, supplemented or otherwise modified from time to time.

“Credit and Collection Policy” means, as the context may require, those receivables credit and collection policies and practices of the Originator in effect on the date of the Agreement and described in Schedule I to the Agreement, as modified in compliance with the Agreement.

“Cut-off Date” has the meaning set forth in the Purchase and Sale Agreement.

“Days’ Sales Outstanding” means, for any calendar month, an amount (expressed as a number of days) computed as of the last day of such calendar month equal to: (a) the average of the Outstanding Balance of all Pool Receivables as of the last day of each of the three most recent calendar months ended on the last day of such calendar month divided by (b) (i) the aggregate credit sales made by the Originator during the three calendar months ended on the last day of such calendar month divided by (ii) 90.

“Debt” means: (a) indebtedness for borrowed money, (b) obligations evidenced by bonds, debentures, notes or other similar instruments, (c) obligations to pay the deferred purchase price of property or services, (d) obligations as lessee under leases that shall have been or should be, in accordance with GAAP, recorded as capital leases, and (e) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (a) through (d).

“Default Ratio” means the ratio (expressed as a percentage and rounded to the nearest 1/100 of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of each calendar month by dividing: (a) the aggregate Outstanding Balance of all Pool Receivables that became Defaulted Receivables during such month, by (b) the aggregate credit sales made by the Originator during the month that is three calendar months before such month.

“Defaulted Receivable” means a Receivable:

(a) as to which any payment, or part thereof, remains unpaid for more than 60 days from the original due date for such payment, or

(b) without duplication (i) as to which an Insolvency Proceeding shall have occurred with respect to the Obligor thereof or any other Person obligated thereon with respect thereto, or (ii) that has been written off the Seller's books as uncollectible.

The Outstanding Balance of any Defaulted Receivable shall be determined without regard to any credit memos or credit balances.

"Delinquency Ratio" means the ratio (expressed as a percentage and rounded to the nearest 1/100 of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of each calendar month by dividing: (a) the aggregate Outstanding Balance of all Pool Receivables that were Delinquent Receivables on such day by, (b) the aggregate Outstanding Balance of all Pool Receivables (excluding Delinquent Receivables that have a stated maturity which is more than 60 days after the original invoice date of such Receivable) on such day.

"Delinquent Receivable" means any portion of a Receivable as to which any payment, or part thereof, remains unpaid for more than 60 days from the original due date for such payment. The Outstanding Balance of any Delinquent Receivable shall be determined without regard to any credit memos or credit balances and shall exclude Delinquent Receivables that have a stated maturity which is more than 60 days after the original invoice date of such Receivable.

"Dilution Horizon" means, for any calendar month, the ratio (expressed as a percentage and rounded to the nearest 1/100th of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of such calendar month of: (a) the aggregate credit sales made by the Originator during the most recent calendar month and 50% of the next most recent calendar month's credit sales to (b) the Net Receivables Pool Balance at the last day of the most recent calendar month.

"Dilution Ratio" means the ratio (expressed as a percentage and rounded to the nearest 1/100th of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of each calendar month by dividing: (a) the aggregate amount of payments required to be made by the Seller pursuant to Section 1.4(e)(i) of the Agreement during such calendar month, by (b) the aggregate credit sales made by the Originator during the month that is one calendar month before such month.

"Dilution Reserve" means, on any date, an amount equal to: (a) the Capital at the close of business of the Servicer on such date multiplied by (b) (i) the Dilution Reserve Percentage on such date, divided by (ii) 100% minus the Dilution Reserve Percentage on such date.

"Dilution Reserve Percentage" means any date, the product of (i) the Dilution Horizon multiplied by (ii) the sum of (x) 2.25 times the average of the Dilution Ratios for the twelve most recent calendar months and (y) the Spike Factor.

"Discount" means:

(a) for the Portion of Capital for any Settlement Period to the extent the Issuer will be funding such Portion of Capital during such Settlement Period through the issuance of Notes:

$$\text{CPR} \times \text{C} \times \text{ED}/360$$

(b) for the Portion of Capital for any Settlement Period to the extent the Issuer will not be funding such Portion of Capital during such Settlement Period through the issuance of Notes:

$$\text{AR} \times \text{C} \times \text{ED}/\text{Year} + \text{TF}$$

where:

AR= the Alternate Rate for the Portion of Capital for such Settlement Period,

C= the Portion of Capital during such Settlement Period,

CPR= the CP Rate for the Portion of Capital for such Settlement Period,

ED= the actual number of days during such Settlement Period,

TF= the Termination Fee, if any, for the Portion of Capital for such Settlement Period, and

Year= if such Portion of Capital is funded based upon: (i) the Euro-Rate, 360 days, and (ii) the Base Rate, 365 or 366 days, as applicable;

provided, that no provision of the Agreement shall require the payment or permit the collection of Discount in excess of the maximum permitted by applicable law; and provided further, that Discount for the Portion of Capital shall not be considered paid by any distribution to the extent that at any time all or a portion of such distribution is rescinded or must otherwise be returned for any reason.

“Eligible Receivable” means, at any time, a Pool Receivable:

(a) the Obligor of which is (i) a United States resident, (ii) not a government or a governmental subdivision, affiliate or agency, provided, however, if the Obligor of such Receivable is a government or a governmental subdivision, affiliate or agency, such Receivable shall satisfy the requirements of this clause (a)(ii) if the sum of the Outstanding Balance of such Receivable and the aggregate Outstanding Balance of all other Eligible Receivables of Obligors who are governments or governmental subdivisions, affiliates or agencies does not exceed \$200,000, (iii) not subject to any action of the type described in paragraph (f) of Exhibit V to the Agreement, (iv) not an Affiliate of UGI; provided, however, if the Obligor of such Receivable is either UGI Utilities, Inc. or UGI Penn Natural Gas, Inc. (provided that UGI Penn Natural Gas, Inc. is a wholly-owned subsidiary of UGI Utilities, Inc.), such Receivable shall satisfy the requirements of this clause (a)(iv) if the sum of the Outstanding Balance of such Receivable and the aggregate Outstanding Balance of all other Eligible Receivables of the Obligors of which are either UGI Utilities, Inc. or UGI Penn Natural Gas, Inc. does not exceed \$10,000,000, and (v) not a Reseller, provided, however, if the Obligor of such Receivable is a Reseller, such Receivable shall satisfy the requirements

of this clause (a)(v) if the sum of the Outstanding Balance of such Receivable and the aggregate Outstanding Balance of all other Eligible Receivables of Obligor who are Resellers does not exceed \$2,000,000,

(b) that is denominated and payable only in U.S. dollars in the United States,

(c) that does not have a stated maturity which is more than 45 days after the original invoice date of such Receivable; provided, however, that up to 10% of the aggregate Outstanding Balance of all Receivables may have a stated maturity which is more than 45 days but not more than 60 days after the original invoice date of such Receivable,

(d) (i) that arises under a duly authorized Contract for the sale and delivery of goods and services in the ordinary course of the Originator's business or (ii) in the case of a Receivable arising in connection with the sale or assignment by the Originator to a Purchasing Utility of a Billing Program Receivable, such Receivable arises under an Approved Billing Program; provided, however, that Receivables described in clause (ii) above shall not constitute Eligible Receivables to the extent that the aggregate Outstanding Balance of such Receivables exceeds 20% of the aggregate Outstanding Balance of all Eligible Receivables,

(e) that arises under a duly authorized Contract that is in full force and effect and that is a legal, valid and binding obligation of the related Obligor, enforceable against such Obligor in accordance with its terms, subject to applicable bankruptcy, fraudulent transfer or conveyance, insolvency, reorganization, moratorium and other similar laws limiting the enforceability of creditors' rights generally, as from time to time in effect,

(f) that conforms in all material respects with all applicable laws, rulings and regulations in effect,

(g) that is not the subject of any asserted dispute, offset, hold back defense, Adverse Claim or other claim,

(h) that satisfies in all material respects all applicable requirements of the applicable Credit and Collection Policy,

(i) that has not been modified, waived or restructured since its creation, except as permitted pursuant to Section 4.2 of the Agreement,

(j) in which the Seller owns good and marketable title, free and clear of any Adverse Claims, and that arise under Contracts, the terms of which do not expressly prohibit the Seller from assigning its right to receive payment under the Contract or require any consent of the related Obligor for such assignment,

(k) for which the Issuer shall have a valid and enforceable undivided percentage ownership or security interest, to the extent of the Purchased Interest, and a valid and

enforceable first priority perfected security interest therein and in the Related Security and Collections with respect thereto, in each case free and clear of any Adverse Claim,

(l) that constitutes an account as defined in the UCC, and that is not evidenced by instruments or chattel paper,

(m) that is neither a Defaulted Receivable nor a Delinquent Receivable,

(n) for which neither the Originator thereof, the Seller nor the Servicer has established any offset arrangements with the related Obligor,

(o) of an Obligor as to which Defaulted Receivables of such Obligor do not exceed 25% of the Outstanding Balance of all such Obligor's Receivables; provided, however, that amounts owing from Cooperative Industries Inc. that are more than 90 days from the original invoice date as of the Closing Date and that are being paid in accordance with a negotiated payment schedule shall not be considered Defaulted Receivables for purposes of this clause (o), and

(p) that represents amounts earned and payable by the Obligor that are not subject to the performance of additional services by the Originator thereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA also refer to any successor sections.

"ERISA Affiliate" means: (a) any corporation that is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Internal Revenue Code) as the Seller, the Originator or UGI, (b) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Internal Revenue Code) with the Seller, the Originator or UGI, or (c) a member of the same affiliated service group (within the meaning of Section 414(m) of the Internal Revenue Code) as the Seller, the Originator, any corporation described in clause (a) or any trade or business described in clause (b).

"Euro-Rate" means with respect to any Settlement Period the interest rate per annum determined by the Administrator by dividing (the resulting quotient rounded upwards, if necessary, to the nearest 1/100th of 1% per annum) (i) the rate of interest determined by the Administrator in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the average of the London interbank market offered rates for U.S. dollars quoted by the BBA as set forth on Dow Jones Markets Service (formerly known as Telerate) (or appropriate successor or, if the BBA or its successor ceases to provide display page 3750 (or such other display page on the Dow Jones Markets Service system as may replace display page 3750) at or about 11:00 a.m. (London time) on the Business Day which is two (2) Business Days prior to the first day of such Settlement Period for an amount comparable to the Portion of Capital to be funded at the Alternate Rate and based upon the Euro-Rate during such Settlement Period by (ii) a number equal

to 1.00 minus the Euro-Rate Reserve Percentage. The Euro-Rate may also be expressed by the following formula:

Euro-Rate =           Average of London interbank offered rates quoted by BBA  
                          as shown on Dow Jones Markets Service display page 3750  
                          or appropriate successor

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1.00 - Euro-Rate Reserve Percentage

where “Euro-Rate Reserve Percentage” means, the maximum effective percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including without limitation, supplemental, marginal, and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as “Eurocurrency Liabilities”). The Euro-Rate shall be adjusted with respect to any Portion of Capital funded at the Alternate Rate and based upon the Euro-Rate that is outstanding on the effective date of any change in the Euro-Rate Reserve Percentage as of such effective date. The Administrator shall give prompt notice to the Seller of the Euro-Rate as determined or adjusted in accordance herewith (which determination shall be conclusive absent manifest error).

“Excess Concentration” means the sum of the amounts by which the Outstanding Balance of Eligible Receivables of each Obligor then in the Receivables Pool exceeds an amount equal to: (a) the applicable Concentration Percentage for such Obligor multiplied by (b) the Outstanding Balance of all Eligible Receivables then in the Receivables Pool.

“Facility Termination Date” means the earliest to occur of: (a) April 21, 2011, (b) the date determined pursuant to Section 2.2 of the Agreement, (c) the date the Purchase Limit reduces to zero pursuant to Section 1.1(b) of the Agreement, (d) the date, after written notice from the Purchasers, that the commitments of the Purchasers terminate under the Liquidity Agreement, but the failure to give or delay in giving such notice shall not prevent or delay such termination, and (e) the Issuer shall fail to cause the amendment or modification of any Transaction Document or related opinion as required by Moody’s or Standard and Poor’s, and such failure shall continue for 30 days after such amendment is initially requested.

“Federal Funds Rate” means, for any day, the per annum rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (including any such successor, “H.15(519)”) for such day opposite the caption “Federal Funds (Effective).” If on any relevant day such rate is not yet published in H.15(519), the rate for such day will be the rate set forth in the daily statistical release designated as the Composite 3:30 p.m. Quotations for U.S. Government Securities, or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, the “Composite 3:30 p.m. Quotations”) for such day under the caption “Federal Funds Effective Rate.” If on any relevant day the appropriate rate is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, the rate for such day will be the arithmetic mean as determined by the Administrator of the rates for the last transaction in overnight Federal funds arranged before 9:00 a.m. (New York time) on that day by

each of three leading brokers of Federal funds transactions in New York City selected by the Administrator.

“Federal Reserve Board” means the Board of Governors of the Federal Reserve System, or any entity succeeding to any of its principal functions.

“Fee Letter” has the meaning set forth in Section 1.5 of the Agreement.

“GAAP” means the generally accepted accounting principles and practices in the United States, consistently applied.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any court, and any Person owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

“Group A Obligor” means any Obligor with a short-term rating of at least: (a) “A-1” by Standard & Poor’s, or if such Obligor does not have a short-term rating from Standard & Poor’s, a rating of “A+” or better by Standard & Poor’s on its long-term senior unsecured and uncredit-enhanced debt securities, and (b) “P-1” by Moody’s, or if such Obligor does not have a short-term rating from Moody’s, “A1” or better by Moody’s on its long-term senior unsecured and uncredit-enhanced debt securities.

“Group A Obligor Percentage” means, at any time, for each Group A Obligor, the percentage equivalent of: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group A Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

“Group B Obligor” means an Obligor, not a Group A Obligor, with a short-term rating of at least: (a) “A-2” by Standard & Poor’s, or if such Obligor does not have a short-term rating from Standard & Poor’s, a rating of “BBB+” to “A” by Standard & Poor’s on its long-term senior unsecured and uncredit-enhanced debt securities, and (b) “P-2” by Moody’s, or if such Obligor does not have a short-term rating from Moody’s, “Baa1” to “A2” by Moody’s on its long-term senior unsecured and uncredit-enhanced debt securities.

“Group B Obligor Percentage” means, at any time, for each Group B Obligor, the percentage equivalent of: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group B Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

“Group C Obligor” means an Obligor, not a Group A Obligor or a Group B Obligor, with a short-term rating of at least: (a) “A-3” by Standard & Poor’s, or if such Obligor does not have a short-term rating from Standard & Poor’s, a rating of “BBB-” to “BBB” by Standard & Poor’s on its long-term senior unsecured and uncredit-enhanced debt securities, and (b) “P-3” by Moody’s,

or if such Obligor does not have a short-term rating from Moody's, "Baa3" to "Baa2" by Moody's on its long-term senior unsecured and uncredit-enhanced debt securities.

"Group C Obligor Percentage" means, at any time, for each Group C Obligor, the percentage equivalent of: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group C Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

"Group D Obligor" means any Obligor that is not a Group A Obligor, Group B Obligor or Group C Obligor.

"Group D Obligor Percentage" means, at any time, for each Group D Obligor: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group D Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

"Indemnified Amounts" has the meaning set forth in Section 3.1 of the Agreement.

"Indemnified Party" has the meaning set forth in Section 3.1 of the Agreement.

"Indemnifying Party" has the meaning set forth in Section 3.3 of the Agreement.

"Independent Director" has the meaning set forth in paragraph 3(c) of Exhibit IV to the Agreement.

"Information Package" means a report, in substantially the form of either Annex A-1 (in the case of an Information Package delivered in connection with a Settlement Date) or Annex A-2 (in the case of an Information Package delivered at any other time) to the Agreement, furnished to the Administrator pursuant to the Agreement.

"Insolvency Proceeding" means: (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors of a Person, or composition, marshaling of assets for creditors of a Person, or other, similar arrangement in respect of its creditors generally or any substantial portion of its creditors, in each of cases (a) and (b) undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of the Internal Revenue Code also refer to any successor sections.

"Issuer" has the meaning set forth in the preamble to the Agreement.

"Issuer's Share" of any amount means such amount multiplied by the Purchased Interest at the time of determination.



“Liquidity Agent” means PNC in its capacity as the Liquidity Agent pursuant to the Liquidity Agreement.

“Liquidity Agreement” means the Liquidity Asset Purchase Agreement, dated as of even date herewith, between the Purchasers from time to time party thereto, the Issuer and PNC, as Administrator and Liquidity Agent, as the same may be further amended, supplemented or otherwise modified from time to time.

“Lock-Box Account” means an account in the name of the Seller and maintained by the Seller at a bank or other financial institution for the purpose of receiving Collections.

“Lock-Box Agreement” means an agreement, in form and substance satisfactory to the Administrator, among the Seller, the Originator, the Servicer, the Administrator, the Issuer and a Lock-Box Bank.

“Lock-Box Bank” means any of the banks or other financial institutions holding one or more Lock-Box Accounts.

“Loss Reserve” means, on any date, an amount equal to: (a) the Capital at the close of business of the Servicer on such date multiplied by (b)(i) the Loss Reserve Percentage on such date divided by (ii) 100% minus the Loss Reserve Percentage on such date.

“Loss Reserve Percentage” means, on any date, the product of (i) 2.25 times (ii) the highest average of the Default Ratios for any three consecutive calendar months during the twelve most recent calendar months times (iii) (A) the aggregate credit sales made by the Originator during the four most recent calendar months, divided by (B) the Net Receivables Pool Balance as of such date.

“Material Adverse Effect” means, relative to any Person with respect to any event or circumstance, a material adverse effect on:

- (a) the assets, operations, business or financial condition of such Person,
- (b) the ability of any of such Person to perform its obligations under the Agreement or any other Transaction Document to which it is a party,
- (c) the validity or enforceability of any other Transaction Document, or the validity, enforceability or collectibility of a material portion of the Pool Receivables, or
- (d) the status, perfection, enforceability or priority of the Issuer’s or the Seller’s interest in the Pool Assets.

“Moody’s” means Moody’s Investors Service, Inc.

“Net Receivables Pool Balance” means, at any time: (a) the Outstanding Balance of Eligible Receivables then in the Receivables Pool minus (b) the Excess Concentration.

“Notes” means short-term promissory notes issued, or to be issued, by the Issuer to fund its investments in accounts receivable or other financial assets.

“Obligor” means, with respect to any Receivable, the Person obligated to make payments pursuant to the Contract relating to such Receivable.

“Originator” has the meaning set forth in the Purchase and Sale Agreement.

“Originator Assignment Certificate” means the assignment, in substantially the form of Exhibit C to the Purchase and Sale Agreement, evidencing Seller’s ownership of the Receivables generated by the Originator, as the same may be amended, supplemented, amended and restated, or otherwise modified from time to time in accordance with the Purchase and Sale Agreement.

“Outstanding Balance” of any Receivable at any time means the then outstanding principal balance thereof.

“Payment Date” has the meaning set forth in Section 2.2 of the Purchase and Sale Agreement.

“Person” means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

“PNC” has the meaning set forth in the preamble to the Agreement.

“Pool Assets” has the meaning set forth in Section 1.2(d) of the Agreement.

“Pool Receivable” means a Receivable in the Receivables Pool.

“Portion of Capital” means any separate portion of Capital being funded or maintained by the Issuer (or its successors or permitted assigns) by reference to a particular interest rate basis. In addition, at any time when the Capital of the Purchased Interest is not divided into two or more such portions, “Portion of Capital” means 100% of the Capital.

“Program Support Agreement” means and includes the Liquidity Agreement and any other agreement entered into by any Program Support Provider providing for: (a) the issuance of one or more letters of credit for the account of the Issuer in connection with the Issuer’s Receivables securitization program, (b) the issuance of one or more surety bonds in connection with the Issuer’s Receivables securitization program for which the Issuer is obligated to reimburse the applicable Program Support Provider for any drawings thereunder, (c) the sale by the Issuer to any Program Support Provider of the Purchased Interest (or portions thereof) and/or (d) the making of loans and/or other extensions of credit to the Issuer in connection with the Issuer’s Receivables-securitization program contemplated in the Agreement, together with any letter of credit, surety bond or other instrument issued thereunder (but excluding any discretionary advance facility provided by the Administrator).

“Program Support Provider” means and includes any Purchaser and any other Person (other than any customer of the Issuer) now or hereafter extending credit or having a commitment to extend

credit to or for the account of, or to make purchases from, the Issuer pursuant to any Program Support Agreement.

“Purchase and Sale Agreement” means the Purchase and Sale Agreement, dated as of even date herewith, between the Seller and UGI, as such agreement may be amended, amended and restated, supplemented or otherwise modified from time to time.

“Purchase and Sale Indemnified Amounts” has the meaning set forth in Section 9.1 of the Purchase and Sale Agreement.

“Purchase and Sale Indemnified Party” has the meaning set forth in Section 9.1 of the Purchase and Sale Agreement.

“Purchase and Sale Termination Date” has the meaning set forth in Section 1.4 of the Purchase and Sale Agreement.

“Purchase and Sale Termination Event” has the meaning set forth in Section 8.1 of the Purchase and Sale Agreement.

“Purchase Facility” has the meaning set forth in Section 1.1 of the Purchase and Sale Agreement.

“Purchase Limit” means \$200,000,000, as such amount may be subsequently reduced pursuant to Section 1.1(b) of the Agreement. References to the unused portion of the Purchase Limit shall mean, at any time, the Purchase Limit minus the then outstanding Capital.

“Purchase Notice” has the meaning set forth in Section 1.2(a) of the Agreement.

“Purchase Price” has the meaning set forth in Section 2.1 of the Purchase and Sale Agreement.

“Purchase Report” has the meaning set forth in Section 2.1 of the Purchase and Sale Agreement.

“Purchased Interest” means, at any time, the undivided percentage ownership interest in: (a) each and every Pool Receivable now existing or hereafter arising, (b) all Related Security with respect to such Pool Receivables and (c) all Collections with respect to, and other proceeds of, such Pool Receivables and Related Security. Such undivided percentage interest shall be computed as:

$$\frac{\text{Capital} + \text{Total Reserves}}{\text{Net Receivables Pool Balance}}$$

The Purchased Interest shall be determined from time to time pursuant to Section 1.3 of the Agreement.

“Purchaser” has the meaning set forth in Section 5.3(b) of the Agreement.

“Purchasing Utility” means a jurisdictional natural gas or electricity distribution company.

“Receivable” means any indebtedness and other obligations (whether or not earned by performance) owed to the Seller (as assignee of the Originator) or the Originator by, or any right of the Seller or the Originator to payment from or on behalf of, an Obligor (including a Purchasing Utility), whether constituting an account, chattel paper, instrument or general intangible, arising in connection with (i) property or goods that have been or are to be sold or otherwise disposed of, or services rendered or to be rendered by the Originator (including, in each case and without limitation, the sale of electricity or natural gas) or (ii) the sale or assignment by the Originator to a Purchasing Utility of a Billing Program Receivable, and, in each case, includes the obligation (if any) to pay any finance charges, fees and other charges with respect thereto; provided, however, that “Receivable” shall not include any Billing Program Receivable. Indebtedness and other obligations arising from any one transaction, including indebtedness and other obligations represented by an individual invoice or agreement, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other obligations arising from any other transaction.

“Receivables Pool” means, at any time, all of the then outstanding Receivables purchased or otherwise acquired by the Seller pursuant to the Purchase and Sale Agreement prior to the Facility Termination Date.

“Reference Bank” means PNC.

“Related Rights” has the meaning set forth in Section 1.1 of the Purchase and Sale Agreement.

“Related Security” means, with respect to any Receivable:

(a) all of the Seller’s and the Originator thereof’s interest in any goods (including returned goods), and documentation of title evidencing the shipment or storage of any goods (including returned goods), relating to any sale giving rise to such Receivable,

(b) all instruments and chattel paper that may evidence such Receivable,

(c) all other security interests or liens and property subject thereto from time to time purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all UCC financing statements or similar filings relating thereto, and

(d) all of the Seller’s and the Originator thereof’s rights, interests and claims under the Contracts and all guaranties, indemnities, insurance, letters of credit and other agreements (including the related Contract) or arrangements of whatever character from time to time supporting or securing payment of such Receivable or otherwise relating to such Receivable, whether pursuant to the Contract related to such Receivable or otherwise.

“Repurchase Price” has the meaning set forth in Section 5.14 of the Agreement.

“Reseller” means an Obligor that purchases product from the Originator and for which the Originator acts as billing and collection agent with respect to such Obligor’s resale of the product.

“Reserve Floor” means, at any time: (a) the aggregate Capital at such time multiplied by (b) (i) the Reserve Floor Percentage, divided by (ii) 100%, minus the Reserve Floor Percentage.

“Reserve Floor Percentage” means, at any time, the sum (expressed as a percentage) of (a) Concentration Reserve Percentage plus (b) the product of (i) the average Dilution Ratios for the twelve most recent calendar months and (ii) the Dilution Horizon.

“Restricted Payment” has the meaning set forth in paragraph 1(n) of Exhibit IV to the Agreement.

“Seller” has the meaning set forth in the preamble to the Agreement.

“Seller’s Share” of any amount means the greater of: (a) \$0 and (b) such amount minus the Issuer’s Share.

“Servicer” has the meaning set forth in the preamble to the Agreement.

“Servicing Fee” shall mean the fee referred to in Section 4.6 of the Agreement.

“Servicing Fee Rate” shall mean the rate referred to in Section 4.6 of the Agreement.

“Settlement Date” means with respect to any Portion of Capital for any Settlement Period, (i) prior to the Facility Termination Date, the third Wednesday of each calendar month (or the next succeeding Business Day if such day is not a Business Day) beginning with December 19, 2001 and (ii) on and after the Facility Termination Date, each day selected from time to time by the Administrator (it being understood that the Administrator may select such Settlement Date to occur as frequently as daily), or, in the absence of such selection, the date specified in clause (i) above.

“Settlement Period” means: (a) before the Facility Termination Date: (i) initially the period commencing on the date of the initial purchase pursuant to Section 1.2 of the Agreement (or in the case of any fees payable hereunder, commencing on the Closing Date) and ending on (but not including) the next Settlement Date, and (ii) thereafter, each period commencing on such Settlement Date and ending on (but not including) the next Settlement Date, and (b) on and after the Facility Termination Date: such period (including a period of one day) as shall be selected from time to time by the Administrator or, in the absence of any such selection, each period of 30 days from the last day of the preceding Settlement Period.

“Solvent” means, with respect to any Person at any time, a condition under which:

(i) the fair value and present fair saleable value of such Person’s total assets is, on the date of determination, greater than such Person’s total liabilities (including contingent and unliquidated liabilities) at such time;

(ii) the fair value and present fair saleable value of such Person's assets is greater than the amount that will be required to pay such Person's probable liability on its existing debts as they become absolute and matured ("debts," for this purpose, includes all legal liabilities, whether matured or unmatured, liquidated or unliquidated, absolute, fixed, or contingent);

(iii) such Person is and shall continue to be able to pay all of its liabilities as such liabilities mature; and

(iv) such Person does not have unreasonably small capital with which to engage in its current and in its anticipated business.

For purposes of this definition:

(A) the amount of a Person's contingent or unliquidated liabilities at any time shall be that amount which, in light of all the facts and circumstances then existing, represents the amount which can reasonably be expected to become an actual or matured liability;

(B) the "fair value" of an asset shall be the amount which may be realized within a reasonable time either through collection or sale of such asset at its regular market value;

(C) the "regular market value" of an asset shall be the amount which a capable and diligent business person could obtain for such asset from an interested buyer who is willing to Purchase such asset under ordinary selling conditions; and

(D) the "present fair saleable value" of an asset means the amount which can be obtained if such asset is sold with reasonable promptness in an arm's-length transaction in an existing and not theoretical market.

"Spike Factor" means, for any calendar month, (a) the positive difference, if any, between: (i) the highest Dilution Ratio for any calendar month during the twelve most recent calendar months and (ii) the arithmetic average of the Dilution Ratios for such twelve months times (b) (i) the highest Dilution Ratio for any calendar month during the twelve most recent calendar months divided by (ii) the arithmetic average of the Dilution Ratios for such twelve months.

"Standard & Poor's" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc.

"Subsidiary" means, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock of each class or other interests having ordinary voting power (other than stock or other interests having such power only by reason of the happening of a contingency) to elect a majority of the Board of Directors or other managers of such entity are at the time owned, or management of which is otherwise controlled: (a) by such Person, (b) by one or more Subsidiaries of such Person or (c) by such Person and one or more Subsidiaries of such Person.

“Tangible Net Worth” means, with respect to any Person, the tangible net worth of such Person as adjusted to eliminate the impact of any charges related to SFAS 133 and as determined in accordance with GAAP.

“Termination Day” means: (a) each day on which the conditions set forth in Section 2 of Exhibit II to the Agreement are not satisfied or (b) each day that occurs on or after the Facility Termination Date.

“Termination Event” has the meaning specified in Exhibit V to the Agreement.

“Termination Fee” means, for any Settlement Period during which a Termination Day occurs, the amount, if any, by which: (a) the additional Discount (calculated without taking into account any Termination Fee or any shortened duration of such Settlement Period pursuant to the definition thereof) that would have accrued during such Settlement Period on the reductions of Capital relating to such Settlement Period had such reductions not been made, exceeds (b) the income, if any, received by the Issuer from investing the proceeds of such reductions of Capital, as determined by the Administrator, which determination shall be binding and conclusive for all purposes, absent manifest error.

“Total Reserves” means, at any time the greater of (a) the sum of (i) the Yield Reserve, (ii) the Loss Reserve, and (iii) the Dilution Reserve and (b) the Reserve Floor.

“Transaction Documents” means the Agreement, the Lock-Box Agreements, the Fee Letter, the Purchase and Sale Agreement and all other certificates, instruments, UCC financing statements, reports, notices, agreements and documents executed or delivered under or in connection with any of the foregoing, in each case as the same may be amended, supplemented or otherwise modified from time to time in accordance with the Agreement.

“Turnover Rate” means, for any calendar month, an amount computed as of the last day of such calendar month equal to: (a) the Outstanding Balance of all Pool Receivables as of the last day of such calendar month divided by (b)(i) the aggregate credit sales made by the Originator during the three calendar months ended on or before the last day of such calendar month divided by (ii) 3.

“UCC” means the Uniform Commercial Code as from time to time in effect in the applicable jurisdiction.

“UGI” has the meaning set forth in the preamble to the Agreement.

“Unmatured Purchase and Sale Termination Event” means any event which, with the giving of notice or lapse of time, or both, would become a Purchase and Sale Termination Event.

“Unmatured Termination Event” means an event that, with the giving of notice or lapse of time, or both, would constitute a Termination Event.

“Weekly Settlement Date” means each Wednesday of each week (or the next succeeding Business Day if such day is not a Business Day), beginning December 5, 2001.

“Yield Reserve” means, on any date, an amount equal to: (a) the Capital at the close of business of the Servicer on such date multiplied by (b)(i) the Yield Reserve Percentage on such date divided by (ii) 100% minus the Yield Reserve Percentage on such date.

“Yield Reserve Percentage” means at any time:

$$\frac{(\text{PY} + \text{SFR})}{12} \times 2.0 \times \text{TR}$$

where:

PY= the Base Rate as of the last day of the most recent Settlement Period,

TR= the Turnover Rate, and

SFR= the Servicing Fee Rate

Other Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9. Unless the context otherwise requires, “or” means “and/or,” and “including” (and with correlative meaning “include” and “includes”) means including without limiting the generality of any description preceding such term.



## EXHIBIT IV COVENANTS

1. Covenants of the Seller. Until the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date all other amounts owed by the Seller under the Agreement to the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full:

(a) Compliance with Laws, Etc. The Seller shall comply in all material respects with all applicable laws, rules, regulations and orders, and preserve and maintain its corporate existence, rights, franchises, qualifications and privileges, except to the extent that the failure so to comply with such laws, rules, regulations or orders or the failure so to preserve and maintain such rights, franchises, qualifications and privileges would not have a Material Adverse Effect.

(b) Offices, Records and Books of Account, Etc. The Seller: (i) shall keep its principal place of business and chief executive office (as such terms or similar terms are used in the UCC) and the office where it keeps its records concerning the Receivables at the address of the Seller set forth under its name on the signature page to the Agreement or, pursuant to clause (l)(v) below, at any other locations in jurisdictions where all actions reasonably requested by the Administrator to protect and perfect the interest of the Issuer in the Receivables and related items (including the Pool Assets) have been taken and completed and (ii) shall provide the Administrator with at least 30 days' written notice before making any change in the Seller's name or making any other change in the Seller's identity or corporate structure (including a Change in Control) that could render any UCC financing statement filed in connection with this Agreement "seriously misleading" as such term (or similar term) is used in the UCC; each notice to the Administrator pursuant to this sentence shall set forth the applicable change and the effective date thereof. The Seller also will maintain and implement (or cause the Servicer to maintain and implement) administrative and operating procedures (including an ability to recreate records evidencing Receivables and related Contracts in the event of the destruction of the originals thereof), and keep and maintain (or cause the Servicer to keep and maintain) all documents, books, records, computer tapes and disks and other information reasonably necessary or advisable for the collection of all Receivables (including records adequate to permit the daily identification of each Receivable and all Collections of and adjustments to each existing Receivable).

(c) Performance and Compliance with Contracts and Credit and Collection Policy. The Seller shall (and shall cause the Servicer to), at its expense, timely and fully perform and comply with all material provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables, and timely and fully comply in all material respects with the applicable Credit and Collection Policies with regard to each Receivable and the related Contract.

(d) Ownership Interest, Etc. The Seller shall (and shall cause the Servicer to), at its expense, take all action necessary or desirable to establish and maintain a valid and enforceable undivided percentage ownership or security interest, to the extent of the Purchased Interest, in the Pool Receivables, the Related Security and Collections with respect thereto, and a first priority perfected security interest in the Pool Assets, in each case free and clear of any Adverse Claim, in

favor of the Issuer, including taking such action to perfect, protect or more fully evidence the interest of the Issuer as the Issuer, through the Administrator, may reasonably request.

(e) Sales, Liens, Etc. The Seller shall not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon or with respect to, any or all of its right, title or interest in, to or under any Pool Assets (including the Seller's undivided interest in any Receivable, Related Security or Collections, or upon or with respect to any account to which any Collections of any Receivables are sent), or assign any right to receive income in respect of any items contemplated by this paragraph.

(f) Extension or Amendment of Receivables. Except as provided in the Agreement, the Seller shall not, and shall not permit the Servicer to, extend the maturity or adjust the Outstanding Balance or otherwise modify the terms of any Pool Receivable in any material respect, or amend, modify or waive, in any material respect, any term or condition of any related Contract (which term or condition relates to payments under, or the enforcement of, such Contract).

(g) Change in Business or Credit and Collection Policy. The Seller shall not make (or permit the Originator to make) any material change in the character of its business or in any Credit and Collection Policy (other than a change to the insurance provisions of any such policy) that would have a Material Adverse Effect with respect to the Receivables. The Seller shall not make (or permit the Originator to make) any other material adverse change in any Credit and Collection Policy without receiving the prior written consent of the Administrator.

(h) Audits. The Seller shall (and shall cause the Originator to), from time to time during regular business hours as reasonably requested in advance (unless a Termination Event or an Unmatured Termination Event exists or there shall be a material adverse variance in the performance of the Receivables) by the Administrator, permit the Administrator, or its agents or representatives: (i) to examine and make copies of and abstracts from all books, records and documents (including computer tapes and disks) in the possession or under the control of the Seller (or the Originator) relating to Receivables and the Related Security, including the related Contracts, (ii) to visit the offices and properties of the Seller and the Originator for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to Receivables and the Related Security or the Seller's, UGI's or the Originator's performance under the Transaction Documents or under the Contracts with any of the officers, employees, agents or contractors of the Seller or the Originator having knowledge of such matters and (iii) without limiting the clauses (i) and (ii) above, no more than once annually (unless a Termination Event has occurred and is continuing or there shall be a material variance in the performance of the Receivables) to engage certified public accountants or other auditors acceptable to the Seller and the Administrator to conduct, at the Seller's expense, a review of the Seller's books and records with respect to such Receivables.

(i) Change in Lock-Box Banks, Lock-Box Accounts and Payment Instructions to Obligors. The Seller shall not, and shall not permit the Servicer or the Originator to, add or terminate any bank as a Lock-Box Bank or any account as a Lock-Box Account (or any related lock-box) from those listed in Schedule II to the Agreement, or make any change in its instructions to Obligors regarding payments to be made to the Seller, the Originator, the Servicer or any Lock-Box Account (or the related lock-box), unless the Administrator shall have consented thereto in writing and the

Administrator shall have received copies of all agreements and documents (including Lock-Box Agreements) that it may request in connection therewith.

(j) Deposits to Lock-Box Accounts. The Seller shall (or shall cause the Servicer to): (i) within 30 days of the initial purchase hereunder, instruct all Obligor to make payments of all Receivables to one or more Lock-Box Accounts or to lock-boxes to which only Lock-Box Banks have access (and shall instruct the Lock-Box Banks to cause all items and amounts relating to such Receivables received in such lock-boxes to be removed and deposited into a Lock-Box Account on a daily basis), and (ii) deposit, or cause to be deposited, any Collections received by it, the Servicer or the Originator into Lock-Box Accounts not later than two Business Days after receipt thereof. Each Lock-Box Account shall at all times be subject to a Lock-Box Agreement. The Seller will not (and will not permit the Servicer to) deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than (i) Collections and (ii) on payments received from end-users payable to a Reseller in respect of product sold by such Reseller to such end-user, provided that such payments do not remain on deposit in such Lock-Box Account for more than two Business Days after deposit therein.

(k) Marking of Records. At its expense, the Seller shall: (i) mark (or cause the Servicer to mark) its master data processing records relating to Pool Receivables and related Contracts with a legend evidencing that the undivided percentage ownership interests with regard to the Purchased Interest related to such Receivables and related Contracts have been sold in accordance with the Agreement, and (ii) cause the Originator so to mark its master data processing records pursuant to the Purchase and Sale Agreement.

(l) Reporting Requirements. The Seller will provide to the Administrator (in multiple copies, if requested by the Administrator) the following:

(i) as soon as available and in any event within 105 days after the end of each fiscal year of the Seller, a copy of the annual report for such year for the Seller containing unaudited financial statements for such year certified as to accuracy by the chief financial officer or treasurer of the Seller;

(ii) as soon as possible and in any event within five Business Days after becoming aware of the occurrence of each Termination Event or Unmatured Termination Event, a statement of the chief financial officer of the Seller setting forth details of such Termination Event or Unmatured Termination Event and the action that the Seller has taken and proposes to take with respect thereto;

(iii) promptly after the filing or receiving thereof, copies of all reports and notices that the Seller or any Affiliate files under ERISA with the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor with respect to any Benefit Plan that is subject to Title IV of ERISA or that the Seller or any Affiliate receives with respect to any Benefit Plan that is subject to Title IV of ERISA from any of the foregoing or from any multiemployer plan (within the meaning of Section 4001(a)(3) of ERISA) to which the Seller or any of its Affiliates is or was, within the preceding five years, a contributing employer, in each case in respect of the assessment of withdrawal liability or

an event or condition that could, in the aggregate, reasonably result in the imposition of material liability on the Seller and/or any such Affiliate;

(iv) at least thirty days before any change in the Seller's name or any other change requiring the amendment of UCC financing statements, a notice setting forth such changes and the effective date thereof;

(v) promptly after the Seller obtains knowledge thereof, notice of any: (A) material litigation, investigation or proceeding that may exist at any time between the Seller and any Person or (B) material litigation or proceeding relating to any Transaction Document;

(vi) promptly after becoming aware of the occurrence thereof, notice of a material adverse change in the business, operations, property or financial or other condition of the Seller, the Servicer or the Originator; and

(vii) such other information respecting the Receivables or the condition or operations, financial or otherwise, of the Seller or any of its Affiliates as the Administrator may from time to time reasonably request.

(m) Certain Agreements. Without the prior written consent of the Administrator, the Seller will not (and will not permit the Originator to) amend, modify, waive, revoke or terminate any Transaction Document to which it is a party or any provision of Seller's certificate of incorporation or by-laws;

(n) Restricted Payments. (1) Except pursuant to clause (ii) below, the Seller will not: (A) purchase or redeem any shares of its capital stock, (B) declare or pay any dividend or set aside any funds for any such purpose, (C) prepay, purchase or redeem any Debt, (D) lend or advance any funds or (E) repay any loans or advances to, for or from any of its Affiliates (the amounts described in clauses (A) through (E) being referred to as "Restricted Payments").

(i) Subject to the limitations set forth in clause (iii) below, the Seller may make Restricted Payments only by declaring and paying dividends or making returns of capital.

(ii) The Seller may make Restricted Payments only out of the funds it receives pursuant to Sections 1.4(b)(ii) and (iv) of the Agreement. Furthermore, the Seller shall not pay, make or declare: (A) any dividend if, after giving effect thereto, the Seller's Tangible Net Worth would be less than \$4,000,000, or (B) any Restricted Payment (including any dividend) if, after giving effect thereto, any Termination Event or Unmatured Termination Event shall have occurred and be continuing.

(o) Other Business. The Seller will not: (i) engage in any business other than the transactions contemplated by the Transaction Documents; (ii) create, incur or permit to exist any Debt of any kind (or cause or permit to be issued for its account any letters of credit or bankers' acceptances) other than pursuant to this Agreement; or (iii) form any Subsidiary or make any investments in any other Person; provided, however, that the Seller shall be permitted to incur

minimal obligations to the extent necessary for the day-to-day operations of the Seller (such as expenses for stationery, audits, maintenance of legal status, etc.).

(p) Use of Seller's Share of Collections. The Seller shall apply the Seller's Share of Collections to make payments in the following order of priority: (i) the payment of its expenses (including all obligations payable to the Issuer and the Administrator under the Agreement and under the Fee Letter); and (ii) other legal and valid corporate purposes.

(q) Tangible Net Worth. The Seller will not permit its Tangible Net Worth, at any time, to be less than \$6,000,000.

2. Covenants of the Servicer and UGI. Until the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date all other amounts owed by the Seller under the Agreement to the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full:

(a) Compliance with Laws, Etc. The Servicer and, to the extent that it ceases to be the Servicer, UGI shall comply (and shall cause the Originator to comply) in all material respects with all applicable laws, rules, regulations and orders, and preserve and maintain its corporate existence, rights, franchises, qualifications and privileges, except to the extent that the failure so to comply with such laws, rules, regulations or orders or the failure so to preserve and maintain such existence, rights, franchises, qualifications and privileges would not have a Material Adverse Effect.

(b) Offices, Records and Books of Account, Etc. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall keep (and shall cause the Originator to keep) its principal place of business and chief executive office (as such terms or similar terms are used in the applicable UCC) and the office where it keeps its records concerning the Receivables at the address of the Servicer set forth under its name on the signature page to the Agreement or, upon at least 30 days' prior written notice of a proposed change to the Administrator, at any other locations in jurisdictions where all actions reasonably requested by the Administrator to protect and perfect the interest of the Issuer in the Receivables and related items (including the Pool Assets) have been taken and completed. The Servicer and, to the extent that it ceases to be the Servicer, UGI, also will (and will cause the Originator to) maintain and implement administrative and operating procedures (including an ability to recreate records evidencing Receivables and related Contracts in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records, computer tapes and disks and other information reasonably necessary or advisable for the collection of all Receivables (including records adequate to permit the daily identification of each Receivable and all Collections of and adjustments to each existing Receivable).

(c) Performance and Compliance with Contracts and Credit and Collection Policy. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall (and shall cause the Originator to), at its expense, timely and fully perform and comply with all material provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables, and timely and fully comply in all material respects with the Credit and Collection Policy with regard to each Receivable and the related Contract.

(d) Extension or Amendment of Receivables. Except as provided in the Agreement, the Servicer and, to the extent that it ceases to be the Servicer, UGI, shall not extend (and shall not permit the Originator to extend), the maturity or adjust the Outstanding Balance or otherwise modify the terms of any Pool Receivable in any material respect, or amend, modify or waive, in any material respect, any term or condition of any related Contract (which term or condition relates to payments under, or the enforcement of, such Contract).

(e) Change in Business or Credit and Collection Policy. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall not make (and shall not permit the Originator to make) any material change in the character of its business or in any Credit and Collection Policy (other than a change to the insurance provisions of any such policy) without the consent of the Administrator that would be reasonably likely to have a Material Adverse Effect. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall not make (and shall not permit the Originator to make) any other material adverse change in any Credit and Collection Policy without receiving the prior written consent of the Administrator.

(f) Audits. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall (and shall cause the Originator to), from time to time during regular business hours as reasonably requested in advance (unless a Termination Event or an Unmatured Termination Event exists or there shall be a material adverse variance in the performance of the Receivables) by the Administrator, permit the Administrator, or its agents or representatives: (i) to examine and make copies of and abstracts from all books, records and documents (including computer tapes and disks) in its possession or under its control relating to Receivables and the Related Security, including the related Contracts; (ii) to visit its offices and properties for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to Receivables and the Related Security or its performance hereunder or under the Contracts with any of its officers, employees, agents or contractors having knowledge of such matters and (iii), without limiting the clauses (i) and (ii) above, no more than once annually (unless a Termination Event has occurred and is continuing or there shall be a material variance in the performance of the Receivables) to engage certified public accountants or other auditors acceptable to the Servicer and the Administrator to conduct, at the Servicer's expense, a review of the Servicer's books and records with respect to such Receivables.

(g) Change in Lock-Box Banks, Lock-Box Accounts and Payment Instructions to Obligors. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall not (and shall not permit the Originator to) add or terminate any bank as a Lock-Box Bank or any account as a Lock-Box Account (or any related lock-box) from those listed in Schedule II to the Agreement, or make any change in its instructions to Obligors regarding payments to be made to the Servicer or any Lock-Box Account (or the related lock-box), unless the Administrator shall have consented thereto in writing and the Administrator shall have received copies of all agreements and documents (including Lock-Box Agreements) that it may request in connection therewith.

(h) Deposits to Lock-Box Accounts. The Servicer shall: (i) within 30 days of the initial purchase hereunder, instruct all Obligors to make payments of all Receivables to one or more Lock-Box Accounts or to the lock-boxes to which only Lock-Box Banks have access (and shall instruct the Lock-Box Banks to cause all items and amounts relating to such Receivables received in such

lock-boxes to be removed and deposited into a Lock-Box Account on a daily basis), and (ii) deposit, or cause to be deposited, any Collections received by it into Lock-Box Accounts not later than one Business Day after receipt thereof. Each Lock-Box Account shall at all times be subject to a Lock-Box Agreement. The Servicer will not (and will not permit the Originator to) deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than (i) Collections and (ii) on payments received from end-users payable to a Reseller in respect of product sold by such Reseller to such end-user, provided that such payments do not remain on deposit in such Lock-Box Account for more than two Business Days after deposit therein.

(i) Marking of Records. At its expense, the Servicer shall mark its master data processing records relating to Pool Receivables and related Contracts with a legend evidencing that the undivided percentage ownership interests with regard to the Purchased Interest related to such Receivables and related Contracts have been sold in accordance with the Agreement.

(j) Reporting Requirements. UGI shall provide to the Administrator (in multiple copies, if requested by the Administrator) the following:

(i) as soon as available and in any event within 50 days after the end of the first three quarters of each fiscal year of UGI, balance sheets of UGI and its consolidated Subsidiaries as of the end of such quarter and statements of income, retained earnings and cash flow of UGI and its consolidated Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the chief financial officer of such Person;

(ii) as soon as available and in any event within 105 days after the end of each fiscal year of such Person, a copy of the annual report for such year for such Person and its consolidated Subsidiaries, containing financial statements for such year audited by independent certified public accountants of nationally recognized standing;

(iii) as to the Servicer only, as soon as available and in any event not later than two Business Days prior to (A) the Settlement Date, an Information Package as of the most recently completed calendar month, (B) any purchase made pursuant to Section 1.2, an Information Package as of the most recent purchase, or within six Business Days of a request by the Administrator, an Information Package for such periods as is specified by the Administrator (including on a semi-monthly, weekly or daily basis);

(iv) as soon as possible and in any event within five Business Days after becoming aware of the occurrence of each Termination Event or Unmatured Termination Event, a statement of the chief financial officer of UGI setting forth details of such Termination Event or Unmatured Termination Event and the action that such Person has taken and proposes to take with respect thereto;

(v) promptly after the sending or filing thereof, copies of (or notice thereof if available on EDGAR) all reports that UGI sends to any of its security holders, and copies of all reports and registration statements that UGI or any Subsidiary files with the Securities

and Exchange Commission; provided, that any filings with the Securities and Exchange Commission that have been granted “confidential” treatment shall be provided promptly after such filings have become publicly available;

(vi) promptly after the filing or receiving thereof, copies of all reports and notices that UGI or any of its Affiliate files under ERISA with the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor with respect to any Benefit Plan that is subject to Title IV of ERISA or that UGI or any of its Affiliates receives with respect to any Benefit Plan that is subject to Title IV of ERISA from any of the foregoing or from any multiemployer plan (within the meaning of Section 4001(a)(3) of ERISA) to which UGI or any of its Affiliate is or was, within the preceding five years, a contributing employer, in each case in respect of the assessment of withdrawal liability or an event or condition that could, in the aggregate, reasonably result in the imposition of material liability on UGI and/or any such Affiliate;

(vii) at least thirty days before any change in UGI’s or the Originator’s name or any other change requiring the amendment of UCC financing statements, a notice setting forth such changes and the effective date thereof;

(viii) promptly after UGI obtains knowledge thereof, notice of any: (A) litigation, investigation or proceeding that may exist at any time between UGI or any of its Subsidiaries and any Governmental Authority that, if not cured or if adversely determined, as the case may be, would have a Material Adverse Effect; (B) litigation or proceeding adversely affecting UGI or any of its Subsidiaries in which the amount involved is \$1,000,000 or more and not covered by insurance or in which injunctive or similar relief is sought; or (C) litigation or proceeding relating to any Transaction Document;

(ix) promptly after becoming aware thereof, notice of a material adverse change in the business, operations, property or financial or other condition of UGI or any of its Subsidiaries; and

(x) such other information respecting the Receivables or the condition or operations, financial or otherwise, of UGI or any of its Affiliates as the Administrator may from time to time reasonably request.

(k) Net Worth. At any time of determination, the net worth (as adjusted to eliminate the impact of any charges related to SFAS 133) OF THE Servicer shall not be less than the lesser of (a) \$93,000,000 or (b) \$93,000,000 less an amount equal to the sum of all dividends paid by the Servicer from June 30, 2004 through such time; provided, however, that at no time shall the net worth (as adjusted above) of the Servicer (as reduced by all such dividends paid during the period referred to above) be less than \$40,000,000.

3. Separate Existence. Each of the Seller and UGI hereby acknowledges that the Purchasers, the Issuer and the Administrator are entering into the transactions contemplated by this Agreement and the other Transaction Documents in reliance upon the Seller’s identity as a legal entity separate from UGI and its Affiliates. Therefore, from and after the date hereof, each of the



Seller and UGI shall take all steps specifically required by the Agreement or reasonably required by the Administrator to continue the Seller's identity as a separate legal entity and to make it apparent to third Persons that the Seller is an entity with assets and liabilities distinct from those of UGI and any other Person, and is not a division of UGI, its Affiliates or any other Person. Without limiting the generality of the foregoing and in addition to and consistent with the other covenants set forth herein, each of the Seller and UGI shall take such actions as shall be required in order that:

(a) The Seller will be a limited purpose corporation whose primary activities are restricted in its certificate of incorporation to: (i) purchasing or otherwise acquiring from the Originator (or its Affiliates), owning, holding, granting security interests or selling interests in Pool Assets (or other receivables originated by the Originator or its Affiliates, and certain related assets), (ii) entering into agreements for the selling and servicing of the Receivables Pool (or other receivables pools originated by the Originator or its Affiliates), and (iii) conducting such other activities as it deems necessary or appropriate to carry out its primary activities;

(b) The Seller shall not engage in any business or activity, or incur any indebtedness or liability, other than as expressly permitted by the Transaction Documents;

(c) Not less than one member of the Seller's Board of Directors (the "Independent Director") shall be an individual who is not a direct, indirect or beneficial stockholder, officer, director, employee, affiliate, associate or supplier of UGI or any of its Affiliates. The certificate of incorporation of the Seller shall provide that: (i) the Seller's Board of Directors shall not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to the Seller unless the Independent Director shall approve the taking of such action in writing before the taking of such action, and (ii) such provision cannot be amended without the prior written consent of the Independent Director;

(d) The Independent Director shall not at any time serve as a trustee in bankruptcy for the Seller, UGI or any Affiliate thereof;

(e) Any employee, consultant or agent of the Seller will be compensated from the Seller's funds for services provided to the Seller. The Seller will not engage any agents other than its attorneys, auditors and other professionals, and a servicer and any other agent contemplated by the Transaction Documents for the Receivables Pool, which servicer will be fully compensated for its services by payment of the Servicing Fee;

(f) The Seller will contract with the Servicer to perform for the Seller all operations required on a daily basis to service the Receivables Pool. The Seller will pay the Servicer the Servicing Fee pursuant hereto. The Seller will not incur any material indirect or overhead expenses for items shared with UGI (or any other Affiliate thereof) that are not reflected in the Servicing Fee. To the extent, if any, that the Seller (or any Affiliate thereof) shares items of expenses not reflected in the Servicing Fee or the manager's fee, such as legal, auditing and other professional services, such expenses will be allocated to the extent practical on the basis of actual use or the value of services rendered, and otherwise on a basis reasonably related to the actual use or the value of services rendered; it being understood

that UGI shall pay all expenses relating to the preparation, negotiation, execution and delivery of the Transaction Documents, including legal, agency and other fees;

(g) The Seller's operating expenses will not be paid by UGI or any other Affiliate thereof;

(h) All of the Seller's business correspondence and other communications shall be conducted in the Seller's own name and on its own separate stationery;

(i) The Seller's books and records will be maintained separately from those of UGI and any other Affiliate thereof;

(j) All financial statements of UGI or any Affiliate thereof that are consolidated to include Seller will contain detailed notes clearly stating that: (i) a special purpose corporation exists as a Subsidiary of UGI, (ii) the Originator has sold receivables and other related assets to such special purpose Subsidiary that, in turn, has sold undivided interests therein to certain financial institutions and other entities and (iii) that the special purpose Subsidiary's assets are not available to satisfy the obligations of UGI, the Performance Guarantor or any Affiliate;

(k) The Seller's assets will be maintained in a manner that facilitates their identification and segregation from those of UGI or any Affiliate thereof;

(l) The Seller will strictly observe corporate formalities in its dealings with UGI or any Affiliate thereof, and funds or other assets of the Seller will not be commingled with those of UGI or any Affiliate thereof except as permitted by the Agreement in connection with servicing the Pool Receivables. The Seller shall not maintain joint bank accounts or other depository accounts to which UGI or any Affiliate thereof (other than UGI in its capacity of Servicer) has independent access. The Seller is not named, and has not entered into any agreement to be named, directly or indirectly, as a direct or contingent beneficiary or loss payee on any insurance policy (other than directors and officers liability and credit insurance policies) with respect to any loss relating to the property of UGI or any Subsidiary or other Affiliate of UGI. The Seller will pay to the appropriate Affiliate the marginal increase or, in the absence of such increase, the market amount of its portion of the premium payable with respect to any insurance policy that covers the Seller and such Affiliate;

(m) The Seller will maintain arm's-length relationships with UGI (and any Affiliate thereof). Any Person that renders or otherwise furnishes services to the Seller will be compensated by the Seller at market rates for such services it renders or otherwise furnishes to the Seller. Neither the Seller nor UGI will be or will hold itself out to be responsible for the debts of the other or the decisions or actions respecting the daily business and affairs of the other. The Seller and UGI will immediately correct any known misrepresentation with respect to the foregoing, and they will not operate or purport to operate as an integrated single economic unit with respect to each other or in their dealing with any other entity; and

(n) Neither UGI nor the Performance Guarantor shall pay the salaries of Seller's employees, if any.

**EXHIBIT V**  
**TERMINATION EVENTS**

Each of the following shall be a “Termination Event”:

(a) (i) the Seller, UGI, the Originator or the Servicer (if UGI or any of its Affiliates) shall fail to perform or observe in any material respect any term, covenant or agreement under the Agreement or any other Transaction Document and, except as otherwise provided herein, such failure shall continue for thirty days after knowledge or notice thereof, (ii) the Seller or the Servicer shall fail to make when due any payment or deposit to be made by it under the Agreement and such failure shall continue unremedied for two (2) Business Days or (iii) UGI shall resign as Servicer, and no successor Servicer reasonably satisfactory to the Administrator shall have been appointed;

(b) UGI (or any Affiliate thereof) shall fail to transfer to any successor Servicer when required any rights pursuant to the Agreement that UGI (or such Affiliate) then has as Servicer;

(c) any representation or warranty made or deemed made by the Seller, UGI or the Originator (or any of their respective officers) under or in connection with the Agreement or any other Transaction Document, or any written information or report delivered by the Seller, UGI or the Originator or the Servicer pursuant to the Agreement or any other Transaction Document, shall prove to have been incorrect or untrue in any respect when made or deemed made (pursuant to paragraph 2(b) of Exhibit II hereof or with respect to any Information Package) or delivered; provided, however, if the violation of this paragraph (c) by the Seller or the Servicer may be cured without any potential or actual detriment to the Purchaser, the Administrator, or any Program Support Provider, the Seller or the Servicer as applicable shall have 30 days from the earlier of (i) such Person’s knowledge of such failure and (ii) notice to such Person of such failure to cure any such violation, before a Termination Event shall occur so long as such Person is diligently attempting to effect such cure;

(d) the Seller or the Servicer shall fail to deliver the Information Package pursuant to the Agreement, and such failure shall remain unremedied for two Business Days;

(e) the Agreement or any purchase or reinvestment pursuant to the Agreement shall for any reason: (i) cease to create, or the Purchased Interest shall for any reason cease to be, a valid and enforceable perfected undivided percentage ownership or security interest to the extent of the Purchased Interest in each Pool Receivable, the Related Security and Collections with respect thereto, free and clear of any Adverse Claim, or (ii) cease to create with respect to the Pool Assets, or the interest of the Issuer with respect to such Pool Assets shall cease to be, a valid and enforceable first priority perfected security interest, free and clear of any Adverse Claim;

(f) the Seller, UGI or the Originator shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Seller, UGI, the Performance Guarantor or the Originator seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or

composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Seller, UGI, the Performance Guarantor or the Originator shall take any corporate action to authorize any of the actions set forth above in this paragraph;

(g) (i) the (A) Default Ratio shall exceed 2.25% or (B) Delinquency Ratio shall exceed 10.0% or (ii) the average for three consecutive calendar months of (A) the Default Ratio shall exceed 1.50%, (B) the Delinquency Ratio shall exceed 9.0%, (C) the Dilution Ratio shall exceed 1.75% or (iii) Days' Sales Outstanding exceeds 45 days;

(h) a Change in Control shall occur with respect to the Seller, the Originator or UGI,

(i) at any time (i) the sum of (A) the Capital plus (B) the Total Reserves, exceeds (ii) the sum of (A) the Net Receivables Pool Balance at such time plus (B) the Issuer's Share of the amount of Collections then on deposit in the Lock-Box Accounts (other than amounts set aside therein representing Discount and fees), and such circumstance shall not have been cured within five (5) Business Days of becoming aware thereof;

(j) (i) UGI or any of its Subsidiaries shall fail to pay any principal of or premium or interest on any of its Debt that is outstanding in a principal amount of at least \$5,000,000 in the aggregate when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement, mortgage, indenture or instrument relating to such Debt (and shall have not been waived); or (ii) any other event shall occur or condition shall exist under any agreement, mortgage, indenture or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement, mortgage, indenture or instrument (and shall have not been waived), if, in either case: (a) the effect of such non-payment, event or condition is to give the applicable debt holders the right (whether acted upon or not) to accelerate the maturity of such Debt, or (b) any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to repay, redeem, purchase or defease such Debt shall be required to be made, in each case before the stated maturity thereof;

(k) either: (i) a contribution failure shall occur with respect to any Benefit Plan sufficient to give rise to a lien under Section 302(f) of ERISA, (ii) the Internal Revenue Service shall file a notice of lien asserting a claim or claims pursuant to the Internal Revenue Code with regard to any of the assets of Seller, the Originator or any ERISA Affiliate and such lien shall have been filed and not released within 10 days, or (iii) the Pension Benefit Guaranty Corporation shall, or shall indicate its intention in writing to the Seller, the Originator or any ERISA Affiliate to, either file a notice of lien asserting a claim pursuant to ERISA with regard to any assets of the Seller, the Originator or any ERISA Affiliate or terminate any Benefit Plan subject to Title IV of ERISA that has unfunded

benefit liabilities, or any steps shall have been taken to terminate any Benefit Plan subject to Title IV of ERISA that has unfunded benefit liabilities so as to result in any material liability to the Seller or the Originator and such lien shall have been filed and not released within 10 days;

(l) (i) one or more final and unappealable judgments for the payment of money shall be entered against the Seller or (ii) one or more final and unappealable judgments for the payment of money in an amount in excess of \$20,000,000, individually or in the aggregate, shall be entered against the Servicer or the Originator on claims not covered by insurance or as to which the insurance carrier has denied its responsibility, and such judgment shall continue unsatisfied and in effect for sixty (60) consecutive days without a stay of execution;

(m) [RESERVED] or

the "Purchase and Sale Termination Date" under and as defined in the Purchase and Sale Agreement shall occur under the Purchase and Sale Agreement or the Originator shall for any reason cease to transfer, or cease to have the legal capacity to transfer, or otherwise be incapable of transferring Receivables to the Seller under the Purchase and Sale Agreement

## SUBSIDIARIES OF UGI CORPORATION

<u>SUBSIDIARY</u>	<u>OWNERSHIP</u>	<u>STATE OF INCORPORATION</u>
AMERIGAS, INC.	100%	PA
AMERIGAS PROPANE, INC.	100%	PA
AmeriGas Partners, L.P.	(1)	DE
AmeriGas Finance Corp.	100%	DE
AmeriGas Eagle Finance Corp.	100%	DE
AP Eagle Finance Corp.	100%	DE
AmeriGas Finance LLC	100%	DE
AmeriGas Propane, L.P.	(2)	DE
AmeriGas Propane Parts & Service, Inc.	100%	PA
Heritage Energy Resources, LLC	100%	OK
M-P Oils, Ltd.	100%	CANADA
AmeriGas Eagle Holdings, Inc.	100%	DE
AmerE Holdings, Inc.	100%	DE
Active Propane of Wisconsin, LLC	100%	DE
902 Gilbert Street, LLC	100%	NC
Metro Lawn, LLC	100%	DE
AmeriGas Technology Group, Inc.	100%	PA
FOUR FLAGS DRILLING COMPANY, INC.	100%	PA
ASHTOLA PRODUCTION COMPANY	100%	PA
UGI ETHANOL DEVELOPMENT CORPORATION	100%	PA
NEWBURY HOLDING COMPANY	100%	DE
UGI ENTERPRISES, LLC	100%	PA
EASTFIELD INTERNATIONAL HOLDINGS, INC.	100%	DE
EUROGAS HOLDINGS, INC.	100%	DE
UGI BLACK SEA ENTERPRISES, INC.	100%	PA
UGI CHINA, INC.	100%	DE
UGI ENERGY SERVICES, LLC (d/b/a UGI EnergyLink)	100%	PA
Energy Services Funding Corporation	100%	DE
Hellertown Pipeline Company	100%	PA
Homestead Holding Company	100%	DE
UGI Asset Management, Inc.	100%	DE
UGI Development Company	100%	PA
UGID Holding Company	100%	DE
UGI Hunlock Development Company	100%	PA
UGI LNG, Inc.	100%	DE
UGI Marcellus, LLC	100%	DE
UGI Mt. Bethel Pipeline Company, LLC	100%	DE
UGI PennEast, LLC	100%	DE
PennEast Pipeline Company, LLC	20%	DE
UGI Storage Company	100%	PA

<b><u>SUBSIDIARY</u></b>	<b><u>OWNERSHIP</u></b>	<b><u>STATE OF INCORPORATION</u></b>
UGI Sunbury, LLC	100%	DE
UGI Texas Creek, LLC	100%	DE
UGI CENTRAL GAS CONTROL, LLC	100%	DE
UGI HVAC ENTERPRISES, INC.	100%	DE
UGI INTERNATIONAL (CHINA), INC.	100%	DE
UGI INTERNATIONAL (ROMANIA), INC.	100%	PA
UGI INTERNATIONAL, LLC	100%	PA
UGI Europe, Inc.	100%	DE
UGI International Holdings BV	100%	NETHERLANDS
Flaga GmbH	100%	AUSTRIA
Flaga Supply and Services GmbH	100%	AUSTRIA
Kosan Gas A/S	100%	DENMARK
Kosan Gas Sverige AB	100%	SWEDEN
Kosan Gas AB	100%	SWEDEN
Kosan Gas Norge A/S	100%	NORWAY
Kosan Gas Finland Oy	100%	FINLAND
Flaga Suisse GmbH	100%	SWITZERLAND
Zentraleuropa LPG Holding GmbH	100%	AUSTRIA
AmeriGas Polska Sp. z.o.o.	100%	POLAND
Flaga GPL Romania S.r.l.	100%	ROMANIA
Flaga LPG SA	90.59%	ROMANIA
Flaga s.r.o.	100%	CZECH REPUBLIC
Flaga spol s.r.o.	100%	SLOVAKIA
Flaga Hungaria Kft.	100%	HUNGARY
Trans Gas LPG Services S.r.l.	20%	ROMANIA
UGI France	100%	FRANCE
Antargaz Belgium N.V.	100%	BELGIUM
Antargaz Luxembourg S.A.	100%	LUXEMBOURG
Antargaz Nederland B.V.	100%	NETHERLANDS
EnergySud S.A.	(3)	BELGIUM
Gasbottling N.V.	(4)	BELGIUM
Antargaz Finagaz (5)	100%	FRANCE
UGI Energie (6)	100%	FRANCE
UGI Distribution	(7)	FRANCE
Norgal	61.06%	FRANCE
Butane Du Havre	37.3%	FRANCE
Cobogal	50%	FRANCE
Geogaz - Lavera	21.57%	FRANCE
Geovexin	44.9%	FRANCE
Gie Donges	50%	FRANCE
Groupement Technique Citernes	(8)	FRANCE
Rhone Gaz	50.62%	FRANCE
Sigalnor	30%	FRANCE
Sigap Ouest	100%	FRANCE



<u>SUBSIDIARY</u>	<u>OWNERSHIP</u>	<u>STATE OF INCORPORATION</u>
Sobegal	72%	FRANCE
Societe Des Gaz Du Sud (Sogasud)	100%	FRANCE
SoGaCYP	50%	FRANCE
SP Queven	50%	FRANCE
Stogaz	100%	FRANCE
UGI Midlands Limited	100%	UNITED KINGDOM
AvantiGas Limited	100%	UNITED KINGDOM
Amazon Gas Limited	100%	UNITED KINGDOM
Avanti Renewables Limited	50%	UNITED KINGDOM
Lister Gases Limited	100%	UNITED KINGDOM
Primus Limited	100%	UNITED KINGDOM
AvantiGas On Ltd.	100%	UNITED KINGDOM
DVEP Investeringen B.V.	100%	NETHERLANDS
De Vrije Energie Producent B.V.	100%	NETHERLANDS
Qwint B.V.	100%	NETHERLANDS
UGI Italia S.r.l.	(9)	ITALY
UniverGas Italia S.r.l.	100%	ITALY
Alanno Gas S.c.a.r.l.	54%	ITALY
Foligno Gas S.r.l.	51%	ITALY
Montemarcian Gas S.c.a.r.l.	51%	ITALY
Ponentegas S.r.l.	100%	ITALY
UGI ROMANIA, INC.	100%	PA
UGI PROPERTIES, INC.	100%	PA
UGI UTILITIES, INC.	100%	PA
OPERATION SHARE ENERGY FUND	100%	PA
UGI ENERGY VENTURES, INC.	100%	DE
UGI PENN NATURAL GAS, INC.	100%	PA
UGI Penn HVAC Services, Inc.	100%	PA
UGI CENTRAL PENN GAS, INC.	100%	PA
UGI Central Penn Propane, LLC	100%	PA
UGI Petroleum Products of Delaware, Inc.	100%	DE
UGI STONERIDGE I, LLC	100%	DE
UGI Stoneridge II, LLC	100%	DE
UNITED VALLEY INSURANCE COMPANY	100%	VT

(1) AmeriGas Propane, Inc. holds an approximate 26% interest in AmeriGas Partners, L.P.

(2) 1.0101% owned by AmeriGas Propane, Inc., the General Partner, 98.8899% owned by AmeriGas Partners, L.P., a Limited Partner and 0.1% owned by AmeriGas Eagle Holdings, Inc., a Limited Partner.

(3) 90% owned by Antargaz Belgium N.V. and 10% owned by Antargaz Luxembourg S.A.

(4) 99.5% owned by Antargaz Belgium N.V. and 0.5% owned by Antargaz Luxembourg S.A.

(5) A nominal share is held by each of Eric Naddeo, Kirk R. Oliver, Roger Perreault, John L. Walsh, and HC Conseil SARL (Mr. Hervé Couffin).

- (6) A nominal share is held by each of Eric Doublet, Serge Moisan, Eric Naddeo, Augustin Sarragallet, Philippe Simon and Antoine Willaume.**
- (7) 99.98% owned by Antargaz Finagaz and 0.02% owned by Stogaz. Also, a nominal share is held by each of Claire Boucher, Félix Charlemagne, Eric Doublet, Eric Naddeo, Augustin Sarragallet and Antoine Willaume.**
- (8) 20.0% owned by Antargaz Finagaz and 20.0% % owned by Societe Des Gaz Du Sud (Sogasud).**
- (9) 62.7% owned by UGI International Holdings B.V. and 37.3% owned by UGI International, LLC.**

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- 1) Registration Statements (Form S-8 No. 333-186178) pertaining to the 2013 Omnibus Incentive Compensation Plan of UGI Corporation;
- 2) Registration Statements (Form S-8 No. 333-167099) pertaining to the Savings Plan of UGI HVAC Enterprises, Inc., UGI Utilities, Inc., and AmeriGas Propane, Inc.;
- 3) Registration Statement (Form S-8 No. 333-142010 and Form S-8 No. 333-118147) pertaining to the Amended and Restated 2004 Omnibus Equity Compensation Plan of UGI Corporation;
- 4) Registration Statement (Form S-8 No. 333-49080) pertaining to the Savings Plan of UGI HVAC Enterprises, Inc., UGI Utilities, Inc., and AmeriGas Propane, Inc., the 2000 Stock Incentive Plan of UGI Corporation, and the 2000 Directors' Stock Option Plan of UGI Corporation;
- 5) Registration Statement (Form S-8 No. 333-22305) pertaining to the 1997 Stock Option and Dividend Equivalent Plan and Directors' Equity Compensation Plan of UGI Corporation;

of our reports dated November 21, 2017, with respect to the consolidated financial statements and schedules of UGI Corporation and the effectiveness of internal control over financial reporting of UGI Corporation included in this Annual Report (Form 10-K) of UGI Corporation for the year ended September 30, 2017.

/s/ Ernst & Young LLP  
Philadelphia, Pennsylvania  
November 21, 2017

## CERTIFICATION

I, John L. Walsh, certify that:

1. I have reviewed this annual report on Form 10-K of UGI Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 21, 2017

/s/ John L. Walsh

John L. Walsh

President and Chief Executive Officer of  
UGI Corporation

## CERTIFICATION

I, Kirk R. Oliver, certify that:

1. I have reviewed this annual report on Form 10-K of UGI Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 21, 2017

/s/ Kirk R. Oliver

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Kirk R. Oliver

Chief Financial Officer of UGI Corporation

**Certification by the Chief Executive Officer and Chief Financial Officer  
Relating to a Periodic Report Containing Financial Statements**

I, John L. Walsh, Chief Executive Officer, and I, Kirk R. Oliver, Chief Financial Officer, of UGI Corporation, a Pennsylvania corporation (the “Company”), hereby certify that to our knowledge:

- (1) The Company’s annual report on Form 10-K for the period ended September 30, 2017 (the “Form 10-K”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

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CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

/s/ John L. Walsh

\_\_\_\_\_  
John L. Walsh

/s/ Kirk R. Oliver

\_\_\_\_\_  
Kirk R. Oliver

Date:    November 21, 2017

Date:    November 21, 2017