CHESAPEAKE UTILITIES CORP
Form 10-Q
May 06, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2015

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-11590

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

Delaware	51-0064146
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

909 Silver Lake Boulevard, Dover, Delaware 19904
(Address of principal executive offices, including Zip Code)

(302) 734-6799
(Registrant's telephone number, including area code)

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 x 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 x No ¨

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Common Stock, par value $0.4867 — 15,225,683 shares outstanding as of April 30, 2015.

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GLOSSARY OF DEFINITIONS

ASC: Accounting Standards Codification
ASU: Accounting Standards Update
Aspire Energy of Ohio: Aspire Energy of Ohio, LLC, a newly formed, wholly-owned subsidiary of Chesapeake into which Gatherco, Inc. merged.
BravePoint: BravePoint, Inc., our advanced information services subsidiary, headquartered in Norcross, Georgia, which was sold on October 1, 2014
CDD: Cooling degree-days, which is the measure of the variation in weather based on the extent to which the daily average temperature (from 10:00 am to 10:00 am) is above 65 degrees Fahrenheit
Chesapeake: Chesapeake Utilities Corporation, its divisions and its subsidiaries, as appropriate in the context of the disclosure
Chesapeake Pension Plan: A defined benefit pension plan sponsored by Chesapeake
Chesapeake Postretirement Plan: An unfunded postretirement health care and life insurance plan sponsored by Chesapeake
Chesapeake SERP: An unfunded supplemental executive retirement pension plan sponsored by Chesapeake
CHP: A combined heat and power plant being constructed by Eight Flags in Nassau County, Florida
Company: Chesapeake Utilities Corporation, its divisions and its subsidiaries, as appropriate in the context of the disclosure
CP: Certificate of Public Convenience and Necessity
Deferred Compensation Plan: A non-qualified, deferred compensation arrangement under which certain of our executives and members of the Board of Directors are able to defer payment of all or a part of certain specified types of compensation, including executive cash bonuses, executive performance shares, and directors' retainers and fees
Delmarva Peninsula: A peninsula on the east coast of the United States of America occupied by Delaware and portions of Maryland and Virginia
DNREC: Delaware Department of Natural Resources and Environmental Control
Dts/d: Dekatherms per day
Eastern Shore: Eastern Shore Natural Gas Company, a wholly-owned natural gas transmission subsidiary of Chesapeake
EGWIC: Eastern Gas & Water Investment Company, LLC, an affiliate of Eastern Shore Gas Company
Eight Flags: Eight Flags Energy, LLC, a subsidiary of Chesapeake Onsight Services, LLC
EPA: United States Environmental Protection Agency
ESG: Eastern Shore Gas Company and its affiliates
FASB: Financial Accounting Standards Board
FERC: Federal Energy Regulatory Commission, an independent agency of the Federal government that regulates the interstate transmission of electricity, natural gas, and oil
FDEP: Florida Department of Environmental Protection
FDOT: Florida Department of Transportation
FGT: Florida Gas Transmission Company
FPU: Florida Public Utilities Company, a wholly-owned subsidiary of Chesapeake
FPU Medical Plan: A separate unfunded postretirement medical plan for FPU sponsored by Chesapeake

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FPU Pension Plan: A separate defined benefit pension plan for FPU sponsored by Chesapeake
GAAP: Accounting principles generally accepted in the United States of America
Gatherco: Gatherco, Inc.
GRIP: Gas Reliability Infrastructure Program, which is a surcharge to natural gas customers designed to recover capital and other program-related costs, inclusive of an appropriate return on investment, associated with accelerating the replacement of qualifying distribution mains and services in Florida
Gulf Power: Gulf Power Company
Gulfstream: Gulfstream Natural Gas System, LLC
HDD: Heating degree-days, which is a measure of the variation in weather based on the extent to which the daily average temperature (from 10:00 am to 10:00 am) is below 65 degrees Fahrenheit
MDE: Maryland Department of Environment
MGP: Manufactured gas plant, which is a site where coal was previously used to manufacture gaseous fuel for industrial, commercial and residential use
NAM: Natural Attenuation Monitoring
NYSE: New York Stock Exchange
Note Agreement: Note Purchase Agreement entered into by Chesapeake with Note Holders on September 5, 2013
Note Holders: PAR U Hartford Life & Annuity Comfort Trust, The Prudential Insurance Company of America, The Gibraltar Life Insurance Co., Ltd., The Penn Mutual Life Insurance Company, Thrivent Financial for Lutherans, United of Omaha Life Insurance Company, and Companion Life Insurance Company, which are collectively the lenders that entered into the Note Agreement with Chesapeake on September 5, 2013
Notes: Series A and B unsecured Senior Notes that have been entered into with the Note Holders
OPT ≤ 90 Service: Off Peak ≤ 90 Firm Transportation Service, a new tariff associated with Eastern Shore's firm transportation service that will allow Eastern Shore the right not to schedule service for up to 90 days during the peak months of November through April each year
OTC: Over-the-counter
Peninsula Pipeline: Peninsula Pipeline Company, Inc., our wholly-owned Florida intrastate pipeline subsidiary
PESCO: Peninsula Energy Services Company, Inc., our wholly-owned natural gas marketing subsidiary
PSC: Public Service Commission, which is the state agency that regulates the rates and services provided by Chesapeake’s natural gas and electric distribution operations in Delaware, Maryland and Florida and Peninsula Pipeline in Florida
Sandpiper: Sandpiper Energy, Inc.
Sanford Group: FPU and other responsible parties involved with the Sanford environmental site
SEC: Securities and Exchange Commission
Sharp: Sharp Energy, Inc., our wholly-owned propane distribution subsidiary
SICP: 2013 Stock and Incentive Compensation Plan
TETLP: Texas Eastern Transmission, LP
Xeron: Xeron, Inc., our propane wholesale marketing subsidiary, based in Houston, Texas

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PART I—FINANCIAL INFORMATION
Item 1. Financial Statements
Chesapeake Utilities Corporation and Subsidiaries
Condensed Consolidated Statements of Income (Unaudited)

	Three Months Ended March 31,	
	2015	2014
(in thousands, except shares and per share data)		
Operating Revenues		
Regulated Energy	$109,582	$102,166
Unregulated Energy and other	60,499	84,171
Total Operating Revenues	170,081	186,337
Operating Expenses		
Regulated Energy cost of sales	57,129	54,307
Unregulated Energy and other cost of sales	35,234	61,325
Operations	26,945	26,626
Maintenance	2,703	2,148
Depreciation and amortization	6,975	6,635
Other taxes	3,587	3,673
Total Operating Expenses	132,573	154,714
Operating Income	37,508	31,623
Other income, net of other expenses	133	6
Interest charges	2,448	2,155
Income Before Income Taxes	35,193	29,474
Income taxes	14,084	11,793
Net Income	$21,109	$17,681
Weighted Average Common Shares Outstanding:		
Basic	14,604,841	14,487,646
Diluted	14,656,310	14,540,151
Earnings Per Share of Common Stock:		
Basic	$1.45	$1.22
Diluted	$1.44	$1.22
Cash Dividends Declared Per Share of Common Stock	$0.270	$0.257

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

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Chesapeake Utilities Corporation and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended March 31,	
	2015	2014
(in thousands)		
Net Income	$21,109	$17,681
Other Comprehensive Income (Loss), net of tax:		
Employee Benefits, net of tax:		
Amortization of prior service cost, net of tax of $(7), $(6), respectively	(10)	(9)
Net gain, net of tax of $62 and $27, respectively	92	40
Cash Flow Hedges, net of tax:		
Unrealized gain on commodity contract cash flow hedges, net of tax of $17 and $0, respectively.	26	—
Total Other Comprehensive Income	108	31
Comprehensive Income	$21,217	$17,712

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

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

Assets	March 31, 2015	December 31, 2014
(in thousands, except shares)		
Property, Plant and Equipment		
Regulated Energy	$779,394	$766,855
Unregulated Energy	84,386	84,773
Other businesses and eliminations	19,459	18,497
Total property, plant and equipment	883,239	870,125
Less: Accumulated depreciation and amortization	(198,181)	(193,369)
Plus: Construction work in progress	24,137	13,006
Net property, plant and equipment	709,195	689,762
Current Assets		
Cash and cash equivalents	16,170	4,574
Accounts receivable (less allowance for uncollectible accounts of $1,274 and $1,120, respectively)	62,062	53,300
Accrued revenue	12,869	13,617
Propane inventory, at average cost	4,550	7,250
Other inventory, at average cost	4,411	3,699
Regulatory assets	7,472	8,967
Storage gas prepayments	910	4,258
Income taxes receivable	—	18,806
Prepaid expenses	4,510	6,652
Mark-to-market energy assets	46	1,055
Other current assets	294	195
Total current assets	113,294	122,373
Deferred Charges and Other Assets		
Goodwill	4,952	4,952
Other intangible assets, net	2,316	2,404
Investments, at fair value	3,770	3,678
Regulatory assets	78,113	78,136
Receivables and other deferred charges	2,067	3,164
Total deferred charges and other assets	91,218	92,334
Total Assets	$913,707	$904,469

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

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

Capitalization and Liabilities	March 31, 2015	December 31, 2014
(in thousands, except shares and per share data)		
Capitalization		
Stockholders' equity		
Common stock, par value $0.4867 per share (authorized 25,000,000 shares)	$7,119	$7,100
Additional paid-in capital	156,749	156,581
Retained earnings	159,446	142,317
Accumulated other comprehensive loss	(5,568)	(5,676)
Deferred compensation obligation	1,715	1,258
Treasury stock	(1,715)	(1,258)
Total stockholders' equity	317,746	300,322
Long-term debt, net of current maturities	158,083	158,486
Total capitalization	475,829	458,808
Current Liabilities		
Current portion of long-term debt	9,116	9,109
Short-term borrowing	66,772	88,231
Accounts payable	46,284	44,610
Customer deposits and refunds	22,307	25,197
Accrued interest	3,109	1,352
Dividends payable	3,950	3,939
Income taxes payable	2,946	—
Deferred income taxes	586	832
Accrued compensation	4,845	10,076
Regulatory liabilities	18,621	3,268
Mark-to-market energy liabilities	20	1,018
Other accrued liabilities	7,797	6,603
Total current liabilities	186,353	194,235
Deferred Credits and Other Liabilities		
Deferred income taxes	160,055	160,232
Regulatory liabilities	43,518	43,419
Environmental liabilities	9,147	8,923
Other pension and benefit costs	34,798	35,027
Deferred investment tax credits and other liabilities	4,007	3,825
Total deferred credits and other liabilities	251,525	251,426
Other commitments and contingencies (Note 6)		
Total Capitalization and Liabilities	$913,707	$904,469

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

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Chesapeake Utilities Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	
	2015	2014
(in thousands)		
Operating Activities		
Net income	$21,109	$17,681
Adjustments to reconcile net income to net operating cash:		
Depreciation and amortization	6,975	6,635
Depreciation and accretion included in other costs	1,689	1,783
Deferred income taxes, net	(496)	(231)
Realized gain on commodity contracts/sale of assets/investments	(840)	(8)
Unrealized loss on investments/commodity contracts	21	31
Employee benefits and compensation	300	162
Share-based compensation	537	638
Other, net	4	(1)
Changes in assets and liabilities:		
Accounts receivable and accrued revenue	(8,014)	(3,647)
Propane inventory, storage gas and other inventory	5,337	8,243
Regulatory assets/liabilities, net	16,185	200
Prepaid expenses and other current assets	2,500	2,185
Accounts payable and other accrued liabilities	2,376	4,821
Income taxes receivable/payable	21,753	11,565
Customer deposits and refunds	(2,890)	(1,735)
Accrued compensation	(5,262)	(3,505)
Other assets and liabilities, net	2,753	1,246
Net cash provided by operating activities	64,037	46,063
Investing Activities		
Property, plant and equipment expenditures	(27,508)	(18,528)
Proceeds from sales of assets	198	29
Environmental expenditures	(49)	(26)
Net cash used in investing activities	(27,359)	(18,525)
Financing Activities		
Common stock dividends	(3,573)	(3,369)
Purchase of stock for Dividend Reinvestment Plan	27	(341)
Change in cash overdrafts due to outstanding checks	(2,191)	(501)
Net repayment under line of credit agreements	(19,269)	(21,696)
Repayment of long-term debt and capital lease obligation	(76)	(196)
Net cash used in financing activities	(25,082)	(26,103)
Net Increase in Cash and Cash Equivalents	11,596	1,435
Cash and Cash Equivalents—Beginning of Period	4,574	3,356
Cash and Cash Equivalents—End of Period	$16,170	$4,791

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

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

(in thousands, except shares and per share data)	Common Stock Number of Shares[1]	Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Deferred Compensation	Treasury Stock	Total
Balance at December 31, 2013	14,457,345	$4,691	$152,341	$124,274	$ (2,533)	$ 1,124	$(1,124)	$278,773
Net income	—	—	—	36,092	—	—	—	36,092
Other comprehensive loss	—	—	—	—	(3,143)	—	—	(3,143)
Dividend declared ($1.067 per share)	—	—	—	(15,675)	—	—	—	(15,675)
Retirement savings plan and dividend reinvestment plan	43,367	16	1,844	—	—	—	—	1,860
Conversion of debentures	47,313	15	520	—	—	—	—	535
Share-based compensation and tax benefit [2] [3]	40,686	13	1,876	—	—	—	—	1,889
Stock split in the form of stock dividend	—	2,365	—	(2,374)	—	—	—	(9)
Treasury stock activities	—	—	—	—	—	134	(134)	—
Balance at December 31, 2014	14,588,711	7,100	156,581	142,317	(5,676)	1,258	(1,258)	300,322
Net income	—	—	—	21,109	—	—	—	21,109
Other comprehensive income	—	—	—	—	108	—	—	108
Dividend declared ($0.27 per share) and dividend reinvestment plan	8,059	4	388	(3,980)	—	—	—	(3,588)
Share-based compensation and tax benefit [3]	31,219	15	(220)	—	—	—	—	(205)
Treasury stock activities	—	—	—	—	—	457	(457)	—
Balance at March 31, 2015	14,627,989	$7,119	$156,749	$159,446	$ (5,568)	$ 1,715	$(1,715)	$317,746

(1) Includes 53,442 and 53,125 shares at March 31, 2015 and December 31, 2014, respectively, held in a Rabbi Trust related to our Deferred Compensation Plan.

(2) Includes amounts for shares issued for Directors' compensation.

(3) The shares issued under the SICP are net of shares withheld for employee taxes. For the three months ended March 31, 2015 and for the year ended December 31, 2014, we withheld 12,620 and 12,687 shares, respectively,

for taxes.

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Summary of Accounting Policies

Basis of Presentation

References in this document to the "Company," "Chesapeake," "we," "us" and "our" are intended to mean Chesapeake Utilities Corporation, its divisions and/or its subsidiaries, as appropriate in the context of the disclosure.

The accompanying unaudited condensed consolidated financial statements have been prepared in compliance with the rules and regulations of the SEC and GAAP. In accordance with these rules and regulations, certain information and disclosures normally required for audited financial statements have been condensed or omitted. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto, included in our latest Annual Report on Form 10-K for the year ended December 31, 2014. In the opinion of management, these financial statements reflect normal recurring adjustments that are necessary for a fair presentation of our results of operations, financial position and cash flows for the interim periods presented.

Due to the seasonality of our business, results for interim periods are not necessarily indicative of results for the entire fiscal year. Revenue and earnings are typically greater during the first and fourth quarters, when consumption of energy is highest due to colder temperatures.

Reclassifications

As a result of the sale of our advanced information services subsidiary in October 2014, we changed our operating segments (see Note 7, Segment Information). We reclassified certain amounts in the condensed consolidated income statement and condensed consolidated cash flows statement for the three months ended March 31, 2014 to conform to the current year's presentation. These reclassifications are considered immaterial to the overall presentation of our condensed consolidated financial statements.

Stock Dividend

On July 2, 2014, our Board of Directors approved a three-for-two stock split of our outstanding common stock to be effected in the form of a stock dividend. Each stockholder as of the close of business on the record date, August 13, 2014, received one additional share of common stock for every two shares of common stock owned. The additional shares were distributed on September 8, 2014. All share and per share data in this Form 10-Q are presented on a post-split basis. As a result of the stock split, we reclassified approximately $2.4 million from retained earnings to common stock in September of 2014, which represents $0.4867 par value per share of the shares issued in the stock split.

FASB Statements and Other Authoritative Pronouncements

Recent Accounting Standards Yet to be Adopted

Revenue from Contracts with Customers (ASC 606) - In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. This standard provides a single comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, as well as across industries and capital markets. The standard contains principles that entities will apply to determine the measurement of revenue and when it is recognized. On April 1, 2015, the FASB proposed to defer the implementation of this standard by one year, which if approved, would result in the new standard being effective for public entities for their 2018 interim and annual financial statements. We are assessing the impact this standard will have on our financial position and results of operations.

Interest - Imputation of Interest (ASC 835-30) - In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. This standard requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. ASU 2015-03 is effective for our interim and annual financial statements issued beginning January 1, 2016. Early adoption is permitted for financial statements that have not been previously issued. As of March 31, 2015, we had $333,000 of unamortized debt issuance costs included in the accompanying condensed consolidated balance sheets. Upon adoption of ASU 2015-03, this will be presented as a deduction from long-term debt, net of current maturities.

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2. Calculation of Earnings Per Share

	Three Months Ended March 31,	
	2015	2014
(in thousands, except shares and per share data)		
Calculation of Basic Earnings Per Share:		
Net Income	$21,109	$17,681
Weighted average shares outstanding	14,604,841	14,487,646
Basic Earnings Per Share	$1.45	$1.22
Calculation of Diluted Earnings Per Share:		
Reconciliation of Numerator:		
Net Income	$21,109	$17,681
Reconciliation of Denominator:		
Weighted shares outstanding—Basic	14,604,841	14,487,646
Effect of dilutive securities:		
Share-based compensation	51,469	52,505
Adjusted denominator—Diluted	14,656,310	14,540,151
Diluted Earnings Per Share	$1.44	$1.22

As discussed in Note 1, Summary of Accounting Policies, previously reported share and per share amounts have been restated in the accompanying condensed consolidated financial statements and related notes to reflect the stock split effected in the form of a stock dividend.

3. Acquisitions

Gatherco Acquisition

On April 1, 2015, we completed the merger with Gatherco, in which Gatherco merged with Aspire Energy of Ohio, a newly formed, wholly-owned subsidiary of Chesapeake. At closing, we issued 592,970 shares of our common stock, valued at $30.2 million based on the closing price of our common stock as reported on the NYSE on April 1, 2015, and paid $27.6 million in cash. We also acquired $6.7 million of Gatherco's cash at the time of the closing and assumed $1.7 million of Gatherco’s debt, which was paid off shortly after closing. We incurred $1.3 million in transaction costs associated with this merger, $514,000 of which was expensed in the three months ended March 31, 2015. Transactions costs are included in operations expense in the accompanying condensed consolidated statement of income. As a result of this merger, Aspire Energy of Ohio provides natural gas midstream services through 16 gathering systems and over 2,000 miles of pipelines in Central and Eastern Ohio. Aspire Energy of Ohio provides natural gas gathering services and natural gas liquid processing services to over 300 producers, and supplies natural gas to over 6,000 customers in Ohio through the Consumers Gas Cooperative, an independent entity, which Aspire Energy of Ohio manages under an operating agreement. The results of Aspire Energy of Ohio are projected to have a minimal impact on our earnings per share in 2015, since the merger was completed after the first quarter. The first quarter includes key winter months, which have historically represented a significant portion of Gatherco's annual earnings. This acquisition is expected to be accretive to our earnings in the first full year of operations.

We are in the process of finalizing our evaluation of the tangible and intangible assets acquired and liabilities assumed, as well as the initial purchase price allocation as of the acquisition date, including the determination of any resulting goodwill. Therefore, this information cannot be provided at this time.

4. Rates and Other Regulatory Activities

Our natural gas and electric distribution operations in Delaware, Maryland and Florida are subject to regulation by their respective PSC; Eastern Shore, our natural gas transmission subsidiary, is subject to regulation by the FERC; and Peninsula Pipeline, our intrastate pipeline subsidiary, is subject to regulation by the Florida PSC. Chesapeake’s Florida natural gas distribution division and FPU’s natural gas and electric distribution operations continue to be subject to

regulation by the Florida PSC as separate entities.

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Delaware

There were no significant rates and other regulatory activities in Delaware during the first quarter of 2015.

Maryland

There were no significant rates and other regulatory activities in Maryland during the first quarter of 2015.

Florida

On January 16, 2015, Chesapeake's Florida natural gas distribution division filed for approval with the Florida PSC a contract with Peninsula Pipeline, which is one of Chesapeake's subsidiaries, for additional natural gas transportation services in the vicinity of Haines City located in Polk County, Florida. This petition was approved by the Florida PSC at the Agenda Conference on May 5, 2015.

Eastern Shore

White Oak Mainline Expansion Project: On November 21, 2014, Eastern Shore submitted an application to the FERC for a CP seeking authorization to construct, own, operate and maintain the White Oak mainline expansion project. The project is designed to provide 45,000 Dts/d of firm transportation service to an industrial customer in Kent County, Delaware. Eastern Shore proposes to construct approximately 7.2 miles of 16-inch diameter pipeline looping in Chester County, Pennsylvania and 3,550 horsepower of additional compression at Eastern Shore’s existing Delaware City Compressor Station in New Castle County, Delaware. The estimated cost of the project is $29.8 million. On January 22, 2015, the FERC issued a Notice of Intent to Prepare an Environmental Assessment for this project. The FERC solicited public participation with the comment period ending on February 23, 2015.

5. Environmental Commitments and Contingencies

We are subject to federal, state and local laws and regulations governing environmental quality and pollution control. These laws and regulations require us to remove or remediate at current and former operating sites the effect on the environment of the disposal or release of specified substances.

We have participated in the investigation, assessment or remediation of, and have exposures at seven former MGP sites. Those sites are located in Salisbury, Maryland, Seaford, Delaware and Winter Haven, Key West, Pensacola, Sanford and West Palm Beach, Florida. We have also been in discussions with the MDE regarding another former MGP site located in Cambridge, Maryland.

As of March 31, 2015, we had approximately $10.1 million in environmental liabilities, representing our estimate of the future costs associated with all of FPU’s MGP sites in Florida, which include the Key West, Pensacola, Sanford and West Palm Beach sites. FPU has approval to recover, from insurance and from customers through rates, up to $14.0 million of its environmental costs related to all of its MGP sites, approximately $9.8 million of which has been recovered as of March 31, 2015, leaving approximately $4.2 million in regulatory assets for future recovery of environmental costs from FPU’s customers.

In addition to the FPU MGP sites, we had $369,000 in environmental liabilities at March 31, 2015 related to Chesapeake’s MGP sites in Maryland and Florida, representing our estimate of future costs associated with these sites. As of March 31, 2015, we had approximately $216,000 in regulatory and other assets for future recovery through Chesapeake’s rates.

During the first quarter of 2015, we established $273,000 in environmental liabilities related to Chesapeake’s MGP site in Seaford, Delaware, representing our estimate of future costs associated with this site, and recorded a regulatory asset for the same amount for probable future recovery through Chesapeake’s rates, although we have not yet sought approval for recovery by the Delaware PSC. As of March 31, 2015, we had approximately $252,000 in environmental liability and $273,000 in regulatory and other assets related to this site.

Environmental liabilities for all of our MGP sites are recorded on an undiscounted basis based on the estimate of future costs provided by independent consultants. We continue to expect that all costs related to environmental remediation and related activities, including any potential future remediation costs for which we do not currently have approval for regulatory recovery, will be recoverable from customers through rates.

West Palm Beach, Florida

Remedial options are being evaluated to respond to environmental impacts to soil and groundwater at, and in the immediate vicinity of, a parcel of property owned by FPU in West Palm Beach, Florida, where FPU previously operated a MGP. FPU is currently implementing a remedial plan approved by the FDEP for the east parcel of the West Palm Beach site,

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which includes installation of monitoring test wells, sparging of air into the groundwater system and extraction of vapors from the subsurface. It is anticipated that similar remedial actions will ultimately be implemented for other portions of the site. Estimated costs of remediation for the West Palm Beach site range from approximately $4.5 million to $15.4 million, including costs associated with the relocation of FPU's operations at this site, which is necessary to implement the remedial plan, and any potential costs associated with future redevelopment of the properties.

Sanford, Florida

FPU is the current owner of property in Sanford, Florida, which was a former MGP site that was operated by several other entities before FPU acquired the property. FPU was never an owner or an operator of the MGP at this site. In January 2007, FPU and the Sanford Group signed a Third Participation Agreement, which provides for the funding of the final remedy approved by the EPA for the site. FPU's share of remediation costs under the Third Participation Agreement is set at five percent of a maximum of $13.0 million, or $650,000. As of March 31, 2015, FPU has paid $650,000 to the Sanford Group escrow account for its entire share of the funding requirements.

In December 2014, the EPA issued a Preliminary Close Out Report, documenting the completion of all physical remediation construction activities at the Sanford site. Groundwater monitoring and statutory five-year reviews to ensure performance of the approved remedy will continue on this site. The total cost of the final remedy is estimated to be over $20.0 million, which includes long-term monitoring and the settlement of claims asserted by two adjacent property owners to resolve damages that the property owners allege they have incurred and will incur as a result of the implementation of the EPA-approved remediation. In settlement of these claims, members of the Sanford Group, which in this instance does not include FPU, have agreed to pay specified sums of money to the parties. FPU has refused to participate in the funding of the third-party settlement agreements based on its contention that it did not contribute to the release of hazardous substances at the site giving rise to the third-party claims. FPU has advised the other members of the Sanford Group that it is unwilling at this time to agree to pay any sum in excess of the $650,000 committed by FPU in the Third Participation Agreement.

As of March 31, 2015, FPU's remaining remediation expenses, including attorneys' fees and costs, are estimated to be $24,000. However, we are unable to determine, to a reasonable degree of certainty, whether the other members of the Sanford Group will accept FPU's asserted defense to liability for costs exceeding $13.0 million to implement the final remedy for this site, as provided in the Third Participation Agreement, or will pursue a claim against FPU for a sum in excess of the $650,000 that FPU has paid under the Third Participation Agreement. No such claims have been made as of March 31, 2015.

Key West, Florida

FPU formerly owned and operated a MGP in Key West, Florida. Field investigations performed in the 1990s identified limited environmental impacts at the site, which is currently owned by an unrelated third party. In 2010, after 17 years of regulatory inactivity, FDEP observed that some soil and groundwater standards were exceeded and requested implementation of additional soil and groundwater fieldwork. The scope of work is limited to the installation of two additional monitoring wells and periodic monitoring of the new and existing wells. The two new monitoring wells were installed in November 2011, and groundwater monitoring began in December 2011. The first semi-annual report from the monitoring program was issued in May 2012. The data from the June 2012 and September 2012 monitoring events were submitted to the FDEP on October 4, 2012. FDEP responded on October 9, 2012 that, based on the data, NAM appears to be an appropriate remedy for the site.

In October 2012, FDEP issued a Remedial Action Plan approval order which specified that a limited semi-annual monitoring program be conducted. The most recent groundwater-monitoring event was conducted on March 23, 2015. Natural attenuation default criteria were met at all locations sampled. The next semi-annual sampling event is scheduled for September 2015.

Although the duration of the FDEP-required limited NAM cannot be determined with certainty, it is anticipated that total costs to complete the remedial action will not exceed $50,000. The annual cost to conduct the limited NAM program is not expected to exceed $8,000.

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Pensacola, Florida

FPU formerly owned and operated a MGP in Pensacola, Florida, which was subsequently owned by Gulf Power. Portions of the site are now owned by the City of Pensacola and the FDOT. In October 2009, FDEP informed Gulf Power that it would approve a conditional No Further Action determination for the site with the requirement for institutional and engineering controls. On June 16, 2014, FDEP issued a draft memorandum of understanding between FDOT and FDEP to implement site closure with approved institutional and engineering controls for the site. It is anticipated that FPU's share of remaining legal and cleanup costs will not exceed $5,000.

Winter Haven, Florida

The Winter Haven site is located on the eastern shoreline of Lake Shipp, in Winter Haven, Florida. Pursuant to a consent order entered into with FDEP, we are obligated to assess and remediate environmental impacts at this former MGP site. Groundwater monitoring results have shown a continuing reduction in contaminant concentrations from the sparging system, which has been in operation since 2002. On September 12, 2014, FDEP issued a letter approving shut-down of the sparging operations on the northern portion of the site, contingent upon continued semi-annual monitoring.

Groundwater monitoring results on the southern portion of this site indicate that Natural Attenuation Default Criteria continue to be exceeded. Plans to modify the monitoring network on the southern portion of the site in order to collect additional data to support the development of a remedial plan were specified in a letter to FDEP, dated October 17, 2014. The well installation and abandonment program was implemented in October 2014, and documentation was reported in the Semi-Annual RAP Implementation Status Report submitted January 8, 2015. Although specific remedial actions have not yet been identified, we estimate that future remediation costs for the subsurface soils and groundwater at the site should not exceed $443,000, which includes an estimate of $100,000 to implement additional actions, such as institutional controls, at the site. We continue to believe that the entire amount will be recoverable from customers through rates.

FDEP previously indicated that we could also be required to remediate sediments along the shoreline of Lake Shipp, immediately west of the site. Based on studies performed to date, and our recent meeting with FDEP, we believe that corrective measures for lake sediments are not warranted and will not be required by FDEP. We therefore have not recorded a liability for sediment remediation.

Salisbury, Maryland

We have substantially completed remediation of a site in Salisbury, Maryland, where it was determined that a former MGP caused localized groundwater contamination. In February 2002, the MDE granted permission to permanently decommission the systems used for remediation and to discontinue all on-site and off-site well monitoring, except for one well, which is being maintained for periodic product monitoring and recovery. We anticipate that the remaining costs of the one remaining monitoring well will not exceed $5,000 annually. We cannot predict at this time when the MDE will grant permission to permanently decommission the one remaining monitoring well.

Seaford, Delaware

In a letter dated December 5, 2013, the DNREC notified us that it will be conducting a facility evaluation of a former MGP site in Seaford, Delaware. In a report issued during January 2015, DNREC provided the evaluation of this site, which found contaminants impacting the groundwater. We are planning to enter this site into the Voluntary Cleanup Program. We estimate the cost of potential remedial actions, based on the findings of the DNREC report, to be $273,000 to $465,000.

Other

We are in discussions with the MDE regarding a former MGP site located in Cambridge, Maryland. The outcome of this matter cannot be determined at this time; therefore, we have not recorded an environmental liability for this location.

6. Other Commitments and Contingencies

Natural Gas, Electric and Propane Supply

Our natural gas, electric and propane distribution operations have entered into contractual commitments to purchase natural gas, electricity and propane from various suppliers. The contracts have various expiration dates. Our Delaware and Maryland natural gas distribution divisions have a contract through March 31, 2017 with an unaffiliated energy marketing and risk management company to manage a portion of their natural gas transportation and storage capacity.

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In May 2013, Sandpiper entered into a capacity, supply and operating agreement with EGWIC to purchase propane over a six-year term. Approximately four years remain under this contract. Sandpiper's current annual commitment is estimated at approximately 6.5 million gallons. Sandpiper has the option to enter into either a fixed per-gallon price for some or all of the propane purchases or a market-based price utilizing one of two local propane pricing indices. Also in May 2013, Sharp entered into a separate supply and operating agreement with EGWIC. Under this agreement, Sharp has a commitment to supply propane to EGWIC over a six-year term. Sharp's current annual commitment is estimated at approximately 6.5 million gallons. The agreement between Sharp and EGWIC is separate from the agreement between Sandpiper and EGWIC, and neither agreement permits the parties to set off the rights and obligations specified in one agreement against those specified in the other agreement.

Chesapeake’s Florida natural gas distribution division has firm transportation service contracts with FGT and Gulfstream. Pursuant to a capacity release program approved by the Florida PSC, all of the capacity under these agreements has been released to various third parties, including PESCO. Under the terms of these capacity release agreements, Chesapeake is contingently liable to FGT and Gulfstream, should any party that acquired the capacity through release fail to pay the capacity charge.

In May 2014, PESCO renewed contracts to purchase natural gas from various suppliers. These contracts expire in May 2015. PESCO is currently obtaining and reviewing proposals from suppliers and anticipates executing new agreements before the existing agreements expire.

FPU’s electric fuel supply contracts require FPU to maintain an acceptable standard of creditworthiness based on specific financial ratios. FPU’s agreement with JEA requires FPU to comply with the following ratios based on the results of the prior 12 months: (a) total liabilities to tangible net worth less than 3.75 times, and (b) a fixed charge coverage ratio greater than 1.5 times. If FPU fails to comply with either of these ratios, it has 30 days to cure the default or, if the default is not cured, to provide an irrevocable letter of credit. FPU’s electric fuel supply agreement with Gulf Power requires FPU to meet the following ratios based on the average of the prior six quarters: (a) funds from operations interest coverage ratio (minimum of 2 times), and (b) total debt to total capital (maximum of 65 percent). If FPU fails to meet either of these ratios, it has to provide the supplier a written explanation of actions taken, or proposed to be taken, to become compliant. Failure to comply with the ratios specified in the Gulf Power agreement could also result in FPU having to provide an irrevocable letter of credit. As of March 31, 2015, FPU was in compliance with all of the requirements of its fuel supply contracts.

Corporate Guarantees

The Board of Directors has authorized us to issue corporate guarantees securing obligations of our subsidiaries and to obtain letters of credit securing our obligations, including the obligations of our subsidiaries. The maximum authorized liability under such guarantees and letters of credit is $50.0 million.

We have issued corporate guarantees to certain vendors of our subsidiaries, the largest portion of which is for Xeron and PESCO. These corporate guarantees provide for the payment of propane and natural gas purchases, respectively, in the event that Xeron or PESCO defaults. Neither subsidiary has ever defaulted on its obligations to pay its suppliers. The liabilities for these purchases are recorded when incurred. The aggregate amount guaranteed at March 31, 2015 was $31.1 million, with the guarantees expiring on various dates through February 28, 2016.

Chesapeake also guarantees the payment of FPU’s first mortgage bonds. The maximum exposure under the guarantee is the outstanding principal plus accrued interest balances. The outstanding principal balances of FPU’s first mortgage bonds approximate their carrying values (see Note 14, Long-Term Debt, for further details).

In addition to the corporate guarantees, we have issued a letter of credit for $1.0 million, which expires on September 12, 2015, related to the electric transmission services for FPU’s northwest electric division. We have also issued a letter of credit to our current primary insurance company for $1.1 million, which expires on October 31, 2015, as security to satisfy the deductibles under our various insurance policies. As a result of a change in our primary insurance company in 2010, we renewed and decreased the letter of credit for $40,000 to our former primary insurance company, which will expire on June 1, 2015. There have been no draws on these letters of credit as of March 31, 2015. We do not anticipate that the letters of credit will be drawn upon by the counterparties, and we expect that the letters of credit will be renewed to the extent necessary in the future.

We provided a letter of credit for $2.3 million to TETLP related to the precedent agreement and firm transportation service agreement between our Delaware and Maryland divisions.

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Tax-related Contingencies

We are subject to various audits and reviews by the federal, state, local and other governmental authorities regarding income taxes and taxes other than income. As of March 31, 2015, we maintained a liability of $100,000 related to unrecognized income tax benefits and $578,000 related to contingencies for taxes other than income. As of December 31, 2014, we maintained a liability of $100,000 related to unrecognized income tax benefits and $724,000 related to contingencies for taxes other than income.

Other

We are involved in certain other legal actions and claims arising in the normal course of business. We are also involved in certain legal and administrative proceedings before various governmental agencies concerning rates. In the opinion of management, the ultimate disposition of these proceedings will not have a material effect on our consolidated financial position, results of operations or cash flows.

7. Segment Information

We use the management approach to identify operating segments. We organize our business around differences in regulatory environment and/or products or services, and the operating results of each segment are regularly reviewed by the chief operating decision maker (our Chief Executive Officer) in order to make decisions about resources and to assess performance. The segments are evaluated based on their pre-tax operating income. Our operations comprise two reportable segments:

- Regulated Energy. The Regulated Energy segment includes natural gas distribution, natural gas transmission and electric distribution operations. All operations in this segment are regulated, as to their rates and services, by the PSC having jurisdiction in each operating territory or by the FERC in the case of Eastern Shore.
- Unregulated Energy. The Unregulated Energy segment includes propane distribution and wholesale marketing operations, and natural gas marketing operations, which are unregulated as to their rates and services. Also included in this segment are other unregulated energy services, such as energy-related merchandise sales and heating, ventilation and air conditioning, plumbing and electrical services.

We had previously identified "Other" as a separate reportable segment, which consisted primarily of our advanced information services subsidiary. As a result of the sale of that subsidiary on October 1, 2014, "Other" is no longer a separate reportable segment.

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The following table presents financial information about our reportable segments:

	Three Months Ended March 31,	
	2015	2014
(in thousands)		
Operating Revenues, Unaffiliated Customers		
Regulated Energy segment	$109,292	$101,874
Unregulated Energy segment	60,789	79,874
Other businesses	—	4,589
Total operating revenues, unaffiliated customers	$170,081	$186,337
Intersegment Revenues [1]		
Regulated Energy segment	$290	$292
Unregulated Energy segment	207	99
Other businesses	221	253
Total intersegment revenues	$718	$644
Operating Income		

®/oral BDP.

Upon termination other than for breach by Sigma-Tau, Sigma-Tau has the right to process and sell its inventory for a period of three months following the date of termination, subject to the payment of the amounts owed under the agreement, to us and continued compliance with the terms of the agreement.

On July 28, 2011, we announced the expansion and amendment of our North American licensing partnership with Sigma-Tau for the development and commercialization of orBec®/oral BDP into the “European Territory” (as defined in the amendment). Pursuant to this amendment, we received an up-front non-refundable payment of $5 million and granted Sigma-Tau an exclusive license to commercialize orBec®/oral BDP in the European territory. The amendment requires Sigma-Tau to make additional payments to us in the aggregate amount of $11 million upon the achievement of certain milestones. The amendment also requires Sigma-Tau to pay us a 40% royalty (Soligenix to provide finished drug product) on net sales in the European Territory and pay for all commercialization expenses, including launch activities.

We believe the potential worldwide market for orBec®/oral BDP is in excess of $500 million for all GI applications, namely, Crohn’s disease, radiation enteritis, GI ARS, and GVHD.

LPM™ – Leuprolide for Treating Endometriosis and Prostate Cancer

Our Lipid Polymer Micelle (“LPM™”) oral drug delivery system is a proprietary platform technology designed to allow for the oral administration of peptide drugs that are water-soluble but poorly permeable through the gastrointestinal tract. We have previously demonstrated in pre-clinical animal models that the LPM™ technology is adaptable to oral delivery of peptide drugs and that high systemic levels after intestinal absorption can be achieved with the peptide hormone drug leuprolide. The LPM™ system utilizes a lipid based delivery system that can incorporate the peptide of interest in a thermodynamically stable configuration called a “reverse micelle” that, through oral administration, can promote intestinal absorption. Reverse micelles are structures that form when certain classes of lipids come in contact with small amounts of water. This results in a drug delivery system in which a stable clear dispersion of the water soluble drug can be evenly dispersed within the lipid phase. LPM™ is thought to promote intestinal absorption due to the ability of the micelles to open up small channels through the epithelial layer of the intestines that allow only molecules of a certain dimension to pass through while excluding extremely large molecules such as bacteria and viruses. The reverse micelles also structurally prevent the rapid inactivation of peptides by enzymes in the upper

gastrointestinal tract via a non-specific enzyme inhibition by surfactant(s) in the formulation.

In pre-clinical studies, the LPM™ delivery technology significantly enhanced the ability of leuprolide to pass through the intestinal epithelium in comparison to leuprolide alone. Leuprolide is a synthetic peptide agonist of gonadotropin releasing hormone, which is used in the treatment of prostate cancer in men and endometriosis in women. Leuprolide exhibits poor intestinal absorption from an aqueous solution with the oral bioavailability being less than 5%. Utilizing LPM™ in rats and dogs, the bioavailability of leuprolide averaged 30% compared to 2.2% for the control oral solution. Based on these promising pre-clinical data, we anticipate preparing for a Phase 1 study in humans to confirm these findings, pending further funding.

An oral version of leuprolide may provide a significant advantage over the currently marketed “depot” formulations. Leuprolide is one of the most widely used anti-cancer agents for advanced prostate cancer in men. Injectable forms of leuprolide marketed under trade names such as Lupron® and Eligard® had worldwide annual sales of more than $1 billion in recent years. Injectable leuprolide is also widely used in non-cancer indications, such as endometriosis in women (a common condition in which cells normally found in the uterus become implanted in other areas of the body), uterine fibroids in women (noncancerous growths in the uterus) and central precocious puberty in children (a condition causing children to enter puberty too soon). Leuprolide is currently available only in injectable, injectable depot and subcutaneous implant routes of delivery which limits its use and utility.

Vaccines/BioDefense Overview

ThermoVax™ – Thermostability Technology

Soligenix’s Thermostability technology, ThermoVax™, is a novel method of rendering aluminum salt (known colloquially as Alum) adjuvanted vaccines stable at elevated temperatures. Alum is the most widely employed adjuvant technology in the vaccine industry. The value of ThermoVax™ lies in its potential ability to eliminate the need for cold-chain production, transportation, and storage for Alum adjuvanted vaccines. This would relieve companies of the high costs of producing and maintaining vaccines under refrigerated conditions. The World Health Organization (“WHO”) reports that 50% of all vaccines around the world are wasted due to thermostability issues. This is due to the fact that most Alum adjuvanted vaccines need to be maintained at between 2 and 8 degrees Celsius (“C”) and even brief excursions from this temperature range (especially below freezing) usually necessitates the destruction of the product or the initiation of costly stability programs specific for the vaccine lots in question. The savings realized from the elimination of cold chain costs and related product losses would in turn significantly increase the profitability of vaccine products. Elimination of the cold chain would also further facilitate the use of these vaccines in the lesser developed parts of the world. On the Vaccines/BioDefense side, ThermoVax™ has the potential to facilitate easier storage and distribution of strategic national stockpile vaccines in emergency settings.

Initial proof-of-concept preclinical studies with ThermoVax™ indicate that it is able to produce stable vaccine formulations using adjuvants, protein immunogens, and other components that ordinarily would not withstand long temperature variations exceeding customary refrigerated storage conditions. These studies were conducted with Soligenix’s aluminum-adjuvanted ricin toxin vaccine, RiVax™, made under precise lyophilization conditions using excipients that aid in maintaining native protein structure of the ricin A chain, the immunogenic compound of the vaccine. When RiVax™ was kept at 40 degrees C for over three months, all of the animals vaccinated with the lyophilized RiVax™ vaccine developed potent and high titer neutralizing antibodies. Confirmatory results have extended the stability to more than three months when the vaccine is kept at 40 degrees C. In contrast, animals that were vaccinated with the liquid RiVax™ vaccine kept at 40 degrees C did not develop neutralizing antibodies and were not protected against ricin exposure. The ricin A chain is extremely sensitive to temperature and rapidly loses the ability to induce neutralizing antibodies when exposed to temperatures higher than 8 degrees C.

Near term progress with ThermoVax™ will allow Soligenix to seek out potential partnerships with companies marketing FDA/ex-U.S. health authority approved Alum adjuvanted vaccines that are interested in eliminating the need for cold chain for their products. ThermoVax™ will further enable Soligenix to expand its vaccine development expertise beyond biodefense into the infectious disease space and also has the potential to allow for the development of multivalent vaccines (e.g., combination ricin-anthrax vaccine).

ThermoVax™ is the subject of U.S. patent application number 60/896,429 filed on March 22, 2007 entitled “Method of Preparing an Immunologically-Active Adjuvant-Bound Dried Vaccine Composition.” This patent and its corresponding foreign filings are pending and licensed to Soligenix by the University of Colorado and they address the use of adjuvants in conjunction with vaccines that are formulated to resist thermal inactivation. The license agreement covers thermostable vaccines for biodefense as well as other potential vaccine indications.

RiVax™ – Ricin Toxin Vaccine

RiVax™ is our proprietary vaccine developed to protect against exposure to ricin toxin, and is the first ricin. With RiVax™, Soligenix is a world leader in ricin toxin vaccine research. The immunogen in RiVax™ induces a protective immune response in animal models of ricin exposure and functionally active antibodies in humans. The immunogen consists of a genetically inactivated subunit ricin A chain that is enzymatically inactive and lacks residual toxicity of the holotoxin. One Phase 1 human clinical trial was completed, and a second trial is currently being conducted. The development of RiVax™ has been sponsored through a series of overlapping challenge grants, UC1, and cooperative grants, U01, from the NIH, granted to Soligenix and to the University of Texas Southwestern Medical Center (“UTSW”) where the vaccine originated. The second clinical trial is being supported by a grant from the FDA's Office of Orphan Products to UTSW. Soligenix and UTSW have collectively received approximately $15 million in grant funding from the NIH for RiVax™. Results of the first Phase 1 human trial of RiVax™ established that the immunogen was safe and induced antibodies anticipated to protect humans from ricin exposure. The antibodies generated from vaccination, concentrated and purified, were capable of conferring immunity passively to recipient animals, indicating that the vaccine was capable of inducing functionally active antibodies in humans. The outcome of the study was published in the Proceedings of the National Academy of Sciences (Vitetta et al., 2006, PNAS, 105:2268-2273). The second trial, sponsored by UTSW, is currently evaluating a more potent formulation of RiVax™ that contains a conventional adjuvant (salts of aluminum), anticipated to result in higher antibody titers of longer duration in human subjects. This trial is expected to complete in the 2H 2012. Soligenix has adapted the original manufacturing process for the immunogen contained in RiVax™ for large scale manufacturing and is further establishing correlates of the human immune response in non-human primates.

RiVax™ is the subject of three issued U.S. patent numbers 6,566,500, 6,960,652, and 7,829,668, all entitled "Compositions and methods for modifying toxic effects of proteinaceous compounds." This patent family includes composition of matter claims for the modified ricin toxin A chain which is the immunogen contained in RiVax™, and issued in 2003, 2005 and 2010 respectively. The initial filing date of these patents is March 2000 and they are expected to expire in March 2020. The issued patents contain claims that describe alteration of sequences within the ricin A chain that affect vascular leak, one of the deadly toxicities caused by ricin toxin. Another U.S. patent number 7,175,848 entitled “Ricin A chain mutants lacking enzymatic activity as vaccines to protect against aerosolized ricin,” was filed in October of 2000 and is expected to expire in October 2020. RiVax™ has also been granted Orphan Drug Designation by the FDA for the prevention of ricin intoxication.

About Ricin Toxin

Ricin toxin can be cheaply and easily produced, is stable over long periods of time, is toxic by several routes of exposure and thus has the potential to be used as a biological weapon against military and/or civilian targets. As a bioterrorism agent, ricin could be disseminated as an aerosol, by injection, or as a food supply contaminant. The potential use of ricin toxin as a biological weapon of mass destruction has been highlighted in a Federal Bureau of Investigations Bioterror report released in November 2007 entitled Terrorism 2002-2005, which states that “Ricin and the bacterial agent anthrax are emerging as the most prevalent agents involved in WMD investigations” (http://www.fbi.gov/stats-services/publications/terrorism-2002-2005/terror02_05.pdf). The Centers for Disease Control (“CDC”) has classified ricin toxin as a Category B biological agent. Ricin works by first binding to glycoproteins found on the exterior of a cell, and then entering the cell and inhibiting protein synthesis leading to cell

death. Once exposed to ricin toxin, there is no effective therapy available to reverse the course of the toxin. Currently, there is no FDA approved vaccine to protect against the possibility of ricin toxin being used in a terrorist attack, or its use as a weapon on the battlefield, nor is there a known antidote for ricin toxin exposure.

VeloThrax™ – Anthrax Vaccine

VeloThrax™ is Soligenix's newly acquired proprietary vaccine based on a recombinant Protective Antigen (rPA) derivative intended for use against anthrax. Soligenix has entered into an exclusive license option with Harvard College to license VeloThrax™ (also known as DNI for dominant negative inhibitor). VeloThrax™ is a translocation-deficient mutant of PA with double mutations of K397D and D425K that impede the conformational changes necessary for endosomal membrane translocation into the cell cytoplasm. In the absence of that PA translocation step, anthrax toxin trafficking and function cease. VeloThrax™ is also considered a more immunogenic candidate than native rPA. This apparent increase in immunogenicity suggests that the DNI rPA is processed and presented to the immune system more efficiently by cellular antigen processing pathways, which is consistent with known properties of the molecule.

DNI versions of rPA such as VeloThrax™ are also capable of inducing antibodies that neutralize the activity of the anthrax toxin complex. Unlike fully-functional rPA, VeloThrax™ might be given to a patient post-exposure without risk of enhancing intoxication during an infection, although clinical tests involving intravenous administration of potentially therapeutic levels of DNI rPA resulted in serious adverse events and so further development of this product as a therapeutic biological for blocking the effects of infection by B. anthracis was discontinued. Soligenix intends to test VeloThrax™ at a 1,000 fold lower dose than previously tested for an intramuscular or intradermal vaccine.

Initial development work on VeloThrax™ has begun and will be conducted pursuant to Soligenix's $9.4 million NIAID grant enabling development of thermo-stable ricin and anthrax vaccines. VeloThrax™'s greater immunogenicity could lead to a vaccine that can be administered in the fewest possible doses to induce the highest level of toxin neutralizing antibodies. Utilizing ThermoVax™, Soligenix believes that it will be able to develop VeloThrax™ into a vaccine with an improved stability profile, an issue that has proven challenging in the development of other anthrax vaccines. Extended stability at ambient temperatures would be a significant improvement for stockpiled vaccines and one which is not expected from conventional vaccines. Further, a large-scale, cGMP production methodology has already been completed. Assuming long-term stability can be met; VeloThrax™ could be stockpiled for general prophylactic as well as a post exposure use.

The overall objective of the VeloThrax™ program is to rapidly and efficiently develop a next generation anthrax vaccine which combines a well established, safe and relatively low risk vaccine development and dosing approach with targeted, proven innovative strategies. VeloThrax™ will potentially be a combination of a stable, readily manufactured mutant rPA subunit antigen with next generation, clinically compatible adjuvants from Infectious Disease Research Institute ("IDRI") which have been demonstrated to enhance potency and reduce the time and number of vaccine doses required to achieve protective titer using a variety of vaccine antigens. This blend of proven yet innovative technologies will provide the Public Health Emergency Medical Countermeasures Enterprise ("PHEMCE") and the Department of Defense ("DoD") with a safe and stable alternative to the existing licensed anthrax vaccine product. Soligenix also proposes to adapt newly developed glassification technology (initially developed under an ongoing NIAID grant to stabilize exceptionally unstable ricin toxin/adjuvant formulations) to enable a thermostable, dried, single vial, pre-formulated adjuvanted rPA vaccine which is suitable for both long term storage and field use without typical cold chain constraints.

About Anthrax

Anthrax is an acute infectious disease that is easily transmitted to humans by environmentally durable spores that are produced by Bacillus anthracis. Because the spores are robust and contagious, anthrax is considered a Category A bioterror threat. Anthrax infection can occur in three forms: cutaneous (skin), inhalation, and gastrointestinal. Inhaled spores can cause a rapidly progressing form of anthrax since the spores are transported to lymph nodes near the lungs where they germinate, releasing vegetative bacteria into the bloodstream. Bacteria synthesize a complex series of toxin components that make up anthrax toxin, resulting in overwhelming toxemia that causes shock and organ failure. Treatment of anthrax involves long-term antibiotic therapy, since ungerminated spores can lie dormant in the lungs for up to 60 days. Only a few inhaled spores can cause inhalational anthrax. Once the toxin has entered the bloodstream, antibiotics are ineffective, and only toxin-specific therapy is effective. Passively transferred antibodies can neutralize anthrax toxins and can be used post-exposure in conjunction with antibiotics. Because of the long residence time of spores in the lung, it is possible to vaccinate post-exposure, but the onset of neutralizing antibodies must occur during the period of antibiotic therapy.

OrbeShield™ – Oral BDP for Gastrointestinal Acute Radiation Syndrome (GI ARS)

OrbeShield™ (an oral immediate and delayed release formulation of the topically active corticosteroid BDP) is being developed for the treatment of GI ARS. Corticosteroids are the best understood and most widely used class of anti-inflammatory drugs. BDP is a corticosteroid with predominantly topical activity that is approved for use in asthma, psoriasis and allergic rhinitis.

OrbeShield™ has demonstrated positive preclinical results in a canine GI ARS model which indicate that dogs treated with OrbeShield™ demonstrated statistically significant (p=0.04) improvement in survival with dosing at either 2 hours or 24 hours after exposure to lethal doses of total body irradiation (“TBI”) when compared to control dogs. OrbeShield™ appears to significantly mitigate the damage to the GI epithelium caused by exposure to high doses of radiation using a well-established canine model of GI ARS.

The GI tract is highly sensitive to ionizing radiation and the destruction of epithelial tissue is one of the first effects of radiation exposure. The rapid loss of epithelial cells leads to inflammation and infection that are often the primary cause of death in acute radiation injury. This concept of GI damage also applies to clinical setting of oncology, where high doses of radiation cannot be administered effectively to the abdomen because radiation is very toxic to the intestines. This is the same type of toxicity that occurs in radiation-induced GI ARS. As a result, there is a dual avenue of development for Soligenix, and OrbeShield™ is potentially a “dual use” compound, a desirable characteristic which is a specific priority of Biomedical Advanced Research and Development Authority (“BARDA”) for ARS and other medical countermeasure indications.

The application of OrbeShield™ to acute GI ARS originated from other programs for oral BDP and is based on the properties of BDP to act locally in the GI to modulate local inflammation and epithelial cellular apoptosis. Development of OrbeShield™ for GI ARS is a natural extension of Soligenix’s radiation enteritis clinical program with SGX201. Killing cancer cells with radiation therapy or chemotherapy must be done in ways that minimize toxicity to the rest of the body, but often leads to an inflammatory condition in the GI tract when administered in that general vicinity. In most radiation scenarios, injury to the hematopoietic (blood) system and GI tract are the main determinants of survival.

Previously, development of OrbeShield™ had been largely supported by a $1 million NIH grant to Soligenix’s academic partner, the Fred Hutchinson Cancer Research Center. In July 2012, the Company received a SBIR grant from NIAID of approximately $600,000 to support further preclinical development of OrbeShield™ for the treatment of acute GI ARS.

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About GI ARS

The potential occurrence of industrial radiation accidents and the threat of terrorist events involving radioactive material mandate the development and implementation of effective treatments of radiation injury. The GI tract is highly sensitive to radiation damage. Substantial injury to the GI tract after radiation exposure results in death. In most radiation scenarios, injury to the hematopoietic system and gastrointestinal tract are the main determinants of survival. There is an urgent need to develop specific countermeasures against the lethality caused by intestinal exposure to radiation and against the pathophysiological manifestations of radiation-induced gastrointestinal injury.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses, and related disclosure of contingent assets and liabilities. We evaluate these estimates and judgments on an on-going basis.

Intangible Assets

One of the most significant estimates or judgments that we make is whether to capitalize or expense patent and license costs. We make this judgment based on whether the technology has alternative future uses, as defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 730, Research and Development. Based on this consideration, we capitalized payments made to legal firms that are engaged in filing and protecting rights to intellectual property and rights for our current products in both the domestic and international markets. We believe that patent rights are one of our most valuable assets. Patents and patent applications are key components of intellectual property, especially in the early stage of product development, as their purchase and maintenance gives us access to key product development rights from our academic and industrial partners. These rights can also be sold or sub-licensed as part of our strategy to partner our products at each stage of development as the intangible assets have alternative future use. We capitalize such costs and amortize intangibles over their expected useful life, generally a period of 11 to 16 years.

These intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or if the underlying program is no longer being pursued. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and carrying value of the related asset or group of assets.

Research and Development Costs

Research and development costs are charged to expense when incurred in accordance with FASB ASC 730, Research and Development. Research and development includes costs such as clinical trial expenses, contracted research and license agreement fees with no alternative future use, supplies and materials, salaries stock based compensation, employee benefits, equipment depreciation and allocation of various corporate costs. Purchased in-process research and development expense represents the value assigned or paid for acquired research and development for which there is no alternative future use as of the date of acquisition.

Revenue Recognition

Principally our revenues are generated from NIH grants and revenues from licensing activities and the achievement of licensing milestones (in prior periods). Recording of revenue is applied in accordance with FASB ASC 605, Revenue

Recognition, ASC 605-25 and/or Accounting Standard Update, ASU, 2009-13, Revenue Recognition – Multiple Element Arrangements. The revenue from NIH grants is based upon subcontractor costs and internal costs incurred that are specifically covered by the grants, plus a facilities and administrative rate that provides funding for overhead expenses. These revenues are recognized when expenses have been incurred by subcontractors or when we incur internal expenses that are related to the grant. Licensing and associated milestone revenues are recorded when earned.

Accounting for Warrants

We considered FASB ASC 815, Evaluating Whether an Instrument is Considered Indexed to an Entity's Own Stock, which provides guidance for determining whether an equity-linked financial instrument (or embedded feature) issued by an entity is indexed to the entity's stock, and therefore, qualifying for the first part of the scope exception in paragraph 815-10-15. We evaluated the warrants' provisions and determined that they were indexed to our own stock and therefore to be accounted for as an equity instrument for the nine months ended September 30, 2012 and 2011.

Stock-Based Compensation

From time to time, we issue restricted shares of common stock to vendors and consultants as compensation for services performed. These shares are typically issued as restricted stock, unless issued to non-affiliates under the 2005 Equity Incentive Plan, where the stock may be issued as unrestricted. The restricted stock can only have the restrictive legend removed if the shares underlying the certificate are sold pursuant to an effective registration statement, which we must file and have approved by the SEC, if the shares underlying the certificate are sold pursuant to Rule 144, provided certain conditions are satisfied, or if the shares are sold pursuant to another exemption from the registration requirements of the Securities Act of 1933, as amended.

We determine stock-based compensation expense for options, warrants and shares of common stock granted to non-employees in accordance with FASB ASC 718, Stock Compensation, and FASB ASC 505-50, Equity-Based Payments to Non-Employees, and represents the fair value of the consideration received, or the fair value of the equity instruments issued, whichever may be more reliably measured. For options that vest over future periods, the fair value of options granted to non-employees is amortized as the options vest. The option's price is remeasured using the Black-Scholes model at the end of each quarterly reporting period. Stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period.

Material Changes in Results of Operations

Three and Nine Months Ended September 30, 2012 Compared to 2011

For the three months ended September 30, 2012, we had a net loss of $758,966 as compared to a net income of $2,204,874 for the same period in the prior year, representing an increase in the net loss of $2,963,840 primarily related to the receipt of $5,000,000 from Sigma-Tau upon execution of the European territory license agreement in 2011. For the nine months ended September 30, 2012, we had a net loss of $3,177,599 as compared to a net loss of $1,446,854 for the same period in the prior year, representing an increase of $1,703,745 primarily related to the receipt of $5,000,000 from Sigma-Tau upon the execution of the European territory license agreement in 2011.

For the three and nine months ended September 30, 2012, grant revenues and associated costs related to NIH grants awarded supported development of our thermostable vaccines and orBec®. For the three months ended September 30, 2012, we had grant revenues of $931,627 as compared to $795,862 for the same period in the prior year, representing an increase of $ 135,765 or 17%. For the nine months ended September 30, 2012, we had grant revenues of $2,341,896 as compared to $2,009,687 for the same period in the prior year, representing an increase of $332,209 or 17%. In 2011 we recognized revenue of $5,000,000 related to the execution of the European territory license agreement with Sigma-Tau.

We incurred costs related to grant revenues for the three months ended September 30, 2012 and 2011 of $761,628 and $655,125, respectively, representing an increase of $106,503 or 16%. For the nine months ended September 30, 2012, costs related to grant revenues were $1,934,529 as compared to $1,558,673 for the same period in the prior year, representing an increase of $375,353, or 24%. These costs relate to payments made to subcontractors in connection with research performed pursuant to the grants. The increases are due to work performed on the NIH grants discussed above.

Our gross profit for the three months ended September 30, 2012 was $169,999 as compared to $5,140,737 for the same period in 2011, representing a decrease of $4,970,738. For the nine months ended September 30, 2012, gross profit was $407,367 as compared to $5,451,014 for the same period in the prior year representing a decrease of $5,043,647. The decrease in gross profit is primarily related to the Sigma-Tau European territory license agreement in the third quarter 2011.

Research and development expenses decreased by $1,970,915 to $371,338 for the three months ended September 30, 2012 as compared to $2,342,253 for the same period in 2011. The significant decrease is attributable to a 2011 payment of a sub-license fee of $1,012,500 in the form of Cash and Company stock in connection with the Sigma-Tau European territory license agreement and decreased spending associated with the discontinuation of the confirmatory Phase 3 clinical trial of orBec® for the treatment of acute GI GVHD. For the nine months ended September 30, 2012, research and development expenses were $1,749,112 compared to $5,228,799 for the same period in 2011, reflecting a spending decrease of $3,479,687. The significant decrease is a attributable to a 2011 payment of a sub-license fee of $1,012,500 in the form of Cash and Company stock in connection with the Sigma-Tau European territory license agreement and decreased spending associated with the discontinuation of the confirmatory Phase 3 clinical trial of orBec® for the treatment of acute GI GVHD.

General and administrative expenses decreased by $36,144, or 6%, to $558,877 for the three months ended September 30, 2012, as compared to $595,021 for the same period in 2011. For the nine months ended September 30, 2012, general and administrative expenses was $1,841,138 representing an increase of $166,730, or 10% compared to $1,674,408 for the same period in 2011. The increase is primarily related to business development consulting activity and non-cash stock based compensation.

Financial Condition

Cash and Working Capital

As of September 30, 2012, we had cash and cash equivalents of $3,698,398 as compared to $5,996,668 as of December 31, 2011, representing a decrease of $2,298,270 or 38%. As of September 30, 2012, we had working capital of $3,094,649 as compared to working capital of $5,696,444 as of December 31, 2011, representing a decrease of $2,601,795 or 46%. The decrease in cash and working capital was primarily the result of cash used in operating activities over the nine month period. For the nine months ended September 30, 2012, our cash used in operating activities was $2,293,515.

Based on the Company's current rate of cash outflows, cash on hand, proceeds from its grant-funded programs, reductions in headcount and expected proceeds from the State of New Jersey Technology Business Tax Certificate Transfer Program, management believes that its current cash will be sufficient to meet its anticipated cash needs for working capital and capital expenditures into the fourth quarter of 2013.

Our plans with respect to our liquidity management include, but are not limited to, the following:

- We have instituted a cost reduction plan which has reduced headcount and will continue to reduce costs wherever possible.
- We have approximately $4.6 million in active grant funding still available to support our associated research programs into 2014. We plan to submit additional grant applications for further support of these programs with various funding agencies.
- We have continued to use equity instruments to provide a portion of the compensation due to vendors and collaboration partners and expect to continue to do so for the foreseeable future.
- We will pursue sales of Net Operating Losses ("NOL") sales in the State of New Jersey, pursuant to its Technology Business Tax Certificate Transfer Program. Based on the receipt of $574,157 in proceeds from the sale of NJ NOL in 2011, the Company expects to participate in the program during 2012 and beyond; and
- We may seek additional capital in the private and/or public equity markets to continue our operations, respond to competitive pressures, develop new products and services, and to support new strategic partnerships. We are currently evaluating additional equity financing opportunities and may execute them when appropriate. However, there can be no assurances that we can consummate such a transaction, or consummate a transaction at favorable pricing.

Reverse Stock Split

On February 1, 2012, we completed a reverse stock split of its issued and outstanding shares of common stock at a ratio of 1-for-20, whereby, every 20 shares of its common stock was exchanged for one share of its common stock. Its common stock began trading on the OTCBB on a reverse split basis on February 2, 2012. All share and per share data have been restated to reflect this reverse stock split.

Expenditures

Under our budget and based upon our existing product development agreements and license agreements pursuant to letters of intent and option agreements, we expect our total research and development expenditures for the next 12 months to be approximately $3.2 million before any grant reimbursements, of which $1.2 million relates to the BioTherapeutics business and $2.0 million relates to the Vaccines/BioDefense business. We anticipate grant revenues in the next 12 months of approximately $2.4 million to offset research and development expenses, primarily for the development of our ThermoVax™ vaccine technology, and very limited contribution to the wind down costs of the Phase 3 clinical trial of orBec® in the treatment of acute GI GVHD.

The table below details our costs for research and development by program and amounts reimbursed under grants for the nine months ended September 30:

	2012	2011
Research & Development Expenses		
orBec®/ oral BDP	$ 616,532	$ 3,575,814
RiVax™ and thermostable vaccines	1,035,878	1,249,564
Oraprine™	-	-
LPM™-Leuprolide and Other	96 ,702	403,401
Total	$ 1,749,112	$ 5,228,779
Reimbursed under Grants		
orBec®/ oral BDP	$ 162,060	$ 520,324
RiVax™ and thermostable vaccines	1,772,469	1,038,349

Total	$	1,934,529	$	1,558,673
Grand Total	$	3,683,641	$	6,787,452

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Contractional Obligations

The Company has commitments of approximately $325,000 as of September 30, 2012 relating to several licensing agreements with consultants and universities, which upon clinical or commercialization success may require the payment of milestones and/or royalties if and when achieved. However, there can be no assurance that clinical or commercialization success will occur.

On February 7, 2012, we entered into a lease agreement through March 31, 2015 for our existing office space. The rent for the first 12 months is approximately $8,000 per month, or approximately $18.25 per square foot on an annualized basis. This rent increases to approximately $8,310 per month, or approximately $19.00 per square foot on an annualized basis, for the remaining 24 months.

In February 2007, the Company's Board of Directors authorized the issuance of the following shares to Dr. Schaber, and Dr. Brey and certain other employees and a consultant, upon the completion of a transaction, or series or a combination of related transactions negotiated by our Board of Directors whereby, directly or indirectly, a majority of our capital stock or a majority of its assets are transferred from us and/or our stockholders to a third party: 50,000 common shares to Dr. Schaber; and 10,000 common shares to Dr. Brey. The employment agreement with Dr. Schaber has been amended to reflect this obligation.

Employees with employment contracts have severance agreements that will provide separation benefits from the Company if they are involuntarily separated from employment. On February 15, 2012, Mr. Myrianthopoulos' employment agreement was terminated. However, he continues to serve the Company as a consultant on business development and other related matters.

As a result of the above agreements, the Company has future contractual obligations over the next five years as follows:

Year	Research and Development	Property and Other Leases	Total
2012	$ 25,000	$ 25,401	$ 50,401
2013	75,000	104,559	179,559
2014	75,000	101,198	176,198
2015	75,000	24,938	99,938
2016	75,000	-	75,000
Total	$ 325,000	$ 256,096	$ 581,096

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because the majority of our investments are in short-term marketable securities. Due to the nature of our short-term investments, we believe that we are not subject to any material market risk exposure. We do not have any foreign currency or other derivative financial instruments.

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are the Company's controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the possible controls and procedures.

Our management has evaluated, with the participation of our principal executive officer and principal financial officer effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report. Based upon that evaluation, our management, including our principal executive officer and principal financial officer has concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Controls

There was no change in our internal control over financial reporting identified in connection with the evaluation of such internal controls that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

On February 15, 2012, the employment agreement of Mr. Myrianthopoulos, Chief Financial Officer and Senior Vice-President was terminated and Mr. Joseph M. Warusz was appointed the Acting Chief Financial Officer.

PART II - OTHER INFORMATION.

ITEM 1A – RISK FACTORS

We have identified no additional risk factors other than those included in Part I, Item 1A of our Form 10-K for the fiscal year ended December 31, 2011, as supplemented by Part II, Item 1A of our Form 10-Q for the quarter ended March 31, 2012. Readers are urged to carefully review our risk factors because they may cause our results to differ from the "forward-looking" statements made in this Report. Additional risks not presently known to us or other factors not perceived by us to present significant risks to our business at this time also may impair our business, financial condition and results of operations. We do not undertake to update any of the "forward-looking" statements or to announce the results of any revisions to these "forward-looking" statements, except as required by law.

ITEM 6 - EXHIBITS

EXHIBIT NO.	DESCRIPTION
31.1	Certification of Chief Executive Officer pursuant to Exchange Act rule 13(a)-14(a) under Section 302 of the Sarbanes-Oxley Act of 2002).
31.2	Certification of Chief Financial Officer pursuant to Exchange Act rule 13(a)-14(a) (under Section 302 of the Sarbanes-Oxley Act of 2002).
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOLIGENIX, INC.

November 14, 2012	by	/s/ Christopher J. Schaber Christopher J. Schaber, PhD President and Chief Executive Officer (Principal Executive Officer)
November 14, 2012	by	/s/ Joseph M. Warusz Joseph M. Warusz, CPA Vice President, Finance and Acting Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT INDEX

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