

Edgar Filing: PACIFIC ENTERPRISES INC - Form 10-Q

PACIFIC ENTERPRISES INC  
Form 10-Q  
May 10, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

March 31, 2002

For the quarterly period ended.....  
Or

Transition report pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

| Commission<br>File<br>Number | Name of Registrant, State of<br>Incorporation, Address and<br>Telephone Number  | IRS Employer<br>Identification<br>Number |
|------------------------------|---|--|
| 1-40                         | Pacific Enterprises<br>(A California Corporation)<br>101 Ash Street<br>San Diego, California 92101<br>(619) 696-2020                      | 94-0743670                               |
| 1-1402                       | Southern California Gas Company<br>(A California Corporation)<br>555 West Fifth Street<br>Los Angeles, California 90013<br>(213) 244-1200 | 95-1240705                               |

No Change

-----  
Former name, former address and former fiscal year, if changed since  
last report

Indicate by check mark whether the registrant (1) has filed all  
reports required to be filed by Sections 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...X... No.....

Indicate the number of shares outstanding of each of the issuer's  
classes of common stock, as of the latest practicable date.

Common Stock outstanding:

Pacific Enterprises                      Wholly owned by Sempra Energy  
Southern California Gas Company        Wholly owned by Pacific Enterprises

ITEM 1. FINANCIAL STATEMENTS.

PACIFIC ENTERPRISES AND SUBSIDIARIES  
STATEMENTS OF CONSOLIDATED INCOME  
Dollars in millions

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|  | Three Months Ended<br>March 31, |          |
|--|---------------------------------|----------|
|  | 2002                            | 2001     |
| Operating Revenues                                       | \$ 722                          | \$ 1,548 |
| Operating Expenses                                       |                                 |          |
| Cost of natural gas distributed                          | 347                             | 1,151    |
| Other operating expenses                                 | 171                             | 188      |
| Depreciation   | 68                              | 65       |
| Income taxes   | 47                              | 42       |
| Other taxes and franchise payments                       | 24                              | 34       |
| Total operating expenses                                 | 657                             | 1,480    |
| Operating Income   | 65                              | 68       |
| Other Income and (Deductions)                            |                                 |          |
| Interest income  | 2                               | 17       |
| Regulatory interest - net                                | 1                               | (5)      |
| Allowance for equity funds used<br>during construction   | 2                               | 1        |
| Taxes on non-operating income                            | 3                               | (2)      |
| Other - net  | 3                               | (4)      |
| Total  | 11                              | 7        |
| Interest Charges   |                                 |          |
| Long-term debt   | 9                               | 17       |
| Other  | 9                               | 9        |
| Allowance for borrowed funds used<br>during construction | (1)                             | (1)      |
| Total  | 17                              | 25       |
| Net Income   | 59                              | 50       |
| Preferred Dividend Requirements                          | 1                               | 1        |
| Earnings Applicable to Common Shares                     | \$ 58                           | \$ 49    |

See notes to Consolidated Financial Statements.

PACIFIC ENTERPRISES AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
Dollars in millions

|                                     | Balance at        |                      |
|-------------------------------------|-------------------|----------------------|
|                                     | March 31,<br>2002 | December 31,<br>2001 |
| ASSETS                              |                   |                      |
| Property, plant and equipment       | \$6,655           | \$6,590              |
| Accumulated depreciation            | (3,853)           | (3,793)              |
| Property, plant and equipment - net | 2,802             | 2,797                |

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|  |         |         |
|--|---------|---------|
| Current assets:  |         |         |
| Cash and cash equivalents  | 66      | 13      |
| Accounts receivable - trade  | 320     | 415     |
| Accounts receivable - other  | 43      | 14      |
| Due from unconsolidated affiliates   | 181     | --      |
| Income taxes receivable  | --      | 20      |
| Deferred income taxes  | 44      | 33      |
| Regulatory assets arising from fixed-price contracts and other derivatives | 94      | 103     |
| Fixed-price contracts and other derivatives                                | 12      | 59      |
| Inventories  | 13      | 42      |
| Other  | 3       | 4       |
|  | -----   | -----   |
| Total current assets   | 776     | 703     |
|  | -----   | -----   |
| Other assets:  |         |         |
| Due from unconsolidated affiliates   | 423     | 409     |
| Regulatory assets arising from fixed-price contracts and other derivatives | 342     | 157     |
| Sundry   | 131     | 125     |
|  | -----   | -----   |
| Total other assets   | 896     | 691     |
|  | -----   | -----   |
| Total assets   | \$4,474 | \$4,191 |
|  | =====   | =====   |

See notes to Consolidated Financial Statements.

PACIFIC ENTERPRISES AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
Dollars in millions

|  | Balance at        |                      |
|--|-------------------|----------------------|
|  | March 31,<br>2002 | December 31,<br>2001 |
|  | -----             | -----                |
| CAPITALIZATION AND LIABILITIES   |                   |                      |
| Capitalization:  |                   |                      |
| Common Stock (600,000,000 shares authorized;<br>83,917,664 shares outstanding) | \$1,317           | \$1,317              |
| Retained earnings  | 234               | 177                  |
|  | -----             | -----                |
| Total common equity  | 1,551             | 1,494                |
| Preferred stock  | 80                | 80                   |
|  | -----             | -----                |
| Total shareholders' equity   | 1,631             | 1,574                |
| Long-term debt   | 506               | 579                  |
|  | -----             | -----                |
| Total capitalization   | 2,137             | 2,153                |
|  | -----             | -----                |
| Current liabilities:   |                   |                      |
| Short-term debt  | --                | 50                   |
| Current portion of long-term debt  | 175               | 100                  |
| Accounts payable - trade   | 195               | 160                  |
| Accounts payable - other   | 111               | 81                   |
| Due to unconsolidated affiliates   | 60                | 168                  |
| Regulatory balancing accounts - net  | 166               | 85                   |

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|  |         |         |
|--|---------|---------|
| Income taxes payable                         | 8       | --      |
| Dividends and interest payable               | 37      | 31      |
| Regulatory liabilities                       | 12      | 18      |
| Fixed-price contracts and other derivatives  | 103     | 103     |
| Other  | 409     | 390     |
|  | -----   | -----   |
| Total current liabilities                    | 1,276   | 1,186   |
|  | -----   | -----   |
| Deferred credits and other liabilities:      |         |         |
| Customer advances for construction           | 28      | 24      |
| Post-retirement benefits other than pensions | 86      | 88      |
| Deferred income taxes                        | 138     | 110     |
| Deferred investment tax credits              | 49      | 50      |
| Regulatory liabilities                       | 99      | 86      |
| Fixed-price contracts and other derivatives  | 344     | 162     |
| Deferred credits and other liabilities       | 297     | 312     |
| Preferred stock of subsidiary                | 20      | 20      |
|  | -----   | -----   |
| Total deferred credits and other liabilities | 1,061   | 852     |
|  | -----   | -----   |
| Contingencies and commitments (Note 2)       |         |         |
| Total liabilities and shareholders' equity   | \$4,474 | \$4,191 |
|  | =====   | =====   |

See notes to Consolidated Financial Statements.

PACIFIC ENTERPRISES AND SUBSIDIARIES  
 CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS  
 Dollars in millions

|   | Three Months Ended<br>March 31, |       |
|---|---------------------------------|-------|
|   | 2002                            | 2001  |
|   | -----                           | ----- |
| Cash Flows from Operating Activities  |                                 |       |
| Net Income  | \$ 59                           | \$ 50 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |       |
| Depreciation  | 68                              | 65    |
| Deferred income taxes and investment tax credits                                  | 16                              | 9     |
| Changes in other assets   | --                              | 13    |
| Changes in other liabilities  | (12)                            | (3)   |
| Net changes in other working capital components                                   | 343                             | 132   |
|   | -----                           | ----- |
| Net cash provided by operating activities   | 474                             | 266   |
|   | -----                           | ----- |
| Cash Flows from Investing Activities  |                                 |       |
| Capital expenditures  | (70)                            | (46)  |
| Loans repaid by (paid to) affiliates  | (200)                           | 190   |
|   | -----                           | ----- |
| Net cash provided by (used in) investing activities                               | (270)                           | 144   |
|   | -----                           | ----- |

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|   |       |        |
|---|-------|--------|
| Cash Flows from Financing Activities              |       |        |
| Common dividends paid                             | (100) | (140)  |
| Preferred dividends paid                          | (1)   | (1)    |
| Decrease in short-term debt                       | (50)  | --     |
|   | ----- | -----  |
| Net cash used in financing activities             | (151) | (141)  |
|   | ----- | -----  |
| Increase in cash and cash equivalents             | 53    | 269    |
| Cash and cash equivalents, January 1              | 13    | 205    |
|   | ----- | -----  |
| Cash and cash equivalents, March 31               | \$ 66 | \$ 474 |
|   | ===== | =====  |
| Supplemental Disclosure of Cash Flow Information: |       |        |
| Interest payments, net of amounts capitalized     | \$ 13 | \$ 21  |
|   | ===== | =====  |
| Income tax payments, net of refunds               | \$ -- | \$ 102 |
|   | ===== | =====  |

See notes to Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES  
 STATEMENTS OF CONSOLIDATED INCOME  
 Dollars in millions

|  | Three Months Ended<br>March 31, |          |
|--|---------------------------------|----------|
|  | 2002                            | 2001     |
|  | -----                           | -----    |
| Operating Revenues                                     | \$ 722                          | \$ 1,548 |
|  | -----                           | -----    |
| Operating Expenses                                     |                                 |          |
| Cost of natural gas distributed                        | 347                             | 1,151    |
| Other operating expenses                               | 168                             | 186      |
| Depreciation   | 68                              | 65       |
| Income taxes   | 48                              | 44       |
| Other taxes and franchise payments                     | 24                              | 34       |
|  | -----                           | -----    |
| Total operating expenses                               | 655                             | 1,480    |
|  | -----                           | -----    |
| Operating Income                                       | 67                              | 68       |
|  | -----                           | -----    |
| Other Income and (Deductions)                          |                                 |          |
| Interest income  | 1                               | 9        |
| Regulatory interest - net                              | 1                               | (5)      |
| Allowance for equity funds used<br>during construction | 2                               | 1        |
| Taxes on non-operating income                          | 4                               | (2)      |
| Other - net  | -                               | (1)      |
|  | -----                           | -----    |
| Total  | 8                               | 2        |
|  | -----                           | -----    |
| Interest Charges                                       |                                 |          |

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|  |       |       |
|--|-------|-------|
| Long-term debt   | 9     | 17    |
| Other  | 7     | 3     |
| Allowance for borrowed funds used<br>during construction | (1)   | (1)   |
|  | ----- | ----- |
| Total  | 15    | 19    |
|  | ----- | ----- |
| Earnings Applicable to Common Shares                     | \$ 60 | \$ 51 |
|  | ===== | ===== |

See notes to Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
Dollars in millions

|   | Balance at        |                      |
|---|-------------------|----------------------|
|   | March 31,<br>2002 | December 31,<br>2001 |
|   | -----             | -----                |
| ASSETS  |                   |                      |
| Utility plant - at original cost  | \$6,531           | \$6,467              |
| Accumulated depreciation  | (3,769)           | (3,710)              |
|   | -----             | -----                |
| Utility plant - net   | 2,762             | 2,757                |
|   | -----             | -----                |
| Current assets:   |                   |                      |
| Cash and cash equivalents   | 66                | 13                   |
| Accounts receivable - trade   | 320               | 415                  |
| Accounts receivable - other   | 43                | 14                   |
| Due from unconsolidated affiliates  | 181               | --                   |
| Deferred income taxes   | 73                | 62                   |
| Regulatory assets arising from fixed-price<br>contracts and other derivatives | 94                | 103                  |
| Fixed-price contracts and other derivatives                                   | 12                | 59                   |
| Inventories   | 13                | 42                   |
| Other   | 3                 | 4                    |
|   | -----             | -----                |
| Total current assets  | 805               | 712                  |
|   | -----             | -----                |
| Other assets:   |                   |                      |
| Regulatory assets arising from fixed-price<br>contracts and other derivatives | 342               | 157                  |
| Sundry  | 144               | 136                  |
|   | -----             | -----                |
| Total other assets  | 486               | 293                  |
|   | -----             | -----                |
| Total assets  | \$4,053           | \$3,762              |
|   | =====             | =====                |

See notes to Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
Dollars in millions

Balance at

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|  | March 31,<br>2002 | December 31,<br>2001 |
|--|-------------------|----------------------|
|  | -----             | -----                |
| CAPITALIZATION AND LIABILITIES   |                   |                      |
| Capitalization:  |                   |                      |
| Common Stock (100,000,000 shares authorized;<br>91,300,000 shares outstanding) | \$ 835            | \$ 835               |
| Retained earnings  | 430               | 470                  |
|  | -----             | -----                |
| Total common equity  | 1,265             | 1,305                |
| Preferred stock  | 22                | 22                   |
|  | -----             | -----                |
| Total shareholders' equity   | 1,287             | 1,327                |
| Long-term debt   | 506               | 579                  |
|  | -----             | -----                |
| Total capitalization   | 1,793             | 1,906                |
|  | -----             | -----                |
| Current liabilities:   |                   |                      |
| Short-term debt  | --                | 50                   |
| Current portion of long-term debt  | 175               | 100                  |
| Accounts payable - trade   | 195               | 160                  |
| Accounts payable - other   | 111               | 81                   |
| Due to unconsolidated affiliates   | --                | 24                   |
| Regulatory balancing accounts - net  | 166               | 85                   |
| Income taxes payable   | 63                | 32                   |
| Interest payable   | 33                | 29                   |
| Regulatory liabilities   | 12                | 18                   |
| Fixed-price contracts and other derivatives                                    | 103               | 103                  |
| Other  | 408               | 390                  |
|  | -----             | -----                |
| Total current liabilities  | 1,266             | 1,072                |
|  | -----             | -----                |
| Deferred credits and other liabilities:  |                   |                      |
| Customer advances for construction   | 28                | 24                   |
| Deferred income taxes  | 209               | 183                  |
| Deferred investment tax credits  | 49                | 50                   |
| Regulatory liabilities   | 185               | 174                  |
| Fixed-price contracts and other derivatives                                    | 344               | 162                  |
| Deferred credits and other liabilities   | 179               | 191                  |
|  | -----             | -----                |
| Total deferred credits and other liabilities                                   | 994               | 784                  |
|  | -----             | -----                |
| Contingencies and commitments (Note 2)   |                   |                      |
| Total liabilities and shareholders' equity                                     | \$4,053           | \$3,762              |
|  | =====             | =====                |

See notes to Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES  
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS  
Dollars in millions

| Three Months Ended<br>March 31, |      |
|---------------------------------|------|
| -----                           |      |
| 2002                            | 2001 |

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|   |       |        |
|---|-------|--------|
|   | ----- | -----  |
| Cash Flows from Operating Activities  |       |        |
| Net income  | \$ 60 | \$ 51  |
| Adjustments to reconcile net income to net cash provided by operating activities: |       |        |
| Depreciation  | 68    | 65     |
| Deferred income taxes and investment tax credits                                  | 13    | 8      |
| Changes in other assets   | --    | 13     |
| Changes in other liabilities  | (10)  | --     |
| Net changes in other working capital components                                   | 342   | 135    |
|   | ----- | -----  |
| Net cash provided by operating activities   | 473   | 272    |
|   | ----- | -----  |
| Cash Flows from Investing Activities  |       |        |
| Capital expenditures  | (70)  | (46)   |
| Loan repaid by (paid to) affiliate  | (200) | 183    |
|   | ----- | -----  |
| Net cash provided by (used in) investing activities                               | (270) | 137    |
|   | ----- | -----  |
| Cash Flows from Financing Activities  |       |        |
| Dividends paid  | (100) | (140)  |
| Decrease in short-term debt   | (50)  | --     |
|   | ----- | -----  |
| Net cash used in financing activities   | (150) | (140)  |
| Increase in cash and cash equivalents   | 53    | 269    |
| Cash and cash equivalents, January 1  | 13    | 205    |
|   | ----- | -----  |
| Cash and cash equivalents, March 31   | \$ 66 | \$ 474 |
|   | ===== | =====  |
| Supplemental Disclosure of Cash Flow Information:                                 |       |        |
| Interest payments, net of amounts capitalized                                     | \$ 11 | \$ 15  |
|   | ===== | =====  |
| Income tax payments, net of refunds   | \$ -- | \$ 90  |
|   | ===== | =====  |

See notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

This Quarterly Report on Form 10-Q is that of Pacific Enterprises (PE) and of Southern California Gas Company (SoCalGas) (collectively referred to herein as the companies). PE's common stock is wholly owned by Sempra Energy, a California-based Fortune 500 energy services company. SoCalGas' common stock is wholly owned by PE. The financial statements herein are, in one case, the Consolidated Financial Statements of PE and its subsidiary, SoCalGas, and, in the second case, the Consolidated Financial Statements of SoCalGas and its subsidiaries, which comprise less than one percent of SoCalGas' consolidated financial position and results of operations.

The accompanying Consolidated Financial Statements have been prepared in accordance with the interim-period-reporting requirements of Form 10-Q. Results of operations for interim periods are not necessarily indicative of results for the entire year. In the opinion of management, the



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accompanying statements reflect all adjustments necessary for a fair presentation. These adjustments are only of a normal recurring nature. Certain changes in classification have been made to prior presentations to conform to the current financial statement presentation.

The companies' significant accounting policies are described in the notes to Consolidated Financial Statements in the companies' Annual Report on Form 10-K for the year ended December 31, 2001 (Annual Report). The same accounting policies are followed for interim reporting purposes.

Information in this Quarterly Report is unaudited and should be read in conjunction with the companies' Annual Report.

As described in the notes to Consolidated Financial Statements in the companies' Annual Report, SoCalGas accounts for the economic effects of regulation on utility operations in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71).

### NEW ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board (FASB) issued two statements, SFAS 142 "Goodwill and Other Intangible Assets" and SFAS 143 "Accounting for Asset Retirement Obligations." The former is not presently relevant to the companies.

SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This applies to legal obligations associated with the retirement of long-lived assets. It requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity increases the carrying amount of the related long-lived asset to reflect the future retirement cost. Over time, the liability is accreted to its present value and paid, and the capitalized cost is depreciated over the useful life of the related asset. SFAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The companies have not yet determined the precise effect of SFAS 143 on their Consolidated Balance Sheets, but have determined that it will not have a material impact on their Statements of Consolidated Income.

In August 2001, the FASB issued SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" that replaces SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS 144 applies to all long-lived assets, including discontinued operations. SFAS 144 requires that those long-lived assets classified as held for sale be measured at the lower of carrying amount or fair value less cost to sell. Discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. SFAS 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The provisions of SFAS 144 are effective for fiscal years beginning after December 15, 2001. The adoption of SFAS 144 has not affected the companies' financial statements.

### 2. MATERIAL CONTINGENCIES

#### LITIGATION

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Lawsuits filed in 2000 and currently consolidated in San Diego Superior Court seek class-action certification and allege that Sempra Energy, SoCalGas, SDG&E and El Paso Energy Corp. acted to drive up the price of natural gas for Californians by agreeing to restrict pipeline capacity into California. Management believes the allegations are without merit.

Except for the matter referred to above, neither the companies nor their subsidiaries are party to, nor is their property the subject of, any material pending legal proceedings other than routine litigation incidental to their businesses. Management believes that these matters will not have a material adverse effect on the companies' financial condition or results of operations.

### QUASI-REORGANIZATION

In 1993, PE divested its merchandising operations and most of its oil and gas exploration and production business. In connection with the divestitures, PE effected a quasi-reorganization for financial reporting purposes effective December 31, 1992. Management believes the remaining balances of the liabilities established in connection with the quasi-reorganization are adequate.

### 3. COMPREHENSIVE INCOME

The following is a reconciliation of net income to comprehensive income.

| (Dollars in millions)             | Pacific Enterprises                    |       | SoCalGas                               |       |
|-----------------------------------|--|-------|--|-------|
|                                   | Three-month periods<br>ended March 31, |       | Three-month periods<br>ended March 31, |       |
|                                   | 2002                                   | 2001  | 2002                                   | 2001  |
| Net income                        | \$ 59                                  | \$ 50 | \$ 60                                  | \$ 51 |
| Financial instruments<br>(Note 4) | (1)*                                   | --    | (1)*                                   | --    |
| Comprehensive income              | \$ 58                                  | \$ 50 | \$ 59                                  | \$ 51 |

\* This did not affect the reported balance of accumulated other comprehensive income (\$0 at the beginning and end of the period) due to rounding.

### 4. FINANCIAL INSTRUMENTS

Note 8 of the notes to Consolidated Financial Statements in the companies' Annual Report discusses the companies' financial instruments, including the adoption of SFAS 133, accounting for derivative instruments and hedging activities, market risk, interest-rate risk management, energy derivatives and contracts, and fair value. Additional activity and information since January 1, 2002 related to financial instruments are described herein.

At March 31, 2002, \$12 million in current assets, \$103 million in current liabilities and \$344 million in noncurrent liabilities were recorded in the Consolidated Balance Sheets for fixed-priced contracts

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and other derivatives. Regulatory assets and liabilities were established to the extent that derivative gains and losses are recoverable or payable through future rates. As such, \$94 million in current regulatory assets, \$342 million in noncurrent regulatory assets, \$2 million in regulatory balancing account liabilities and \$1 million in other current liabilities were recorded in the Consolidated Balance Sheets as of March 31, 2002. For the three months ended March 31, 2002, \$2 million in other operating losses were recorded in "Other - net" in the Statements of Consolidated Income. Additionally, \$2 million was a market value adjustment to long-term debt related to a fixed-to-floating interest rate swap agreement.

### ITEM 2.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial statements contained in this Form 10-Q and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the companies' Annual Report.

#### INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "estimates," "believes," "expects," "anticipates," "plans," "intends," "may," "would" and "should" or similar expressions, or discussions of strategy or of plans are intended to identify forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in these forward-looking statements.

Forward-looking statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others, local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments; actions by the CPUC, the California Legislature and the FERC; capital market conditions, inflation rates, interest rates and exchange rates; energy and trading markets, including the timing and extent of changes in commodity prices; weather conditions and conservation efforts; war and terrorist attacks; business, regulatory and legal decisions; the pace of deregulation of retail natural gas and electricity delivery; the timing and success of business development efforts; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the companies. Readers are cautioned not to rely unduly on any forward-looking statements and are urged to review and consider carefully the risks, uncertainties and other factors which affect the companies' business described in this report and other reports filed by the companies from time to time with the Securities and Exchange Commission.

See also "Factors Influencing Future Performance" below.

#### CAPITAL RESOURCES AND LIQUIDITY

The companies' California utility operations have historically been a major source of liquidity. See further discussion in the companies' Annual Report.

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### CASH FLOWS FROM OPERATING ACTIVITIES

For the three-month period ended March 31, 2002, the increase in cash flows from operations compared to the corresponding period in 2001 is primarily due to greater income tax payments made during the first quarter of 2001 compared to none made during the same period in 2002, and the increase in overcollected regulatory balancing accounts resulting from increased natural gas usage due to cooler winter weather.

### CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures for property, plant and equipment are estimated to be \$300 million for the full year 2002 and are being financed primarily by internally generated funds and security issuances. Construction, investment and financing programs are continuously reviewed and revised in response to changes in competition, customer growth, inflation, customer rates, the cost of capital, and environmental and regulatory requirements.

### CASH FLOWS FROM FINANCING ACTIVITIES

For the three-month period ended March 31, 2002, cash flows used in financing activities increased from the corresponding period in 2001 due primarily to the repayment of short-term debt, partially offset by the decrease in common dividends paid.

In April 2002, Fitch, Inc. confirmed its prior credit ratings of the companies' debt; Standard & Poor's reduced its ratings of SoCalGas' secured debt one notch from AA- with a negative outlook to A+ with a stable outlook and made corresponding adjustments in the ratings and outlook of the companies' other debt, including reducing PE's preferred stock from A- to BBB+; and Moody's Investors Service, Inc., confirmed its prior ratings of the debt of SoCalGas.

### RESULTS OF OPERATIONS

The companies' net income increased for the three-month period ended March 31, 2002, compared to the corresponding period in 2001 primarily due to lower operating and interest expenses in 2002.

The table below summarizes natural gas volumes and revenues by customer class for the three-month periods ended March 31, 2002 and 2001.

Gas Sales, Transportation and Exchange  
(Volumes in billion cubic feet, dollars in millions)

|                            | Gas Sales |         | Transportation & Exchange |         | Total   |         |
|----------------------------|-----------|---------|---------------------------|---------|---------|---------|
|                            | Volumes   | Revenue | Volumes                   | Revenue | Volumes | Revenue |
| 2002:                      |           |         |                           |         |         |         |
| Residential                | 95        | \$ 586  | 1                         | \$ 2    | 96      | \$ 588  |
| Commercial and industrial  | 29        | 145     | 71                        | 31      | 100     | 176     |
| Electric generation plants | --        | --      | 43                        | 7       | 43      | 7       |
| Wholesale                  | --        | --      | 45                        | 3       | 45      | 3       |
|                            | 124       | \$ 731  | 160                       | \$ 43   | 284     | \$ 774  |

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|                              |     |         |     |       |     |         |
|------------------------------|-----|---------|-----|-------|-----|---------|
| Balancing accounts and other |     |         |     |       |     | (52)    |
|                              |     |         |     |       |     | -----   |
| Total                        |     |         |     |       |     | \$ 722  |
| -----                        |     |         |     |       |     |         |
| 2001:                        |     |         |     |       |     |         |
| Residential                  | 104 | \$1,096 | 1   | \$ 2  | 105 | \$1,098 |
| Commercial and industrial    | 28  | 265     | 60  | 56    | 88  | 321     |
| Electric generation plants   | --  | --      | 100 | 26    | 100 | 26      |
| Wholesale                    | --  | --      | 52  | 9     | 52  | 9       |
|                              |     |         |     |       |     | -----   |
|                              | 132 | \$1,361 | 213 | \$ 93 | 345 | 1,454   |
| Balancing accounts and other |     |         |     |       |     | 94      |
|                              |     |         |     |       |     | -----   |
| Total                        |     |         |     |       |     | \$1,548 |
| -----                        |     |         |     |       |     |         |

The decrease in natural gas revenues was primarily due to lower natural gas prices and decreased transportation for electric generation plants.

The decrease in the cost of natural gas distributed was primarily due to lower natural gas prices. Under the current regulatory framework, the cost of natural gas is passed on to customers without markup and changes in core-market natural gas prices do not affect net income since, as explained more fully in the Annual Report, current or future core customer rates normally recover the actual cost of natural gas on a substantially concurrent basis.

FACTORS INFLUENCING FUTURE PERFORMANCE

Performance of the companies will depend primarily on the ratemaking and regulatory process, electric and natural gas industry restructuring, and the changing energy marketplace. These factors are discussed in the companies' Annual Report.

NEW ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board (FASB) issued two statements, SFAS 142 "Goodwill and Other Intangible Assets" and SFAS 143 "Accounting for Asset Retirement Obligations." The former is not presently relevant to the companies. SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. In August 2001, the FASB issued SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" that replaces SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." SFAS 144 applies to all long-lived assets, including discontinued operations.

See further discussion in Note 1 of the notes to Consolidated Financial Statements.

ITEM 3. MARKET RISK

There have been no significant changes in the risk issues affecting the companies subsequent to those discussed in the Annual Report. As noted in that report, SoCalGas may, at times, be exposed to limited market risk in its natural gas purchase and sale activities as a result of activities under SoCalGas' Gas Cost Incentive Mechanism.

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The risk is managed within the parameters of the companies' market-risk management and trading framework. As of March 31, 2002, the total Value at Risk of SoCalGas' natural gas positions was not material.

### PART II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

Except as otherwise described in this report, neither the companies nor their subsidiaries are party to, nor is their property the subject of, any material pending legal proceedings other than routine litigation incidental to their businesses.

#### ITEM 5. OTHER INFORMATION

A new collective bargaining agreement for field, technical and most clerical employees at SoCalGas represented by the Utility Workers' Union of America or the International Chemical Workers' Council has been negotiated. The new agreement on wages, hours and working conditions is in effect through December 31, 2004.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

##### (a) Exhibits

Exhibit 12 - Computation of ratios

12.1 Computation of Ratio of Earnings to Fixed Charges of PE.

12.2 Computation of Ratio of Earnings to Fixed Charges of SoCalGas.

##### (b) Reports on Form 8-K

There were no reports on Form 8-K filed after December 31, 2001.

### SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

PACIFIC ENTERPRISES

-----  
(Registrant)

Date: May 9, 2002

By: /s/ F. H. Ault

-----  
F. H. Ault  
Sr. Vice President and Controller

SOUTHERN CALIFORNIA GAS COMPANY

-----  
(Registrant)

By: /s/ D.L. Reed

-----  
D.L. Reed  
President and  
Chief Financial Officer

; VERTICAL-ALIGN: top">

all other reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act since the end of the fiscal year covered by the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 referred to above; and

the description of Registrant's Common Stock, par value \$0.001 per share, contained in Exhibit 4.1 to our Current Report on Form 8-K filed January 10, 2018 and any subsequent amendments and reports filed for the purpose of updating that description.

All documents subsequently filed by the Registrant with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (excluding any information furnished pursuant to Items 2.02 or 7.01 on any Current Report on Form 8-K) subsequent to the date of these Post-Effective Amendments and prior to the filing of a post-effective amendment which indicates that all securities offered under the applicable Plan have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference herein and to be a part hereof from the date of the filing of such documents.

Any statement contained herein or in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes hereof to the extent that a statement contained in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part hereof.

ITEM 4. Description of Securities.

Not applicable.

ITEM 5. Interests of Named Experts and Counsel.

Not applicable.

ITEM 6. Indemnification of Directors and Officers.

Set forth below is a description of certain provisions of the Amended and Restated Articles of Incorporation of the Registrant (the "Charter") and the Amended and Restated Bylaws of the Registrant (the "Bylaws") and the Nevada Revised Statutes (the "NRS"), as such provisions relate to the indemnification of the directors and officers of the

Registrant. This description is intended only as a summary and is qualified in its entirety by reference to the Charter, the Bylaws and the NRS.

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The Registrant is incorporated under the laws of the State of Nevada. Section 78.138 of the NRS provides that, subject to certain exceptions under Nevada law, unless the articles of incorporation or an amendment thereto provides for greater individual liability, a director or officer is not individually liable to the Registrant or its stockholders or creditors for any damages as a result of any act or failure to act in his or her capacity as a director or officer unless it is proven that (i) the director's or officer's act or failure to act constituted a breach of his or her fiduciary duties as a director or officer and (ii) the breach of those duties involved intentional misconduct, fraud or a knowing violation of law. The Charter further provides that the personal liability of the directors of the Registrant is eliminated to the fullest extent permitted by the NRS.

Under Section 78.7502 of the NRS, the Registrant may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the Registrant, by reason of the fact that the person is or was a director, officer, employee or agent of the Registrant, or is or was serving at the request of the Registrant as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with the action, suit or proceeding if such person: (i) is not liable pursuant to Section 78.138 of the NRS; or (ii) acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Registrant, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. Further, the Registrant may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Registrant to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the Registrant, or is or was serving at the request of the Registrant as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by the person in connection with the defense or settlement of the action or suit if such person: (i) is not liable pursuant to NRS Section 78.138; or (ii) acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Registrant. However, indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction to be liable to the Registrant or for amounts paid in settlement to the Registrant, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper. To the extent that a director, officer, employee or agent of the Registrant has been successful on the merits or otherwise in defense of any action, suit or proceeding subject to Nevada indemnification laws, or in defense of any such claim, issue or matter, the Registrant is required to indemnify him or her against expenses, including attorneys' fees, actually and reasonably incurred by him or her in connection with the defense. The Registrant's Charter and Bylaws comply with Nevada law as set forth above.

As permitted by Nevada law, the Registrant's Bylaws authorize the Registrant to advance expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding in advance of the final disposition of the action or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that the director or officer is not entitled to be indemnified by the Registrant.

Indemnification, unless ordered by a court pursuant to Section 78.7502 of the NRS or for the advancement of expenses as described above, may not be made to or on behalf of any director or officer if a final adjudication establishes that the director's or officer's acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action.

The Registrant is authorized under Nevada law to purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a director, officer, employee or agent of the Registrant, or is or was serving at the request of the Registrant as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, for any liability asserted against him or her and liability and expenses incurred by him or her in his or her capacity as a director, officer, employee or agent, or arising out of his or her status as such, whether or not the Registrant has the authority to indemnify him or her against such liability and expenses.

Under the terms of the Registrant's directors' and officers' liability and company reimbursement insurance policies, directors and officers of the Registrant are insured against certain liabilities, including liabilities arising under the Securities Act.

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ITEM 7. Exemption from Registration Claimed.

Not Applicable.

ITEM 8. Exhibits.

| Exhibit No. | Exhibit Description   |
|-------------|---|
| 4.1         | Amended and Restated Articles of Incorporation of Scientific Games Corporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K as filed with the SEC on January 10, 2018)  |
| 4.2         | Amended and Restated Bylaws of Scientific Games Corporation (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K as filed with the SEC on January 10, 2018)   |
| 4.3         | Description of Scientific Games Corporation Common Stock (incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K as filed with the SEC on January 10, 2018)  |
| 4.4         | Form of Common Stock Certificate of Scientific Games Corporation (incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K as filed with the SEC on January 10, 2018)  |
| 4.5         | 2003 Incentive Compensation Plan, as amended and restated (incorporated by reference to Exhibit 99.1 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, Commission File No. 0-13063)                      |
| 4.6         | 1995 Equity Incentive Plan, as amended (incorporated by reference to Exhibit 10.14 to Scientific Games Corporation's Annual Report on Form 10-K for the fiscal year ended October 31, 1997 Commission File No. 1-13063)                                     |
| 4.7         | Form of Inducement Equity Award Agreement between Scientific Games Corporation and M. Gavin Isaacs (incorporated by reference to Exhibit 4.4 to Scientific Games Corporation's Registration Statement on Form S-8 (No. 333-197948) filed on August 7, 2014) |
| 4.8         | Form of Inducement Equity Award Agreement between Scientific Games Corporation and Kevin Sheehan (incorporated by reference to Exhibit 4.4 to Scientific Games Corporation's Registration Statement on Form S-8 (No. 000-13063) filed on September 1, 2016) |
| 4.9         | Form of Inducement Equity Award Agreement between Scientific Games Corporation and Kevin Sheehan (incorporated by reference to Exhibit 4.5 to Scientific Games Corporation's Registration Statement on Form S-8 (No. 000-13063) filed on September 1, 2016) |
| 4.10        | Scientific Games Corporation 2016 Employee Stock Purchase Plan (incorporated herein by reference to Appendix A to Scientific Games Corporation's Proxy Statement on Schedule 14A filed on April 29, 2016)   |
| 5.1*        | Opinion of Brownstein Hyatt Farber Schreck, LLP   |
| 23.1*       | Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm   |

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- 23.2\* Consent of EY S.p.A., Independent Registered Public Accounting Firm
- 23.3\* Consent of Brownstein Hyatt Farber Schreck, LLP (included in Exhibit 5.1)
- 24.1\* Power of Attorney (included in the signature page of this Registration Statement)

\* Filed herewith.

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ITEM 9. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to the Adopted Registration Statements:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the Adopted Registration Statements (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Adopted Registration Statements. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the Adopted Registration Statements or any material change to such information in the Adopted Registration Statements;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the SEC by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the Adopted Registration Statements.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered that remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the Adopted Registration Statements shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final

adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused these Post-Effective Amendments to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Las Vegas, State of Nevada, on January 10, 2018.

SCIENTIFIC GAMES CORPORATION

By: /s/ Michael A. Quartieri

Name: Michael A. Quartieri

Title Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

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## POWER OF ATTORNEY

Each individual whose signature appears below constitutes and appoints each of Kevin M. Sheehan, Michael A. Quartieri and David W. Smail, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all post-effective amendments to this registration statement (including any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act of 1933), and to file the same, with all exhibits thereto and other documents in connection therewith, with the SEC, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or the substitute or substitutes of any or all of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, these Post-Effective Amendments have been signed by the following persons, consisting of the Registrant's principal executive officer, principal financial officer, principal accounting officer and a majority of the board of directors, on the dates indicated.

| Name   | Title  | Date                |
|--|--|---------------------|
| /s/ Kevin M. Sheehan<br>Kevin M. Sheehan                 | Chief Executive Officer & Director (principal executive officer)   | January 10,<br>2018 |
| /s/ Michael A. Quartieri<br>Michael A. Quartieri         | Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary (principal financial officer) | January 10,<br>2018 |
| /s/ Michael F. Winterscheidt<br>Michael F. Winterscheidt | Chief Accounting Officer (principal accounting officer)  | January 10,<br>2018 |
| /s/ Richard M. Hadrill<br>Richard M. Hadrill             | Executive Vice Chairman of the Board of Directors and Director   | January 10,<br>2018 |
| /s/ Peter A. Cohen<br>Peter A. Cohen                     | Vice Chairman of the Board of Directors and Director   | January 10,<br>2018 |
| /s/ M. Gavin Isaacs<br>M. Gavin Isaacs                   | Vice Chairman of the Board of Directors and Director   | January 10,<br>2018 |
| /s/ Viet D. Dinh<br>Viet D. Dinh                         | Director   | January 10,<br>2018 |



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|   |          |                     |
|---|----------|---------------------|
| <i>/s/ Gerald J. Ford</i><br>Gerald J. Ford                   | Director | January 10,<br>2018 |
| <i>/s/ David L. Kennedy</i><br>David L. Kennedy               | Director | January 10,<br>2018 |
| <i>/s/ Gabrielle K.<br/>McDonald</i><br>Gabrielle K. McDonald | Director | January 10,<br>2018 |
| <i>/s/ Barry F. Schwartz</i><br>Barry F. Schwartz             | Director | January 10,<br>2018 |
| <i>/s/ Frances F.<br/>Townsend</i><br>Frances F. Townsend     | Director | January 10,<br>2018 |