ORIGINAL

Florida Power
CORPORATION

March 30, 1999

VIA OVERNIGHT MAIL

Ms. Blanca S. Bayó
Director, Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 971311-EI - Consummation Report.

Dear Ms. Bayó:

Pursuant to the requirements of the Commission's Order No. PSC-97-1539-FOF-EI issued December 8, 1997, I enclose herewith for filing one executed original, one conformed copy and one copy on a diskette (in WordPerfect 8 format, except for exhibit (c)-2, the Company's Form 10-K, which is in Word format) of a Consummation Report dated March 30, 1999 for Florida Power Corporation (the "Company") in the above-referenced docket.

Please acknowledge your receipt of the Consummation Reports by date-stamping the enclosed copy of this letter and returning it to me using the enclosed, self-addressed and stamped envelope provided for this purpose.

ACK
AFA 1
APP
CAF
CMU
CTR
EAG
LEG cy letter
LIN
OPC
RCH
SEC cy cover letter only
WAS
OTH

Very truly yours,

Douglas E. Wentz

Enclosures
cc: Kenneth E. Armstrong
Rodney E. Gaddy
Jack Shreve
(each with enclo.)

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FPSC-RECORDS/REPORTING

DOCKET NO. 971311-EI

FLORIDA PUBLIC SERVICE COMMISSION

TALLAHASSEE, FLORIDA

CONSUMMATION REPORT

TO

APPLICATION OF

FLORIDA POWER CORPORATION

FOR AUTHORITY TO ISSUE AND SELL

SECURITIES DURING 1998

PURSUANT TO FLORIDA STATUTES, SECTION 366.04

AND RULE 25-8, FLORIDA ADMINISTRATIVE CODE

Address communications in connection with this Consummation Report to:

Kenneth E. Armstrong
Vice President and General Counsel
Florida Power Corporation
One Progress Plaza
St. Petersburg, FL 33701

Dated: March 30, 1999

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In Re: APPLICATION OF FLORIDA POWER CORPORATION FOR AUTHORITY TO ISSUE AND SELL SECURITIES DURING 1998 PURSUANT TO FLORIDA STATUTES SECTION 366.04 AND CHAPTER 25-8, FLORIDA ADMINISTRATIVE CODE	)	DOCKET NO. 971311-EI

The Applicant, Florida Power Corporation (the "Company"), pursuant to Commission Order No. PSC-97-1539-FOF-EI issued December 8, 1997 (the "Order"), hereby files its Consummation Report as required by the terms of such Order and pursuant to Rule 25-8.009, Florida Administrative Code.

(1) On February 10, 1998, the Company entered into a Terms Agreement with a group of three underwriters (PaineWebber Incorporated, First Chicago Capital Markets, Inc. and J.P. Morgan Securities Inc.) providing for the sale in an underwritten transaction of $150 million of 6-3/4% Medium-Term Notes, Series B due February 1, 2028 (the "MTNs"), and distributed a Prospectus Supplement dated February 10, 1998 relating thereto. The proceeds from the sale of the MTNs were used by the Company to redeem in March 1998 all of the Company's outstanding $150,000,000 principal amount of First Mortgage Bonds, 8-5/8% Series due November 1, 2021 at a redemption price of 105.17% of the principal amount thereof, together with accrued interest to the date of redemption. The MTNs were issued with underwriting discounts and commissions of 0.875% ($1,312,500) with net proceeds to the Company of 98.834% ($148,251,000). Interest on the MTNs is payable semi-annually in arrears on February 1 and August 1 of each year, commencing August 1, 1998, to holders of record on the January 15 and July 15 immediately

preceding such dates, respectively. The MTNs may be redeemed at any time at the option of the Company, in whole or in part, at a redemption price equal to the sum of (i) the principal amount of the MTNs being redeemed, plus accrued interest thereon to the redemption date, and (ii) the Make-Whole Amount, if any, with respect to such MTNs, as further described in the Prospectus Supplement relating to the MTNs. The MTNs are not subject to any sinking fund.

The MTNs were issued under the Company's existing medium-term note program, under a Registration Statement on Form S-3 (No. 333-29897) that was filed with the Securities and Exchange Commission on June 24, 1997. After giving effect to the issuance of the MTNs noted above, there were $250 million of medium-term notes that remained registered and available for issuance under the Registration Statement.

Apart from the above-discussed MTNs, the Company did not issue any medium-term notes, first mortgage bonds or other debt or equity securities during calendar year 1998, except for (i) commercial paper and (ii) notes that were delivered to various banks to evidence the extension of the Company's long and short-term revolving credit agreements (although no funds were actually borrowed by the Company under those notes and credit agreements).

The Company regularly issues commercial paper for terms up to but not exceeding 270 days from the date of issuance. The commercial paper is issued pursuant to a Commercial Paper Dealer Agreement dated December 22, 1988 with Merrill Lynch Money Markets Inc., as amended by a Letter Agreement dated November 18, 1997 (the "Merrill CP Agreement") and a Letter Agreement dated November 20, 1992 with First Chicago Capital Markets, Inc., as amended by a Letter Agreement dated December 4, 1997 (the "First Chicago CP Agreement"). The commercial paper is sold at a discount, including the underwriting discount of the commercial

paper dealer, at a rate comparable to interest rates being paid in the commercial paper market by borrowers of similar creditworthiness. Given the frequency of these sales, it is not practicable to give the details of each issue. However, the Company's 1998 commercial paper activity can be summarized as follows:

1998 Commercial Paper Activity
($ in thousands)

Commercial paper issued:	$3,368,600
Commercial paper matured:	$3,501,100
Average outstanding:	$ 264,500
Weighted average yield:	5.448%
Weighted average term:	27 days

As back-up for its commercial paper program, the Company has executed (i) a Third Amended and Restated Credit Agreement A with The Chase Manhattan Bank (National Association) ("Chase") as agent for the lenders named therein, dated as of November 17, 1998, providing for short-term loans to the Company in the aggregate principal amount not exceeding $200,000,000 ("Credit Agreement A"), and (ii) a Credit Agreement B with Chase, as agent for the lenders named therein, dated as of November 17, 1998, as amended, providing for long-term loans to the Company in the aggregate principal amount not exceeding $200,000,000 ("Credit Agreement B"). The terms of Credit Agreements A and B expire in November 16, 1999 and November 30, 2003, respectively. No loans have as yet been made to the Company pursuant to the Credit Agreements. For accounting purposes, the Company classifies monies borrowed under, and commercial paper backed by, Credit Agreement B as long-term debt.

A statement showing capitalization, pretax interest coverage, and debt interest and preferred stock dividend requirements at December 31, 1998 is attached hereto as Schedule I.

Additional details concerning the foregoing are contained in the following exhibits filed herewith (with the exhibit numbers corresponding to the applicable paragraph number of Chapter 25-8, Rule 25-8.009 of the Florida Administrative Code):

Exhibit No.	Description of Exhibit
(1)	Statement showing pro forma capitalization and pre-tax interest coverage, together with debt interest and preferred stock dividend requirements as of December 31, 1998.
(a)-1	Third Amended and Restated Credit Agreement A dated as of November 17, 1998, between the Company, the Lenders named therein and Chase, as agent for the Lenders.
(a)-2	Third Amended and Restated Credit Agreement B dated as of November 17, 1998, between the Company, the Lenders named therein and Chase, as agent for the Lenders.
(a)-3	Commercial Paper Issuer memorandum dated November 17, 1998 of Merrill Lynch Money Markets Inc.
(a)-4	Commercial Paper Offering Memorandum dated November 23, 1998 of First Chicago Capital Markets, Inc.
(a)-5	Indenture, dated as of August 15, 1992 (the "Indenture"), between the Company and The First National Bank of Chicago, as successor trustee. (Filed as Exhibit (a)-1 to the Company's Consummation Report dated July 8, 1993 as filed with the Commission on July 9, 1993 in Docket No. 921096-EI, and incorporated herein by reference).
(a)-6	Prospectus Supplement dated February 10, 1998, together with Prospectus dated July 1, 1997, relating to the MTNs.
(b)-1	Bring-down opinion letter of Kenneth E. Armstrong dated February 13, 1998, relating to the issuance of the MTNs.
(c)-1	Registration Statement on Form S-3 (No. 333-29897) as filed with the SEC June 24, 1997. (Filed as Exhibit (c)-2 to the Company's Consummation Report dated September 18, 1997 as filed with the Commission on September 22, 1997 in Docket No. 961216-EI, and incorporated herein by reference.)

(c)-2 The Company's Annual Report on Form 10-K for the year ended December 31, 1998.

(c)-3 Copy of "blue sky" notices and other forms filed with state regulatory bodies in Florida, New York and Oregon in connection with the sale of the MTNs. (Filed as Exhibit (c)-5 to the Company's Consummation Report dated September 18, 1997 as filed with the Commission on September 22, 1997 in Docket No. 961216-EI and incorporated herein by reference.)

(d)-1 Commercial Paper Dealer Agreement dated December 22, 1988 between the Company and Merrill Lynch Money Markets Inc. (Filed as Exhibit (d)-1 to the Company's Consummation Report dated March 26, 1997, as filed with the Commission in Docket No. 951229-EI on March 27, 1997, and incorporated herein by reference.)

(d)-2 Letter Agreement dated November 18, 1997 from the Company to Merrill Lynch Money Markets, Inc. regarding the increase in the maximum amount of Commercial Paper outstanding from $400 to $500 million. (Filed as Exhibit (d)-2 to the Company's Consummation Report dated September 18, 1997 as filed with the Commission on September 22, 1997 in Docket No. 961216-EI and incorporated herein by reference.)

(d)-3 Letter Agreement dated November 20, 1992 between the Company and First Chicago Capital Markets, Inc. relating to the Company's commercial paper. (Filed as Exhibit (d)-2 to the Company's Consummation Report dated March 26, 1997, as filed with the Commission in Docket No. 951229-EI on March 27, 1997, and incorporated herein by reference.)

(d)-4 Letter dated December 4, 1997 from the Company to First Chicago Trust Company of New York regarding increase in maximum amount of Commercial Paper outstanding from $400 to $500 million. (Filed as Exhibit (d)-2 to the Company's Consummation Report dated September 18, 1997 as filed with the Commission on September 22, 1997 in Docket No. 961216-EI and incorporated herein by reference.)

(d)-5 Amended and Restated Distribution Agreement dated April 23, 1996 relating to the issuance and sale of the MTNs. (Filed as Exhibit (d)-1 to the Company's Consummation Report dated September 18, 1997 as filed with the Commission on September 22, 1997 in Docket No. 961216-EI and incorporated herein by reference.)

(d)-6 Terms Agreement dated February 10, 1998 relating to the issuance and sale of the MTNs.

(e) Statement as to underwriters' and finders' fees, if any.

Respectively submitted this
30th day of March, 1999.

FLORIDA POWER CORPORATION

By: _____
Rodney E. Gaddy
Assistant General Counsel

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SCHEDULE I

Statement showing capitalization, pre-tax interest coverage, and debt interest and preferred stock dividend requirements at December 31, 1998.

FLORIDA POWER CORPORATION
SELECTED FINANCIAL DATA

SCHEDULE 1

CAPITALIZATION:

Florida Power's capitalization at December 31, 1998:

Debt:	Interest Rate	Amount Outstanding (in millions)
First mortgage bonds		
Maturing 1999 through 2023	6.88% (a)	$585.0
Pollution control refunding revenue bonds		
Maturing 2014 through 2027	6.59% (a)	240.9
Medium-term notes		
Maturing 1999 through 2028	6.63% (a)	624.5
Commercial paper, supported by revolver maturing November 30, 2003	5.25% (a)	200.0
Discount, net of premium, being amortized over term of bonds		(3.7)
Total long-term debt		1,646.7
Notes payable		47.3
Total debt		1,694.0
Preferred stock:		

Without sinking funds, not subject to mandatory redemption:

Dividend Rate	Current Redemption Price	Shares Outstanding	
4.00% Series	$104.25	39,980	4.0
4.40% Series	$102.00	75,000	7.5
4.58% Series	$101.00	99,990	10.0
4.60% Series	$103.25	39,997	4.0
4.75% Series	$102.00	80,000	8.0
Total preferred stock		334,967 (b)	33.5
Common stock equity			1,820.1
Total capitalization			$3,547.6

(a) Weighted average interest rate at December 31, 1998.
(b) Total authorized shares outstanding at December 31, 1997: 335,000.

FLORIDA POWER CORPORATION
SELECTED FINANCIAL DATA

SCHEDULE 1

PRE-TAX INTEREST COVERAGE:

Florida Power's pre-tax interest coverage for 1998 was 3.87.

DEBT INTEREST:

Florida Power's debt interest charges for 1998 were $136.5 million.

PREFERRED STOCK DIVIDEND REQUIREMENTS:

Florida Power's preferred stock dividend requirements for 1998 were $1.5 million.

EXHIBIT (a)-1

Third Amended and Restated Credit Agreement A

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FLORIDA POWER CORPORATION

THIRD AMENDED AND RESTATED CREDIT AGREEMENT A

Dated as of November 17, 1998

This Agreement amends and restates
Credit Agreement A Dated as of November 26, 1991

THE CHASE MANHATTAN BANK
as Agent

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TABLE OF CONTENTS

This Table of Contents is not part of the Agreement to which it is attached but is inserted for convenience only.

THIS THIRD AMENDED AND RESTATED CREDIT AGREEMENT A dated as of November 17, 1998 between: FLORIDA POWER CORPORATION, a corporation duly organized and validly existing under the laws of the State of Florida (the "Company"); each of the lenders that is a signatory hereto or which, pursuant to Section 11.06(b) hereof, shall become a "Lender" hereunder (individually, a "Lender" and, collectively, the "Lenders"); and THE CHASE MANHATTAN BANK, as agent for the Lenders (in such capacity, together with its successors in such capacity, the "Agent"); amends and restates the Credit Agreement A dated as of November 26, 1991, between the Company, each of the Lenders and the Agent.

The Company has requested that the Lenders make loans to it in an aggregate principal amount not exceeding $200,000,000 at any one time outstanding and the Lenders are prepared to make such loans upon the terms hereof. Accordingly, the parties hereto agree as follows:

Section 1. Definitions and Accounting Matters.

1.01 Certain Defined Terms. As used herein, the following terms shall have the following meanings (all terms defined in this Section 1.01 or in other provisions of this Agreement in the singular to have the same meanings when used in the plural and vice versa):

"Applicable Lending Office" shall mean, for each Lender and for each Type of Loan, the "Lending Office" of such Lender (or of an affiliate of such Lender) designated for such Type of Loan on the signature pages hereof or such other office of such Lender (or of an affiliate of such Lender) as such Lender may from time to time specify to the Agent and the Company as the office by which its Loans of such Type are to be made and maintained.

"Applicable Margin" shall mean:

(i) during each Class 1 Rating Period,

(A) with respect to Base Rate Loans, zero,

(B) with respect to Eurodollar Loans, 0.19%, and

(C) with respect to CD Loans, 0.315%,

(ii) during each Class 2 Rating Period,

(A) with respect to Base Rate Loans, zero,

(B) with respect to Eurodollar Loans, 0.275%, and

(C) with respect to CD Loans, 0.4%, and

(iii) during each Class 3 Rating Period,

(A) with respect to Base Rate Loans, zero,

(B) with respect to Eurodollar Loans, 0.45%, and

(C) with respect to CD Loans, 0.575%.

"Applicable Facility Fee Rate" shall mean, a rate per annum equal to (a) during each Class 1 Rating Period, 0.06%; (b) during each Class 2 Rating Period, 0.10%; and (c) during each Class 3 Rating Period, 0.15%.

"Assessment Rate" shall mean, for any Interest Period for any CD Loan, the effective annual assessment rate (rounded upwards, if necessary, to the nearest 1/100 of 1%) payable by Chase to the Federal Deposit Insurance Corporation (or any successor) for deposit insurance for Dollar time deposits with Chase at the Principal Office during such Interest Period, as reasonably estimated by the Agent.

"Base Rate" shall mean, for any day, the higher of (a) the Federal Funds Rate for such day plus 1/2 of 1% per annum and (b) the Prime Rate for such day. Each change in any interest rate provided for herein based upon the Base Rate resulting from a change in the Base Rate shall take effect at the time of such change in the Base Rate.

"Base Rate Loans" shall mean Syndicated Loans which bear interest at rates based upon the Base Rate.

"Business Day" shall mean any day on which commercial banks are not authorized or required to close in New York City and, if such day relates to the giving of notices or quotes in connection with a LIBOR Auction or to a borrowing of, a payment or prepayment of principal of or interest on, or an Interest Period for, a Eurodollar Loan or a LIBOR Market Loan or a notice by the Company with respect to any such borrowing, payment, prepayment or Interest Period, which is also a day on which dealings in Dollar deposits are carried out in the London interbank market.

"Capital Lease Obligations" shall mean, as to any Person, the obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real and/or personal property which obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP (including Statement of Financial Accounting Standards No. 13 of the Financial Accounting Standards Board) and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP (including such Statement No. 13).

"CD Loans" shall mean Syndicated Loans the interest rates on which are determined on the basis of rates referred to in clause (b) of the definition of "Fixed Base Rate" in this Section 1.01.

"Chase" shall mean The Chase Manhattan Bank.

"Class" shall have the meaning given to that term in Section 1.03 hereof.

"Class 1 Rating Period" shall mean any period during which the rating of the First Mortgage Bonds (a) by Moody's equals or exceeds "A3" and (b) by S&P equals or exceeds "A-".

"Class 2 Rating Period" shall mean any period during which the rating of the First Mortgage Bonds (a) by Moody's equals or exceeds "Baa3" and (b) by S&P equals or exceeds "BBB-", and which is not a Class 1 Rating Period.

"Class 3 Rating Period" shall mean any period that is neither a Class 1 Rating Period nor a Class 2 Rating Period.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" shall mean, with respect to each Lender, the obligation of such Lender to make Syndicated Loans pursuant to Section 2.01 hereof in an aggregate amount at any one time outstanding up to but not exceeding the amount set opposite such Lender's name on the signature pages hereof under the caption "Commitment" (as the same may be reduced at any time or from time to time pursuant to Section 2.04 hereof). The original aggregate amount of the Commitments is $200,000,000.

"Commitment Termination Date" shall mean, with respect to each Lender, November 16, 1999; provided that

(a) if, (i) not later than 90 days prior to the Commitment Termination Date, determined after giving effect to all previous extensions thereof pursuant to this definition (the "Existing Commitment Termination Date"), the Company requests that the Lenders agree to extend the Commitment Termination Date to the 364th day after the Existing Commitment Termination Date (the "Proposed Commitment Termination Date") and (ii) each of the Lenders so agrees in writing on or prior to the Existing Commitment Termination Date (such agreement based on each Lender's credit determination made at such time), then the "Commitment Termination Date" shall be extended, with respect to each Lender, to the Proposed Commitment Termination Date;

(b) if, pursuant to any such request, some, but not all, of the Lenders agree to so extend the Existing Commitment Termination Date to the Proposed Commitment

Termination Date (the Lenders that so agree, the "Consenting Lenders"), the "Commitment Termination Date" shall mean (i) with respect to the Consenting Lenders, the Proposed Commitment Termination Date and (ii) with respect to the Lenders that are not Consenting Lenders, the Existing Commitment Termination Date; and

(c) if the Commitment Termination Date as determined above is not a Business Day, the Commitment Termination Date shall be the next preceding Business Day.

"Consolidated Subsidiary" shall mean, as to any Person, each Subsidiary of such Person (whether now existing or hereafter created or acquired) the financial statements of which shall be (or should have been) consolidated with the financial statements of such Person in accordance with GAAP.

"Continue", "Continuation" and "Continued" shall refer to the continuation pursuant to Section 2.09 hereof of a Fixed Rate Loan of one Type as a Fixed Rate Loan of the same Type from one Interest Period to the next Interest Period.

"Convert", "Conversion" and "Converted" shall refer to a conversion pursuant to Section 2.09 hereof of Base Rate Loans into CD Loans or Eurodollar Loans, of CD Loans into Base Rate Loans or Eurodollar Loans, or of Eurodollar Loans into Base Rate Loans or CD Loans, which may be accompanied by the transfer by a Lender (at its sole discretion) of a Loan from one Applicable Lending Office to another.

"Default" shall mean an Event of Default or an event which with notice or lapse of time or both would become an Event of Default.

"Dollars" and "$" shall mean lawful money of the United States of America.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" shall mean any corporation or trade or business which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Company or is under common control (within the meaning of Section 414(c) of the Code) with the Company.

"Eurodollar Loans" shall mean Syndicated Loans the interest rates on which are determined on the basis of rates referred to in clause (a) of the definition of "Fixed Base Rate" in this Section 1.01.

"Event of Default" shall have the meaning assigned to such term in Section 9 hereof.

"Existing Indenture" shall mean the Indenture dated as of January 1, 1944 between the Company and First Chicago Trust Company of New York, successor Trustee, as amended and supplemented and in effect from time to time.

"Federal Funds Rate" shall mean, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate charged to Chase on such day on such transactions as determined by the Agent.

"First Mortgage Bonds" shall mean the Company's First Mortgage Bonds issued under the Existing Indenture.

"Fixed Base Rate" shall mean, with respect to any Fixed Rate Loan for any Interest Period therefor:

(a) if such Loan is a Eurodollar Loan or a LIBOR Market Loan, the arithmetic mean (rounded upwards, if necessary, to the nearest 1/16 of 1%), as determined by the Agent, of the rates per annum quoted by the respective Reference Lenders at approximately 11:00 a.m. London time (or as soon thereafter as practicable) on the date two Business Days prior to the first day of such Interest Period for the offering by the respective Reference Lenders to leading banks in the London interbank market of Dollar deposits having a term comparable to such Interest Period and in an amount comparable to the principal amount of the Eurodollar Loan or LIBOR Market Loan to be made by the respective Reference Lenders for such Interest Period; and

(b) if such Loan is a CD Loan, the arithmetic mean (rounded upwards, if necessary, to the nearest 1/20 of 1%), as determined by the Agent, of the rates per annum determined by the respective Reference Lenders to be the average of the bid rates quoted to the respective Reference Lenders at approximately 10:00 a.m. New York time (or as soon thereafter as practicable) on the first day of such Interest Period by at least two certificate of deposit dealers of recognized national standing selected by the respective Reference Lenders for the purchase at face value of certificates of deposit of the respective Reference Lenders having a term comparable to such Interest Period and in an amount comparable to the principal amount of the CD Loan to be made by the respective Reference Lenders for such Interest Period.

If any Reference Lender is not participating in any Fixed Rate Loan during any Interest Period therefor, the Fixed Base Rate for such Loan shall be determined by reference to the amount of

the Loan which such Reference Lender would have made had it been participating in such Loan; provided that in the case of any LIBOR Market Loan, the Fixed Base Rate for such Loan shall be determined with reference to deposits of $10,000,000. If any Reference Lender does not timely furnish such information for determination of any Fixed Base Rate, the Agent shall determine such Fixed Base Rate on the basis of information timely furnished by the remaining Reference Lenders.

"Fixed Rate" shall mean, for any Fixed Rate Loan for any Interest Period therefor, a rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the Agent to be equal to the sum of (a) the Fixed Base Rate for such Interest Period divided by 1 minus the Reserve Requirement for such Loan for such Interest Period plus (b) if such Loan is a CD Loan, the Assessment Rate for such Interest Period.

"Fixed Rate Loans" shall mean CD Loans, Eurodollar Loans and, for the purposes of the definition of "Fixed Base Rate" in this Section 1.01 and in Section 5 hereof, LIBOR Market Loans.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time.

"Guarantee" shall mean any guarantee, endorsement, contingent agreement to purchase or to furnish funds for the payment or maintenance of, or otherwise to be or become contingently liable under or with respect to, Indebtedness, other obligations, net worth, working capital or earnings of any Person, or a guarantee of the payment of dividends or other distributions upon the stock of any Person, or any agreement to purchase, sell or lease (as lessee or lessor) property, products, materials, supplies or services primarily for the purpose of enabling any Person to make payment of its obligations or any agreement to assure a creditor against loss, and including without limitation, causing a bank to open a letter of credit for the benefit of another Person, but excluding endorsements for collection or deposit in the ordinary course of business. The terms "Guarantee" and "Guaranteed" used as a verb shall have a correlative meaning.

"Indebtedness" shall mean, as to any Person: (a) indebtedness created, issued or incurred by such Person for borrowed money (whether by loan or the issuance and sale of debt securities); (b) obligations of such Person to pay the deferred purchase or acquisition price of property, other than trade accounts payable (other than for borrowed money) arising, and accrued expenses incurred, in the ordinary course of business so long as such trade accounts payable are paid within 90 days of the date the respective goods are delivered; (c) obligations of such Person in respect of letters of credit or similar instruments issued or accepted by banks and other financial institutions for the account of such Person; (d) Capital Lease Obligations of such Person; and (e) Indebtedness of others Guaranteed by such Person.

"Interest Period" shall mean:

(a) with respect to any Eurodollar Loan, each period commencing on the date such Eurodollar Loan is made or Converted from a Loan of another Type or the last day of the next preceding Interest Period for such Loan and ending on the numerically corresponding day in the first, second, third or sixth calendar month thereafter, as the Company may select as provided in Section 4.05 hereof, except that each Interest Period which commences on the last Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month;

(b) with respect to any CD Loan, each period commencing on the date such CD Loan is made or Converted from a Loan of another Type or the last day of the next preceding Interest Period for such Loan and ending on the day 30, 60, 90 or 180 days thereafter, as the Company may select as provided in Section 4.05 hereof;

(c) With respect to any Set Rate Loan, the period commencing on the date such Set Rate Loan is made and ending on any Business Day up to 180 days thereafter, as the Company may select as provided in Section 2.03(b) hereof; and

(d) With respect to any LIBOR Market Loan, the period commencing on the date such LIBOR Market Loan is made and ending on the numerically corresponding day in the first, second, third or sixth calendar month thereafter, as the Company may select as provided in Section 2.03(b) hereof, except that each Interest Period which commences on the last Business Day of a calendar month (or any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month.

Notwithstanding the foregoing: (i) no Interest Period with respect to Loans to be made by any Lender may end after such Lender's Commitment Termination Date (as in effect on the first day of such Interest Period); (ii) each Interest Period which would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day (or, in the case of an Interest Period for Eurodollar Loans or LIBOR Market Loans, if such next succeeding Business Day falls in the next succeeding calendar month, on the next preceding Business Day); and (iii) notwithstanding clause (i) above, no Interest Period for any Fixed Rate Loans or LIBOR Market Loans shall have a duration of less than one month (in the case of Eurodollar Loans and LIBOR Market Loans) or 30 days (in the case of CD Loans) and, if the Interest Period for any Fixed Rate Loans or LIBOR Market Loans would otherwise be a shorter period, such Loans shall not be available hereunder.

"LIBO Rate" shall mean, for any LIBOR Market Loan, a rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the Agent to be equal to the rate of interest specified in clause (a) of the definition of "Fixed Base Rate" in this Section 1.01 for the Interest Period for such Loan divided by 1 minus the Reserve Requirement for such Loan for such Interest Period.

"LIBOR Auction" shall mean a solicitation of Money Market Quotes setting forth Money Market Margins based on the LIBO Rate pursuant to Section 2.03 hereof.

"LIBOR Market Loans" shall mean Money Market Loans the interest rates on which are determined on the basis of LIBO Rates pursuant to a LIBOR Auction.

"Lien" shall mean, with respect to any asset, any mortgage, lien, pledge, hypothecation, charge, security interest or encumbrance of any kind in respect of such asset. For purposes of this Agreement, the Parent or any of its Subsidiaries shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loans" shall mean Money Market Loans and Syndicated Loans.

"Majority Lenders" shall mean Lenders having at least 66-2/3% of the aggregate amount of the Commitments; provided that, if all of the Commitments shall have terminated, Majority Lenders shall mean Lenders holding at least 66-2/3% of the aggregate unpaid principal amount of the Loans.

"Margin Stock" shall mean margin stock within the meaning of Regulations U and X.

"Money Market Borrowing" shall have the meaning assigned to such term in Section 2.03(b) hereof.

"Money Market Loans" shall mean the loans provided for by Section 2.03 hereof.

"Money Market Margin" shall have the meaning assigned to such term in Section 2.03(c)(ii)(C) hereof.

"Money Market Quote" shall mean an offer in accordance with Section 2.03(c) hereof by a Lender to make a Money Market Loan with one single specified interest rate.

"Money Market Quote Request" shall have the meaning assigned to such term in Section 2.03(b) hereof.

"Money Market Rate" shall have the meaning assigned to such term in Section 2.03(c)(ii)(D) hereof.

"Moody's" shall mean Moody's Investors Services, Inc.

"Multiemployer Plan" shall mean a multiemployer plan defined as such in Section 3(37) of ERISA to which contributions have been made by the Company, the Parent or any ERISA Affiliate and which is covered by Title IV of ERISA.

"1935 Act" shall have the meaning given to that term in Section 7.11 hereof.

"1934 Act Reports" shall mean all periodic reports filed with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended.

"Notes" shall mean the promissory notes provided for by Section 2.08 hereof.

"Other FPC Agreement" shall mean the Third Amended and Restated Credit Agreement B dated as of November 17, 1998 between the Company, the Lenders and Chase, as agent for the Lenders thereunder, as the same may be amended and supplemented and in effect from time to time.

"Parent" shall mean Florida Progress Corporation, a Florida corporation.

"PBGC" shall mean the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"PCH Agreements" shall mean, collectively, (a) the Third Amended and Restated Credit Agreement A dated as of November 17, 1998 between Progress Capital Holdings, Inc., the Lenders and Chase, as agent for the Lenders thereunder and (b) the Third Amended and Restated Credit Agreement B dated as of November 17, 1998 between Progress Capital Holdings, Inc., the Lenders and Chase, as agent for the Lenders thereunder, as each of said agreements may be amended and supplemented and in effect from time to time.

"Person" shall mean any individual, corporation, company, voluntary association, partnership, joint venture, trust, unincorporated organization or government (or any agency, instrumentality or political subdivision thereof).

"Plan" shall mean an employee benefit or other plan established or maintained by the Company, the Parent or any ERISA Affiliate and which is covered by Title IV of ERISA, other than (a) a Multiemployer Plan and (b) any such plan established or maintained by the Company or any ERISA Affiliate that has assets and actuarial liabilities of less than $50,000,000 (a "Small Plan") unless the aggregate assets or aggregate actuarial liabilities of all Small Plans is in excess of $50,000,000.

"Post-Default Rate" shall mean, in respect of any principal of any Loan or any other amount payable by the Company under this Agreement or any Note that is not paid when due (whether at stated maturity, by acceleration or otherwise), a rate per annum during the period from and including the due date to but excluding the date on which such amount is paid

in full equal to 1% above the Base Rate as in effect from time to time (provided that, if the amount so in default is principal of a Fixed Rate Loan or a Money Market Loan and the due date thereof is a day other than the last day of an Interest Period therefor, the "Post-Default Rate" for such principal shall be, for the period from and including such due date to but excluding the last day of such Interest Period, 1% above the interest rate for such Loan as provided in Section 3.02 hereof and, thereafter, the rate provided for above in this definition).

"Prime Rate" shall mean the rate of interest from time to time announced by Chase at the Principal Office as its prime commercial lending rate.

"Principal Office" shall mean the principal office of the Agent and Chase, presently located at 270 Park Avenue, New York, New York 10017.

"Quarterly Dates" shall mean the first day of January, April, July and October in each year, the first of which shall be the first such day after the date of this Agreement; provided that if any such day is not a Business Day, then such Quarterly Date shall be the next succeeding Business Day.

"Reference Lenders" shall mean Chase and Morgan Guaranty Trust Company of New York (or their Applicable Lending Offices, as the case may be).

"Regulation D", "Regulation U" and "Regulation X" shall mean, respectively, Regulation D, Regulation U and Regulation X of the Board of Governors of the Federal Reserve System (or any successor), as the same may be amended or supplemented from time to time.

"Regulatory Change" shall mean, with respect to any Lender, any change after the date of this Agreement in United States Federal, state or foreign law or regulations (including, without limitation, Regulation D) or the adoption or making after such date of any interpretation, directive or request applying to a class of banks including such Lender of or under any United States Federal, state or foreign law or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Reserve Requirement" shall mean, for any Interest Period for any Fixed Rate Loan or LIBOR Market Loan, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during such Interest Period under Regulation D by member banks of the Federal Reserve System in New York City with deposits exceeding one billion Dollars against (a) in the case of Eurodollar Loans or LIBOR Market Loans, "Eurocurrency liabilities" (as such term is used in Regulation D) or (b) in the case of CD Loans, non-personal Dollar time deposits in an amount of $100,000 or more. Without limiting the effect of the foregoing, the Reserve Requirement shall include any other reserves required to be maintained by such member banks by reason of any Regulatory Change against (i) any category of liabilities which includes deposits by reference to which the Fixed Base Rate for Eurodollar Loans, LIBOR Market Loans or CD Loans (as the case may be)

is to be determined as provided in the definition of "Fixed Base Rate" in this Section 1.01 or (ii) any category of extensions of credit or other assets which includes Eurodollar Loans, CD Loans or LIBOR Market Loans.

"S&P" shall mean Standard & Poor's Corporation.

"Set Rate Auction" shall mean a solicitation of Money Market Quotes setting forth Money Market Rates pursuant to Section 2.03 hereof.

"Set Rate Loans" shall mean Money Market Loans the interest rates on which are determined on the basis of Money Market Rates pursuant to a Set Rate Auction.

"Subsidiary" shall mean, as to any Person, any corporation of which at least a majority of the outstanding shares of stock having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person. "Wholly-owned Subsidiary" shall mean any such corporation of which all of such shares, other than directors' qualifying shares, are so owned or controlled.

"Syndicated Loans" shall mean the loans provided for by Section 2.01 hereof.

"Syndicated Notes" shall mean the promissory notes provided for by Section 2.08(a) hereof.

"Total Capitalization" shall mean, with respect to any Person, the sum of the value of the common stock, retained earnings, and preferred and preference stock of such Person (in each case, determined in accordance with GAAP) plus all Indebtedness of such Person.

"Type" shall have the meaning given to that term in Section 1.03 hereof.

1.02 Accounting Terms and Determinations.

(a) Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Lenders hereunder shall (unless otherwise disclosed to the Lenders in writing) be prepared, in accordance with generally accepted accounting principles applied on a basis consistent with that used in the preparation of the latest financial statements furnished to the Lenders hereunder after the date hereof.

(b) The Company will not change the last day of its fiscal year from December 31 of each year, or the last days of the first three fiscal quarters in each of its fiscal years from March 31, June 30 and September 30 of each year, respectively.

1.03 Classes and Types of Loans. Loans hereunder are distinguished by "Class" and by "Type". The "Class" of a Loan (or of a Commitment to make a Loan) refers to whether such Loan is a Money Market Loan or a Syndicated Loan, each of which constitutes a Class. The "Type" of a Loan refers to whether such Loan is a Base Rate Loan, a CD Loan, a Eurodollar Loan, a Set Rate Loan, or a LIBOR Market Loan, each of which constitutes a Type. Loans may be identified by both Class and Type.

Section 2. Commitments.

2.01 Syndicated Loans. Each Lender severally agrees, on the terms of this Agreement, to make loans to the Company in Dollars during the period from and including the date hereof to but not including such Lender's Commitment Termination Date in an aggregate principal amount at any one time outstanding up to but not exceeding the amount of such Lender's Commitment as then in effect. Subject to the terms of this Agreement, during such period the Company may borrow, repay and reborrow the amount of the Commitments by means of Base Rate Loans, CD Loans and Eurodollar Loans and may Convert Syndicated Loans of one Type into Syndicated Loans of another Type (as provided in Section 2.09 hereof) or Continue Syndicated Loans of one Type as Syndicated Loans of the same Type; provided that there may be no more than 15 different Interest Periods for Syndicated Loans outstanding at the same time.

2.02 Borrowings of Syndicated Loans. The Company shall give the Agent (which shall promptly notify the Lenders) notice of each borrowing hereunder of Syndicated Loans as provided in Section 4.05 hereof. Not later than noon New York time on the date specified for each borrowing of Syndicated Loans hereunder, each Lender shall make available the amount of the Syndicated Loan to be made by it on such date to the Agent, at account number NYAO-DI-900-9-000002 maintained by the Agent with Chase at the Principal Office, in immediately available funds. The amount so received by the Agent shall, subject to the terms and conditions of this Agreement, be made available to the Company by depositing the same, in immediately available funds, in an account of, and designated by, the Company maintained at a bank in New York City.

2.03 Money Market Loans.

(a) In addition to borrowings of Syndicated Loans, the Company may, as set forth in this Section 2.03, request the Lenders to make offers to make Money Market Loans to the Company in Dollars. The Lenders may, but shall have no obligation to, make such offers and the Company may, but shall have no obligation to, accept any such offers in the manner set forth in this Section 2.03. Money Market Loans may be LIBOR Market Loans or Set Rate Loans, provided that:

(i) there may be no more than 15 different Interest Periods for both Syndicated Loans and Money Market Loans outstanding at the same time (for which purpose Interest Periods described in different lettered clauses of the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous);

(ii) the aggregate principal amount of all Money Market Loans, together with the aggregate principal amount of all Syndicated Loans, at any one time outstanding shall not exceed the aggregate amount of the Commitments at such time.

(b) When the Company wishes to request offers to make Money Market Loans, it shall give the Agent (which shall promptly notify the Lenders) notice (a "Money Market Quote Request") so as to be received no later than 11:00 a.m. New York time on (x) the fourth Business Day prior to the date of borrowing proposed therein, in the case of a LIBOR Auction or (y) the Business Day next preceding the date of borrowing proposed therein, in the case of a Set Rate Auction (or, in any such case, such other time and date as the Company and the Agent, with the consent of the Majority Lenders (and with notice to each Lender prior to the effectiveness of such consent), may agree). The Company may request offers to make Money Market Loans for up to five different Interest Periods in a single notice (for which purpose Interest Periods in different lettered clauses of the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous); provided that the request for each separate Interest Period shall be deemed to be a separate Money Market Quote Request for a separate borrowing (a "Money Market Borrowing"). Each such notice shall be substantially in the form of Exhibit C hereto and shall specify as to each Money Market Borrowing:

(i) the proposed date of such borrowing, which shall be a Business Day;

(ii) the aggregate amount of such Money Market Borrowing, which shall be at least $10,000,000 (or in larger multiples of $1,000,000) but shall not cause the limits specified in Section 2.03(a) hereof to be violated;

(iii) the duration of the Interest Period applicable thereto;

(iv) whether the Money Market Quotes requested for a particular Interest Period are seeking quotes for LIBOR Market Loans or Set Rate Loans; and

(v) if the Money Market Quotes requested are seeking quotes for Set Rate Loans, the date on which the Money Market Quotes are to be submitted if it is before the proposed date of borrowing (the date on which such Money Market Quotes are to be submitted is called the "Quotation Date").

Except as otherwise provided in this Section 2.03(b), no Money Market Quote Request shall be given within five Business Days (or such other number of days as the Company and the Agent, with the consent of the Majority Lenders (and with notice to each Lender prior to the effectiveness of such consent), may agree) of any other Money Market Quote Request.

(c) (i) Each Lender may submit one or more Money Market Quotes, each containing an offer to make a Money Market Loan in response to any Money Market Quote Request; provided that, if the Company's request under Section 2.03(b) hereof specified more than one Interest Period, such Lender may make a single submission containing one or more Money Market Quotes for each such Interest Period. Each Money Market Quote must be submitted to the Agent not later than (x) 2:00 p.m. New York time on the fourth Business Day prior to the proposed date of borrowing, in the case of a LIBOR Auction or (y) 10:00 a.m. New York time on the Quotation Date, in the case of a Set Rate Auction (or, in any such case, such other time and date as the Company and the Agent, with the consent of the Majority Lenders (and with notice to each Lender prior to the effectiveness of such consent), may agree); provided that any Money Market Quote submitted by Chase (or its Applicable Lending office) may be submitted, and may only be submitted, if Chase (or such Applicable Lending Office) notifies the Company of the terms of the offer contained therein not later than (x) 1:00 p.m. New York time on the fourth Business Day prior to the proposed date of borrowing, in the case of a LIBOR Auction or (y) 9:45 a.m. New York time on the Quotation Date, in the case of a Set Rate Auction. Subject to Sections 5.02(b), 5.03, 6.02 and 9 hereof, any Money Market Quote so made shall be irrevocable except with the written consent of the Agent given on the instructions of the Company.

(ii) Each Money Market Quote shall be substantially in the form of Exhibit D hereto and shall specify:

(A) the proposed date of borrowing and the Interest Period therefor;

(B) the principal amount of the Money Market Loan for which each such offer is being made, which principal amount shall be at least $5,000,000 or a larger multiple of $1,000,000; provided that the aggregate principal amount of all Money Market Loans for which a Lender submits Money Market Quotes (x) may be greater or less than the aggregate Commitments of such Lender but (y) may not exceed the principal amount of the Money Market Borrowing for a particular Interest Period for which offers were requested;

(C) in the case of a LIBOR Auction, the margin above or below the applicable LIBO Rate (the "Money Market Margin") offered for each such Money Market Loan, expressed as a percentage (rounded upwards, if necessary, to the nearest 1/10,000th of 1%) to be added to or subtracted from the applicable LIBO Rate;

(D) in the case of a Set Rate Auction, the rate of interest per annum (rounded upwards, if necessary, to the nearest 1/10,000th of 1%) offered for each such Money Market Loan (the "Money Market Rate");

(E) the identity of the quoting Lender; and

(F) the maximum aggregate principal amount of all Money Market Loans for which such offer is being made.

Unless otherwise agreed by the Agent and the Company, no Money Market Quote shall contain qualifying, conditional or similar language or propose terms other than or in addition to those set forth in the applicable Money Market Quote Request and, in particular, no Money Market Quote may be conditioned upon acceptance by the Company of all (or some specified minimum) of the principal amount of the Money Market Loan for which such Money Market Quote is being made.

(d) The Agent shall (x) in the case of a Set Rate Auction, as promptly as practicable after the Money Market Quote is submitted (but in any event not later than 10:15 a.m. New York time on the Quotation Date) or (y) in the case of a LIBOR Auction, by 4:00 p.m. New York time on the day a Money Market Quote is submitted, notify the Company of the terms (i) of any Money Market Quote submitted by a Lender that is in accordance with Section 2.03(c) hereof and (ii) of any Money Market Quote that amends, modifies or is otherwise inconsistent with a previous Money Market Quote submitted by such Lender with respect to the same Money Market Quote Request. Any such subsequent Money Market Quote shall be disregarded by the Agent unless such subsequent Money Market Quote is submitted solely to correct a manifest error in such former Money Market Quote. The Agent's notice to the Company shall specify (A) the aggregate principal amount of the Money Market Borrowing for which offers have been received and (B) the respective principal amounts and Money Market Margins or Money Market Rates, as the case may be, so offered by each Lender (identifying the Lender that made each Money Market Quote).

(e) Not later than 11:00 a.m. New York time on (x) the third Business Day prior to the proposed date of borrowing, in the case of a LIBOR Auction or (y) the Quotation Date, in the case of a Set Rate Auction (or, in any such case, such other time and date as the Company and the Agent, with the consent of the Majority Lenders (and with notice to each Lender prior to the effectiveness of such consent), may agree), the Company shall notify the Agent of its acceptance or nonacceptance of the offers so notified to it pursuant to Section 2.03(d) hereof (and the failure of the Company to give such notice by such time shall constitute nonacceptance) and the Agent shall promptly notify each affected Lender. In the case of acceptance, such notice shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Company may accept any Money Market Quote in whole or in part (provided that any Money Market Quote accepted in part shall be at least $5,000,000 or in larger multiples of $1,000,000); provided that:

(i) the aggregate principal amount of each Money Market Borrowing may not exceed the applicable amount set forth in the related Money Market Quote Request;

(ii) the aggregate principal amount of each Money Market Borrowing shall be at least $10,000,000 (or in larger multiples of $1,000,000) but shall not cause the limits specified in Section 2.03(a) hereof to be violated; and

(iii) the Company may not accept any offer where the Agent has advised the Company that such offer fails to comply with Section 2.03(c)(ii) hereof or otherwise fails to comply with the requirements of this Agreement (including, without limitation, Section 2.03(a) hereof).

(f) Any Lender whose offer to make any Money Market Loan has been accepted shall, not later than noon New York time on the date specified for the making of such Loan, make the amount of such Loan available to the Agent at account number NYAO-DI-900-9-000002 maintained by the Agent with Chase at the Principal Office in immediately available funds, for account of the Company. The amount so received by the Agent shall, subject to the terms and conditions of this Agreement, be made available to the Company on such date by depositing the same, in immediately available funds, in an account of the Company maintained with a bank in New York City designated by the Company.

(g) Except for the purpose and to the extent expressly stated in Section 2.04(b) hereof, the amount of any Money Market Loan made by any Lender shall not constitute a utilization of such Lender's Commitment.

2.04 Changes of Commitments.

(a) The amount of each Lender's Commitment shall be automatically reduced to zero on such Lender's Commitment Termination Date.

(b) The Company shall have the right at any time or from time to time (i) so long as no Syndicated Loans or Money Market Loans are outstanding, to terminate the Commitments, and (ii) to reduce the aggregate unused amount of the Commitments (for which purpose use of the Commitments shall be deemed to include the aggregate principal amount of all Money Market Loans); provided that (x) the Company shall give notice of each such termination or reduction as provided in Section 4.05 hereof, and (y) each partial reduction shall be in aggregate amount at least equal to $10,000,000 and in multiples of $1,000,000 in excess thereof.

(c) The Commitments once terminated or reduced may not be reinstated.

2.05 Facility Fee. The Company shall pay to the Agent for account of each Lender a facility fee on the amount of such Lender's Commitment, for the period from and

including the date of this Agreement to but not including the earlier of the date such Commitment is terminated or such Lender's Commitment Termination Date, at a rate per annum equal to the Applicable Facility Fee Rate. Accrued facility fees payable to any Lender shall be payable on each Quarterly Date and on the earlier of the date the Commitments are terminated and such Lender's Commitment Termination Date.

2.06 Lending Offices. The Loans of each Type made by each Lender shall be made and maintained at such Lender's Applicable Lending Office for Loans of such Type.

2.07 Several Obligations; Remedies Independent. The failure of any Lender to make any Loan to be made by it on the date specified therefor shall not relieve any other Lender of its obligation to make its Loan on such date, but neither any Lender nor the Agent shall be responsible for the failure of any other Lender to make a Loan to be made by such other Lender. The amounts payable by the Company at any time hereunder and under the Notes to each Lender shall be a separate and independent debt and each Lender shall be entitled to protect and enforce its rights arising out of this Agreement and the Notes, and it shall not be necessary for any other Lender or the Agent to consent to, or be joined as an additional party in, any proceedings for such purposes.

2.08 Notes.

(a) The Company's obligation to repay the Syndicated Loans made by each Lender, together with interest thereon, shall be evidenced by a single promissory note of the Company substantially in the form of Exhibit A-1 hereto, dated the date hereof, payable to such Lender in a principal amount equal to the aggregate amount of its Commitments as originally in effect and otherwise duly completed. The date, amount, Type, interest rate and duration of Interest Period (if applicable) of each Syndicated Loan made by each Lender to the Company, and each payment made on account of the principal thereof, shall be recorded by such Lender on its books. Any such recording of loans on a Lender's books shall be conclusive evidence of the amounts payable by the Company under such Note, absent manifest error.

(b) The Company's obligation to repay the Money Market Loans made by any Lender, together with interest thereon, shall be evidenced by a single promissory note of the Company substantially in the form of Exhibit A-2 hereto, dated the date hereof, payable to such Lender and otherwise duly completed. The date, amount, Type, interest rate and duration of Interest Period (if applicable) of each Money Market Loan made by each Lender to the Company, and each payment made on account of the principal thereof, shall be recorded by such Lender on its books. Any such recording of loans on a Lender's books shall be conclusive evidence of the amounts payable by the Company under such Note, absent manifest error.

2.09 Prepayments and Conversions or Continuations of Loans. Subject to Section 4.04 hereof, the Company shall have the right to prepay Syndicated Loans, or to Convert Syndicated Loans of one Type into Syndicated Loans of another Type or Continue Syndicated Loans of one Type as Syndicated Loans of the same Type, at any time or from time

to time, provided that: (i) the Company shall give the Agent notice of each such prepayment, Conversion or Continuation as provided in Section 4.05 hereof; and (ii) Fixed Rate Loans may be prepaid or Converted only on the last day of an Interest Period for such Loans.

Section 3. Payments of Principal and Interest.

3.01 Repayment of Loans.

(a) The Company hereby promises to pay to the Agent for account of each Lender the principal of each Syndicated Loan made by such Lender, and each Syndicated Loan made by such Lender shall mature, on such Lender's Commitment Termination Date.

(b) The Company hereby promises to pay to the Agent for account of each Lender that makes any Money Market Loan the principal amount of such Money Market Loan on the last day of the Interest Period for such Money Market Loan.

3.02 Interest. The Company hereby promises to pay to the Agent for account of each Lender interest on the unpaid principal amount of each Loan made by such Lender for the period from and including the date of such Loan to but excluding the date such Loan shall be paid in full, at the following rates per annum:

(a) during such periods as such Loan is a Base Rate Loan, the Base Rate (as in effect from time to time) plus the Applicable Margin (if any);

(b) during such periods as such Loan is a Fixed Rate Loan, for each Interest Period relating thereto, the Fixed Rate for such Loan for such Interest Period plus the Applicable Margin;

(c) if such Loan is a LIBOR Market Loan, the LIBO Rate for such Loan for the Interest Period therefor plus (or minus) the Money Market Margin quoted by the Lender making such Loan in accordance with Section 2.03 hereof; and

(d) if such Loan is a Set Rate Loan, the Set Rate for such Loan for the Interest Period therefor quoted by the Lender making such Loan in accordance with Section 2.03 hereof.

Notwithstanding the foregoing, the Company hereby promises to pay to the Agent for account of each Lender interest at the applicable Post-Default Rate on any principal of any Loan made by such Lender, and on any other amount payable by the Company hereunder or under the Notes held by such Lender to or for account of such Lender, which shall not be paid in full when due (whether at stated maturity, by acceleration or otherwise), for the period from and including the due date thereof to but excluding the date the same is paid in full. Accrued interest on each Loan shall be payable (i) in the case of a Base Rate Loan, quarterly on the Quarterly Dates, (ii) in the case of a Fixed Rate Loan or a Money Market Loan, on the last day of each Interest

Period therefor and, if such Interest Period is longer than 90 days (in the case of a CD Loan or a Set Rate Loan) or three months (in the case of a Eurodollar Loan or a LIBOR Market Loan), at 90-day or three-month intervals, respectively, following the first day of such Interest Period, and (iii) in the case of any Loan, upon the payment or prepayment thereof or the Conversion of such Loan to a Loan of another Type (but only on the principal amount so paid, prepaid or Converted), except that interest payable at the Post-Default Rate shall be payable from time to time on demand. Promptly after the determination of any interest rate provided for herein or any change therein, the Agent shall give notice thereof to the Lenders to which such interest is payable and to the Company.

Section 4. Payments; Pro Rata Treatment; Computations; Etc.

4.01 Payments.

(a) Except to the extent otherwise provided herein, all payments of principal, interest and other amounts to be made by the Company under this Agreement and the Notes shall be made in Dollars, in immediately available funds, without deduction, set-off or counterclaim, to the Agent at account number NYAO-DI-900-9-000002 maintained by the Agent with Chase at the Principal Office, not later than 2:00 p.m. New York time on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day).

(b) Any Lender for whose account any such payment is to be made, may (but shall not be obligated to) debit the amount of any such payment which is not made by such time to any ordinary deposit account of the Company (for purposes of this Section 4.01(b), "ordinary deposit account of the Company" shall not include any account in the name of a Person other than the Company) with such Lender (with notice to the Company).

(c) The Company shall, at the time of making each payment under this Agreement or any Note, specify to the Agent (which shall promptly notify the intended recipients) thereof) the Loans or other amounts payable by the Company hereunder to which such payment is to be applied (and in the event that it fails to so specify, or if an Event of Default has occurred and is continuing, such Lender may apply the amount of such payment received by it from the Agent in such manner as such Lender may determine to be appropriate).

(d) Each payment received by the Agent under this Agreement or any Note for account of a Lender shall be paid promptly to such Lender, in immediately available funds, for account of such Lender's Applicable Lending Office for the Loan in respect of which such payment is made.

(e) If the due date of any payment under this Agreement or any Note would otherwise fall on a day which is not a Business Day such date shall be extended to the next succeeding Business Day and interest shall be payable for any principal so extended for the period of such extension.

4.02 Pro Rata Treatment. Except to the extent otherwise provided herein: (a) each borrowing from the Lenders under Section 2.01 hereof shall be made from the Lenders, each payment of facility fee under Section 2.05 hereof shall be made for account of the Lenders, and each termination or reduction of the amount of the Commitments under Section 2.04 hereof shall be applied to the Commitments of the Lenders, pro rata according to the amounts of their respective Commitments; (b) the making, Conversion and Continuation of Syndicated Loans of a particular Type (other than Conversion provided for by Section 5.04 hereof) shall be made pro rata among the Lenders according to the amounts of their respective Commitments (in the case of making of Loans) or Syndicated Loans (in the case of Conversion and Continuation of Loans) and the then current Interest Period for such Syndicated Loan of such Type shall be coterminous; (c) each payment of principal of Syndicated Loans by the Company shall be made for account of the Lenders pro rata in accordance with the respective unpaid principal amounts of the Syndicated Loans held by the Lenders; and (d) each payment or prepayment of interest on Syndicated Loans by the Company shall be made for account of the Lenders pro rata in accordance with the amounts of interest on Syndicated Loans due and payable to the respective Lenders.

4.03 Computations. Interest on Loans shall be computed on the basis of a year of 360 days and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable and facility fee shall be computed on the basis of a year of 365 or 366 days (as the case may be) and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable.

4.04 Minimum Amounts. Except for Conversions or prepayments made pursuant to Section 5.04 hereof, each borrowing, Conversion and prepayment of principal of Loans shall be in an amount at least equal to $10,000,000 and in multiples of $1,000,000 in excess thereof (borrowings, Conversions or prepayments of or into Loans of different Types or, in the case of Fixed Rate Loans, having different Interest Periods at the same time hereunder to be deemed separate borrowings, Conversions and prepayments for purposes of the foregoing, one for each Type or Interest Period). Anything in this Agreement to the contrary notwithstanding, the aggregate principal amount of Fixed Rate Loans of each Type having the same Interest Period shall be in an amount at least equal to $10,000,000 and in multiples of $1,000,000 in excess thereof and, if any Fixed Rate Loans would otherwise be in a lesser principal amount for any period, such Loans shall be Base Rate Loans during such period.

4.05 Certain Notices. Except as otherwise provided in Section 2.03 hereof with respect to Money Market Loans, notices by the Company to the Agent of terminations or reductions of the Commitments, of borrowings, Conversions, Continuations and optional prepayments of Loans and of Types of Loans and of the duration of Interest Periods shall be irrevocable and shall be effective only if received by the Agent not later than 10:00 a.m. New York time on the number of Business Days prior to the date of the relevant termination, reduction, borrowing, Conversion, Continuation or prepayment or the first day of such Interest Period specified below:

Notice	Number of Business Days Prior
Termination or reduction of the Commitments	five
Borrowing or prepayment of, or Conversions into, Base Rate Loans	same day
Borrowing or prepayment of, Conversions into, Continuations as, or duration of Interest Period for, Eurodollar Loans	three
Borrowing or prepayment of, Conversions into, Continuations as, or duration of Interest Period for, CD Loans	two

Each such notice of termination or reduction shall specify the amount of the Commitments to be terminated or reduced. Each such notice of borrowing, Conversion, Continuation or optional prepayment shall specify the amount (subject to Section 4.04 hereof) and Type of each Loan to be borrowed, Converted, Continued or prepaid (and, in the case of a Conversion, the Type of Loan to result from such Conversion) and the date of borrowing, Conversion, Continuation or optional prepayment (which shall be a Business Day). Each such notice of the duration of an Interest Period shall specify the Loans to which such Interest Period is to relate. The Agent shall promptly notify the Lenders of the contents of each such notice. In the event that the Company fails to select the Type of Loan, or the duration of any Interest Period, for any Fixed Rate Loan within the time period and otherwise as provided in this Section 4.05, such Loan (if outstanding as a Fixed Rate Loan) will be automatically Converted into a Base Rate Loan on the last day of the then current Interest Period for such Loan or (if outstanding as a Base Rate Loan) will remain as, or (if not then outstanding) will be made as, a Base Rate Loan.

4.06 Non-Receipt of Funds by the Agent. Unless the Agent shall have been notified by a Lender or the Company (the "Payor") prior to the date on which the Payor is to make payment to the Agent of (in the case of a Lender) the proceeds of a Loan to be made by it hereunder or (in the case of the Company) a payment to the Agent for account of one or more of the Lenders hereunder (such payment being herein called the "Required Payment"), which notice shall be effective upon receipt, that the Payor does not intend to make the Required Payment to the Agent, the Agent may assume that the Required Payment has been made and may, in reliance upon such assumption (but shall not be required to), make the amount thereof available to the intended recipient(s) on such date and, if the Payor has not in fact made the

Required Payment to the Agent, the recipient(s) of such payment shall, on demand, repay to the Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal to the Federal Funds Rate for such day and, if such recipient(s) shall fail promptly to make such payment, the Agent shall be entitled to recover such amount, on demand, from the Payor, together with interest as aforesaid.

4.07 Sharing of Payments, Etc.

(a) The Company agrees that, in addition to (and without limitation of) any right of set-off, banker's lien or counterclaim a Lender may otherwise have, each Lender shall be entitled, at its option, to offset balances held by it for account of the Company (for purposes of this Section 4.07(a), "balances held for account of the Company" shall not include any balances held in an account in the name of a Person other than the Company) at any of its offices, in Dollars or in any other currency, against any principal of or interest on any of such Lender's Loans, or any other amount payable to such Lender hereunder, which is not paid when due (regardless of whether such balances are then due to the Company), in which case it shall promptly notify the Company and the Agent thereof, provided that such Lender's failure to give such notice shall not affect the validity of such offset.

(b) If any Lender shall obtain payment of any principal of or interest on any Loan made by it to the Company under this Agreement through the exercise of any right of set-off, banker's lien or counterclaim or similar right or otherwise, and, as a result of such payment, such Lender shall have received a greater percentage of the principal or interest then due hereunder by the Company to such Lender than the percentage received by any other Lenders, it shall promptly purchase from such other Lenders participations in (or, if and to the extent specified by such Lender, direct interests in) the Loans owing to such other Lenders (or in interest due thereon, as the case may be) in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all the Lenders shall share the benefit of such excess payment (net of any expenses which may be incurred by such Lender in obtaining or preserving such excess payment) pro rata in accordance with the unpaid principal of and/or interest on the Loans owing to each of the Lenders. To such end all the Lenders shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored.

(c) The Company agrees that any Lender so purchasing a participation (or direct interest) in the Loans made by other Lenders (or in interest due thereon, as the case may be) may exercise all rights of set-off, banker's lien, counterclaim or similar rights with respect to such participation as fully as if such Lender were a direct holder of Loans in the amount of such participation.

(d) Nothing contained herein shall require any Lender to exercise any such right or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Company.

(e) If, under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a set-off to which this Section 4.07 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders entitled under this Section 4.07 to share in the benefits of any recovery on such secured claim.

Section 5. Yield Protection and Illegality.

5.01 Additional Costs.

(a) The Company shall pay directly to each Lender from time to time such amounts as such Lender may determine to be necessary to compensate it for any costs which such Lender determines are attributable to its making or maintaining of any Fixed Rate Loans or its obligation to make any Fixed Rate Loans hereunder, or any reduction in any amount receivable by such Lender hereunder in respect of any of such Loans or such obligation (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), resulting from any Regulatory Change which:

(i) subjects any Lender to taxation on, or changes the basis of taxation of, any amounts payable to such Lender under this Agreement or its Notes in respect of any of such Loans (other than taxes imposed on or measured by the overall net income of such Lender or of its Applicable Lending Office for any of such Loans by the jurisdiction in which such Lender has its principal office or such Applicable Lending office); or

(ii) imposes or modifies any reserve, special deposit or similar requirements (other than the Reserve Requirement utilized in the determination of the Fixed Rate or LIBO Rate, as the case may be, for such Loan) relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Lender (including any of such Loans or any deposits referred to in the definition of "Fixed Base Rate" in Section 1.01 hereof), or any commitment of such Lender (including the Commitments of such Lender hereunder); or

(iii) imposes any other condition affecting this Agreement or its Notes (or any of such extensions of credit or liabilities) or its Commitments.

If any Lender requests compensation from the Company under this Section 5.01(a), the Company may, by notice to such Lender (with a copy to the Agent), suspend the obligation of such Lender to make or Continue Loans of the Type with respect to which such compensation is requested until the Regulatory Change giving rise to such request ceases to be in effect (in which case the provisions of Section 5.04 hereof shall be applicable).

(b) Without limiting the effect of the provisions of paragraph (a) of this Section 5.01, in the event that, by reason of any Regulatory Change, any Lender either (i) incurs

Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of such Lender which includes deposits by reference to which the interest rate on Eurodollar Loans or CD Loans is determined as provided in this Agreement or a category of extensions of credit or other assets of such Lender which includes Eurodollar Loans or CD Loans or (ii) becomes subject to restrictions on the amount of such a category of liabilities or assets which it may hold, then, if such Lender so elects by notice to the Company (with a copy to the Agent), the obligation of such Lender to make or Continue Loans of such Type hereunder shall be suspended until such Regulatory Change ceases to be in effect (in which case the provisions of Section 5.04 hereof shall be applicable).

(c) Without limiting the effect of the foregoing provisions of this Section 5.01 (but without duplication), the Company shall pay directly to each Lender from time to time on request such amounts as such Lender may determine to be necessary to compensate such Lender (or, without duplication, the bank holding company of which such Lender is a subsidiary) for any costs which it determines are attributable to the maintenance by such Lender (or any Applicable Lending Office or such bank holding company), pursuant to any law or regulation or any interpretation, directive or request (whether or not having the force of law) of any court or governmental or monetary authority

(i) following any Regulatory Change, or

(ii) implementing any risk-based capital guideline or requirement (whether or not having the force of law and whether or not the failure to comply therewith would be unlawful) heretofore or hereafter issued by any government or governmental or supervisory authority implementing at the national level the Basle Accord (including, without limitation, the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) and the Final Risk-Based Capital Guidelines of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A)),

of capital in respect of its Commitment or Loans (such compensation to include, without limitation, an amount equal to any reduction of the rate of return on assets or equity of such Lender (or any Applicable Lending Office or such bank holding company) to a level below that which such Lender (or any Applicable Lending office or such bank holding company) could have achieved with respect to such Lender's Commitment or Loans hereunder but for such law, regulation, interpretation, directive or request). For purposes of this Section 5.01(c), "Basle Accord" shall mean the proposals for risk-based capital framework described by the Basle Committee on Banking Regulations and Supervisory Practices in its paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as amended, modified and supplemented and in effect from time to time or any replacement thereof.

(d) Each Lender will notify the Company of any event occurring after the date of this Agreement that will entitle such Lender to compensation under paragraph (a) or (c) of this Section 5.01 as promptly as practicable, but in any event within 45 days, after such

Lender obtains actual knowledge thereof; provided, however, that if any Lender fails to give such notice within 45 days after it obtains actual knowledge of such an event, such Lender shall, with respect to compensation payable pursuant to this Section 5.01 in respect of any costs resulting from such event, only be entitled to payment under this Section 5.01 for costs incurred from and after the date 45 days prior to the date that such Lender does give such notice; and provided, further, that each Lender will designate a different Applicable Lending Office for the Loans of such Lender affected by such event if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole opinion of such Lender, be disadvantageous to such Lender, except that such Lender shall have no obligation to designate an Applicable Lending office located in the United States of America. Each Lender will furnish to the Company a certificate setting forth the basis and amount of each request by such Lender for compensation under paragraph (a) or (c) of this Section 5.01. Determinations and allocations by any Lender for purposes of this Section 5.01 of the effect of any Regulatory Change pursuant to paragraph (a) or (b) of this Section 5.01, or of the effect of capital maintained pursuant to paragraph (c) of this Section 5.01, on its costs or rate of return of maintaining Loans or its obligation to make Loans, or on amounts receivable by it in respect of Loans, and of the amounts required to compensate such Lender under this Section 5.01, shall be conclusive, provided that such determinations and allocations are made on a reasonable basis and in a manner consistent with the determinations and allocations made by such Lender with respect to its other commitments and extensions of credit similarly affected.

5.02 Limitation on Types of Loans. Anything herein to the contrary notwithstanding, if, on or prior to the determination of any Fixed Base Rate for any Interest Period:

(a) the Agent determines, which determination shall be conclusive provided that it is made on a reasonable basis, that quotations of interest rates for the relevant deposits referred to in the definition of "Fixed Base Rate" in Section 1.01 hereof are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for any Type of Fixed Rate Loans as provided herein; or

(b) Lenders having more than 50% of the aggregate amount of the Commitments determine (or any Lender that has outstanding a Money Market Quote with respect to a LIBOR Market Loan determines), which determination shall be conclusive provided that it is made on a reasonable basis, and notify (or notifies, as the case may be) the Agent that the relevant rates of interest referred to in the definition of "Fixed Base Rate" in Section 1.01 hereof upon the basis of which the rate of interest for Eurodollar Loans or CD Loans (or LIBOR Market Loans, as the case may be) for such Interest Period is to be determined are not likely adequately to cover the cost to such Lenders (or to such quoting Lender) of making or maintaining such Type of Loans for such Interest Period;

then the Agent shall give the Company and each Lender prompt notice thereof, and so long as such condition remains in effect, the Lenders (or such quoting Lender) shall be under no

obligation to make additional Loans of such Type, to Continue Loans of such Type or to Convert Loans of any other Type into Loans of such Type and the Company shall, on the .last day(s) of the then current Interest Period(s) for the outstanding Loans of such Type, either prepay such Loans or Convert such Loans into another Type of Loan in accordance with Section 2.09 hereof.

5.03 Illegality. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Lender or its Applicable Lending Office to honor its obligation to make or maintain Eurodollar Loans or LIBOR Market Loans hereunder, then such Lender shall promptly notify the Company thereof (with a copy to the Agent) and such Lender's obligation to make Eurodollar Loans shall be suspended until such time as such Lender may again make and maintain Eurodollar Loans (in which case the provisions of Section 5.04 hereof shall be applicable), and such Lender shall no longer be obligated to make any LIBOR Market Loan that it has offered to make.

5.04 Treatment of Affected Loans. If the obligation of any Lender to make a particular Type of Fixed Rate Loans shall be suspended pursuant to Section 5.01 or 5.03 hereof (Loans of such Type being herein called "Affected Loans" and such Type being herein called the "Affected Type"), such Lender's Affected Loans shall be automatically Converted into Base Rate Loans on the last day(s) of the then current Interest Period(s) for Affected Loans (or, in the case of a Conversion required by Section 5.01(b) or 5.03 hereof, on such earlier date as such Lender may specify to the Company with a copy to the Agent) and, unless and until such Lender gives notice as provided below that the circumstances specified in Section 5.01 or 5.03 hereof which gave rise to such Conversion no longer exist:

(a) to the extent that such Lender's Affected Loans have been so Converted, all payments and prepayments of principal which would otherwise be applied to such Lender's Affected Loans shall be applied instead to its Base Rate Loans;

(b) all Loans which would otherwise be made or Continued by such Lender as Loans of the Affected Type shall be made or Continued instead as Base Rate Loans and all Loans of such Lender which would otherwise be Converted into Loans of the Affected Type shall be Converted instead (or shall remain as) Base Rate Loans; and

(c) if Loans of other Lenders of the Affected Type are subsequently Converted into Loans of another Type (other than Base Rate Loans), such Lender's Base Rate Loans shall be automatically Converted on the Conversion date for such Loans of the other Lenders into Loans of such other Type to the extent necessary so that, after giving effect thereto, all Loans held by such Lender and the Lenders whose Loans are so Converted are held pro rata (as to principal amounts, Types and Interest Periods) in accordance with their respective Commitments.

5.05 Compensation. The Company shall pay to the Agent for account of each Lender, upon the request of such Lender through the Agent, such amount or amounts as shall

be sufficient (in the reasonable opinion of such Lender) to compensate it for any loss, cost or expense which such Lender determines is attributable to:

(a) any payment or conversion of a Fixed Rate Loan or a Set Rate Loan made by such Lender for any reason (including, without limitation, the acceleration of the Loans pursuant to Section 9 hereof or the conversion of Loans pursuant to Section 5.04 hereof) on a date other than the last day of the Interest Period for such Loan; or

(b) any failure by the Company for any reason (including, without limitation, the failure of any of the conditions precedent specified in Section 6 hereof to be satisfied) to borrow a Fixed Rate Loan or a Set Rate Loan (with respect to which, in the case of a Money Market Loan, the Company has accepted a Money Market Quote) from such Lender on the date for such borrowing specified in the relevant notice of borrowing given pursuant to Section 2.02 or 2.03(b) hereof.

Without limiting the effect of the preceding sentence, such compensation shall include an amount equal to the excess, if any, of (i) the amount of interest which otherwise would have accrued on the principal amount so paid or converted or not borrowed for the period from the date of such payment, conversion or failure to borrow to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow, the Interest Period for such Loan which would have commenced on the date specified for such borrowing) at the applicable rate of interest for such Loan provided for herein over (ii) the interest component of the amount such Lender would have bid in the London interbank market (if such Loan is a Eurodollar Loan or a LIBOR Market Loan) or the United States secondary certificate of deposit market (if such Loan is a CD Loan or a Set Rate Loan) for Dollar deposits of leading banks in amounts comparable to such principal amount and with maturities comparable to such period (as reasonably determined by such Lender).

Section 6. Conditions Precedent.

6.01 Initial Loan. The obligation of any Lender to make its initial Loan hereunder is subject to the receipt by the Agent of the following documents, each of which shall be satisfactory to the Agent in form and substance:

(a) Corporate Action. Certified copies of the articles of incorporation and by-laws of the Company and all corporate action taken by the Company approving this Agreement and the Notes and borrowings by the Company hereunder (including, without limitation, a certificate setting forth the resolutions of the Board of Directors of the Company adopted in respect of the transactions contemplated hereby).

(b) Incumbency. A certificate of the Company in respect of each of the officers (i) who is authorized to sign on its behalf this Agreement or the Notes and (ii) who will, until replaced by another officer or officers duly authorized for that purpose,

act as its representative for the purposes of signing documents and giving notices and other communications in connection with this Agreement and the transactions contemplated hereby (and the Agent and each Lender may conclusively rely on such certificate until it receives notice in writing from the Company to the contrary).

(c) Officer's Certificate. A certificate of a vice president or treasurer or assistant treasurer of the Company to the effect set forth in the first sentence of Section 6.02 hereof.

(d) Notes. The Notes, duly completed and executed and delivered.

(e) Opinion of Counsel to the Company. An opinion of Kenneth E. Armstrong, Esq., Vice President and General Counsel of the Company, substantially in the form of Exhibit B hereto.

(f) Other Documents. Such other documents as the Agent or any Lender may reasonably request.

6.02 Initial and Subsequent Loans. The obligation of any Lender to make any Loan (including any Money Market Loan and such Lender's initial Syndicated Loan) to the Company upon the occasion of each borrowing hereunder is subject to the further conditions precedent that, both immediately prior to such Loan and also after giving effect thereto: (i) no Default shall have occurred and be continuing; and (ii) the representations and warranties made by the Company in Section 7 hereof shall be true and complete on and as of the date of the making of such Loan with the same force and effect as if made on and as of such date. Each notice of borrowing by the Company hereunder shall constitute a certification by the Company to the effect set forth in the preceding sentence (both as of the date of such notice and, unless the Company otherwise notifies the Agent prior to the date of such borrowing, as of the date of such borrowing).

Section 7. Representations and Warranties. The Company represents and warrants to the Lenders that:

7.01 Corporate Existence. The Company: (a) is a corporation duly organized and validly existing under the laws of the State of Florida; (b) has all requisite corporate power, and has all material governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted; and (c) is qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify would have a material adverse effect on the consolidated financial condition, operations or business taken as a whole of the Company and its Consolidated Subsidiaries.

7.02 Financial Condition. The audited consolidated balance sheet of the Company and its Consolidated Subsidiaries as at December 31, 1997 and the related consolidated

statements of income, shareholders' equity and cash flow of the Company and its Consolidated Subsidiaries for the fiscal year ended on said date, with the opinion thereon of KPMG Peat Marwick LLP, and the unaudited consolidated balance sheet of the Company and its Consolidated Subsidiaries as at September 30, 1998 and the related consolidated statements of income and cash flow of the Company and its Consolidated Subsidiaries for the nine-month period ended on such date, heretofore furnished to each of the Lenders, are complete and correct and fairly present the consolidated financial condition of the Company and its Consolidated Subsidiaries as at said dates and the consolidated results of their operations for the fiscal year and nine-month period ended on said dates (subject, in the case of such financial statements as at September 30, 1998, to normal year-end audit adjustments), all in accordance with generally accepted accounting principles and practices applied on a consistent basis (provided that such financial statements may contain condensed footnotes prepared in accordance with Rule 10-01(a)(5) of Securities and Exchange Commission Regulation S-X). Neither the Company nor any of its Subsidiaries had on said dates any contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, in each case material to the Company and its Consolidated Subsidiaries taken as a whole, except as referred to or reflected or provided for in said balance sheets as at said dates. Since September 30, 1998, there has been no material adverse change in the consolidated financial condition, operations or business taken as a whole of the Company and its Consolidated Subsidiaries from that set forth in said financial statements as at said date.

7.03 Litigation. Except for the matters disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 1997, and the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30, and September 30, 1998, there are no legal or arbitral proceedings or any proceedings by or before any governmental or regulatory authority or agency, now pending or (to the knowledge of the Company) threatened against the Company or any of the Company's Subsidiaries which, if adversely determined, could have a material adverse effect on the consolidated financial condition, operations or business taken as a whole of the Company and its Consolidated Subsidiaries.

7.04 No Breach. None of the execution and delivery of this Agreement and the Notes, the consummation of the transactions herein contemplated and compliance with the terms and provisions hereof and thereof will conflict with or result in a breach of, or require any consent under, the articles of incorporation or by-laws of the Company, or any applicable law or regulation, or any order, writ, injunction or decree of any court or governmental authority or agency, or any agreement or instrument to which the Company or any of the Company's Subsidiaries is a party or by which any of them is bound or to which any of them is subject, or constitute a default under any such agreement or instrument, or result in the creation or imposition of any Lien upon any of the revenues or assets of the Company or any of the Company's Subsidiaries pursuant to the terms of any such agreement or instrument.

7.05 Corporate Action. The Company has all necessary corporate power and authority to execute, deliver and perform its obligations under this Agreement and the Notes; the execution, delivery and performance by the Company of this Agreement and the Notes have

been duly authorized by all necessary corporate action on the part of the Company; and this Agreement has been duly and validly executed and delivered by the Company and each such document constitutes, and each of the Notes when executed by the Company and delivered for value will constitute, the legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally.

7.06 Approvals. Other than the approval of the Florida Public Service Commission (which approval has been duly obtained and is in full force and effect), no authorizations, approvals or consents of, and no filings or registrations with, any governmental or regulatory authority or agency are necessary for the execution, delivery or performance by the Company of this Agreement or the Notes, or for the validity or enforceability of any thereof.

7.07 Use of Loans. The Company is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock and no part of the proceeds of any Loan hereunder will be used to buy or carry any Margin Stock.

7.08 ERISA. The Company and the ERISA Affiliates have fulfilled their respective obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the presently applicable provisions of ERISA and the Code, and have not incurred any liability to the PBGC or any Plan or Multiemployer Plan (other than to make contributions in the ordinary course of business).

7.09 Taxes. United States Federal income tax returns of the Parent and its Subsidiaries have been examined and closed through the fiscal year of the Parent ended December 31, 1985. The Parent and its Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Parent or any of its Subsidiaries. The charges, accruals and reserves on the books of the Parent and its Subsidiaries in respect of taxes and other governmental charges are, in the opinion of the Company, adequate. If the Parent is a member of an affiliated group of corporations filing consolidated returns for United States Federal income tax purposes, it is the "common parent" of such group.

7.10 Investment Company Act. The Company is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

7.11 Public Utility Holding Company Act. The Company is a "public utility company" within the meaning of Section 2(a)(5) of the Public Utility Holding Company Act of 1935 (the "1935 Act"). The Company is not a "holding company" within the meaning of Section 2(a)(7) of the 1935 Act. The Company is an "affiliate" within the meaning of Section

2(a)(11) of the 1935 Act of the Parent and is a "subsidiary company" of the Parent within the meaning of Section 2(a)(8) of the 1935 Act. The Parent is a "holding company" within the meaning of Section 2(a)(7) of the 1935 Act, but is entitled to and currently claims the benefits of an exemption from the requirements of the 1935 Act (other than Section 9(a)(2) thereof) pursuant to Rule 2 under Section 3(a)(1) of the 1935 Act. The Parent has filed with the Securities and Exchange Commission all documents that are necessary to maintain such exemption in full force and effect and such exemption is in full force and effect. Such exemption also provides the Company with an exemption from all requirements of the 1935 Act relating to the Company's status as a "subsidiary company" of the Parent. Neither the Company nor the Parent has received any notification from the Securities and Exchange Commission under Rule 6 under the 1935 Act with respect to its status under the 1935 Act. Except for proceedings that may arise should the Securities and Exchange Commission adopt proposed Rule 17 under the 1935 Act, neither the Company nor the Parent has any knowledge of any fact or other circumstance that would provide the Securities and Exchange Commission with a basis for seeking to regulate the Company as a holding company under the 1935 Act or for seeking to revoke the exemption under the 1935 Act presently claimed by the Parent. No Loan will be made in violation of the provisions of the 1935 Act or any rule or regulation thereunder, for purposes of Section 26(c) thereof.

Section 8. Covenants of the Company. The Company agrees that, so long as any of the Commitments are in effect and until payment in full of all Loans hereunder, all interest thereon and all other amounts payable by the Company hereunder:

8.01 Financial Statements. The Company shall deliver to each of the Lenders:

(a) as soon as available and in any event within 60 days after the end of each quarterly fiscal period of each fiscal year of the Company, consolidated statements of income and cash flow of the Company and its Consolidated Subsidiaries for such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related consolidated balance sheet as at the end of such period, setting forth in each case in comparative form the corresponding consolidated figures for the corresponding period in the preceding fiscal year, accompanied by a certificate of the Treasurer, an Assistant Treasurer, the Chief Financial Officer or the Controller of the Company, which certificate shall state that said financial statements fairly present the consolidated financial condition and results of operations of the Company and its Consolidated Subsidiaries in accordance with generally accepted accounting principles, consistently applied, as at the end of, and for, such period (subject to normal year-end audit adjustments and provided that such financial statements may contain condensed footnotes prepared in accordance with Rule 10-01(a)(5) of Securities and Exchange Commission Regulation S-X);

(b) as soon as available and in any event within 120 days after the end of each fiscal year of the Company, consolidated statements of income, shareholders' equity and cash flow of the Company and its Consolidated Subsidiaries for such year and the

related consolidated balance sheet as at the end of such year, setting forth in each case in comparative form the corresponding consolidated figures for the preceding fiscal year, and accompanied in the case of said consolidated statements and balance sheet, by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that said consolidated financial statements fairly present the consolidated financial condition and results of operations of the Company and its Consolidated Subsidiaries as at the end of, and for, such fiscal year;

(c) promptly upon their becoming available, copies of all registration statements and regular periodic reports, if any, which the Company shall have filed with the Securities and Exchange Commission (or any governmental agency substituted therefor) or any national securities exchange;

(d) promptly upon the mailing thereof to the shareholders of the Parent generally, copies of all financial statements, reports and proxy statements so mailed;

(e) if any of the events or conditions specified below with respect to any Plan or Multiemployer Plan shall have occurred or exist, promptly upon filing any required notice thereof with PBGC, a copy of such notice or other report to PBGC and a statement signed by a senior financial officer of the Company setting forth details respecting such event or condition and the action, if any, which the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) any reportable event, as defined in Section 4043(b) of ERISA and the regulations issued thereunder, with respect to a Plan, as to which PBGC has not by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event (provided that a failure to meet the minimum funding standard of Section 412 of the Code or Section 302 of ERISA shall be a reportable event regardless of the issuance of any waivers in accordance with Section 412(d) of the Code);

(ii) the filing under Section 4041 of ERISA of a notice of intent to terminate any Plan or the termination of any Plan;

(iii) the institution by PBGC of proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by PBGC with respect to such Multiemployer Plan;

(iv) the complete or partial withdrawal by the Company, the Parent or any ERISA Affiliate under Section 4201 or 4204 of ERISA from a Multiemployer Plan, or the receipt by the Company or any ERISA Affiliate of notice from a Multiemployer Plan that it is in reorganization or insolvency

pursuant to Section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under Section 4041A of ERISA; and

(v) the institution of a proceeding by a fiduciary of any Multiemployer Plan against the Company or any ERISA Affiliate to enforce Section 515 of ERISA, which proceeding is not dismissed within 30 days;

(f) promptly after the Company knows or has reason to know that any Default has occurred, a notice of such Default describing the same in reasonable detail, specifying that such notice is a "Notice of Default" and, together with such notice or as soon thereafter as possible, a description of the action that the Company has taken and proposes to take with respect thereto; and

(g) from time to time such other information regarding the business, affairs or financial condition of the Company or any of the Company's Subsidiaries (including, without limitation, any Plan or Multiemployer Plan and any reports or other information required to be filed under ERISA) as any Lender or the Agent may reasonably request.

The Company will furnish to each Lender, at the time it furnishes each set of financial statements pursuant to paragraph (a) or (b) above, a certificate of the Treasurer, an Assistant Treasurer, the Chief Financial Officer or the Controller of the Company to the effect that no Default has occurred and is continuing (or, if any Default has occurred and is continuing, describing the same in reasonable detail and describing the action that the Company has taken and proposes to take with respect thereto).

8.02 Litigation. The Company will promptly give to each Lender notice (which notice may be given by the Company through the Parent and may be in the form of the Company's or the Parent's 1934 Act Reports) of all legal or arbitral proceedings, and of all proceedings by or before any governmental or regulatory authority or agency, and any material development in respect of such legal or other proceedings, affecting the Company or any of the Company's Subsidiaries, except proceedings which, if adversely determined, would not have a material adverse effect on the consolidated financial condition, operations or business taken as a whole of the Company and its Consolidated Subsidiaries.

8.03 Corporate Existence, Etc. The Company will: preserve and maintain its corporate existence and all of its material rights, privileges and franchises; comply with the requirements of all applicable laws, rules, regulations and orders of governmental or regulatory authorities if failure to comply with such requirements would materially and adversely affect the consolidated financial condition, operations or business taken as a whole of the Company and its Consolidated Subsidiaries, except for any such laws, rules, regulations or orders that the Company is contesting in good faith and by proper proceedings; pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper

proceedings and against which adequate reserves are being maintained; maintain all of its properties used or useful in its business in good working order and condition, ordinary wear and tear excepted; and permit representatives of any Lender or the Agent, during normal business hours, to examine, copy and make extracts from its books and records, to inspect its properties, and to discuss its business and affairs with its officers, all to the extent reasonably requested by such Lender or the Agent (as the case may be).

8.04 Prohibition of Fundamental Changes. The Company will not enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), except that the Company may merge into the Parent so long as the Parent is the surviving corporation and assumes all of the Company's obligations under this Agreement and the Notes and so long as both prior to such merger and after giving effect thereto no Default shall have occurred and be continuing. The Company will not convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any substantial part of its business or assets, whether now owned or hereafter acquired.

8.05 Use of Proceeds. The Company will use the proceeds of the Loans hereunder for its general corporate purposes (in compliance with all applicable legal and regulatory requirements); provided that neither the Agent nor any Lender shall have any responsibility as to the use of any of such proceeds.

8.06 Indebtedness to Capitalization Ratio. The Company will not permit the ratio of (a) all Indebtedness of the Company and its Consolidated Subsidiaries to (b) the Total Capitalization of the Company and its Consolidated Subsidiaries to exceed .65 to 1 at any time.

8.07 Negative Pledge. The Company will not, and will not permit any Subsidiary to, create, assume or suffer to exist any Lien on any of its property, assets or revenues, whether now owned or hereafter acquired, except for:

(a) Liens existing on the date hereof securing Indebtedness, other than Indebtedness secured by the Existing Indenture, outstanding on November 17, 1998 in an aggregate principal amount not in excess of $240,865,000;

(b) any Lien existing on any asset of any corporation at the time such corporation becomes a Subsidiary of the Company and not created in contemplation of such event;

(c) any Lien on any asset securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such asset, provided that such Lien attaches to such asset concurrently with or within 90 days after the acquisition thereof;

(d) any Lien on any asset of any corporation existing at the time such corporation is merged into or is consolidated with the Company or one of its Subsidiaries and not created in contemplation of such event;

(e) any Lien existing on any asset prior to the acquisition thereof by the Company or one of its Subsidiaries and not created in contemplation of such acquisition;

(f) any Lien arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clauses of this Section, provided that such Indebtedness is not increased and is not secured by any additional assets;

(g) any Lien arising pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;

(h) Liens incidental to conduct of its business or the ownership of its assets which (i) do not secure Indebtedness and (ii) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business;

(i) the Liens created by the Existing Indenture; and

(j) Liens upon rights-of-way for transmission or distribution line purposes, provided that the Company or one of its Consolidated Subsidiaries, as the case may be has, in the opinion of counsel for the Company, power under eminent domain or similar statutes to condemn and acquire easements or rights-of-way sufficient for its purposes over the land covered by the rights-of-way in question or other lands adjacent thereto.

Section 9. Events of Default. If one or more of the following events (herein called "Events of Default") shall occur and be continuing:

(a) The Company shall default in the payment when due of any principal of or interest on any Loan or any other amount payable by it hereunder; or

(b) The Company or any of its Subsidiaries shall default in the payment when due of any principal of or interest on any of its other indebtedness aggregating $10,000,000 or more; or any event specified in any note, agreement, indenture or other document evidencing or relating to any such indebtedness in the aggregate amount set forth above in this clause (b) shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such indebtedness (or a trustee or agent on behalf of such holder or holders) to cause,

such indebtedness to become due, or to be prepaid in full (whether by redemption, purchase or otherwise), prior to its stated maturity; or

(c) Any representation, warranty or certification made or deemed made herein (or in any modification or supplement hereto) by the Company, or any certificate furnished to any Lender or the Agent pursuant to the provisions hereof (or thereof), shall prove to have been false or misleading as of the time made or furnished in any material respect; or

(d) The Company shall default in the performance of any of its obligations under any of Sections 8.01(f) or 8.04 hereof; or the Company shall default in the performance of any of its other obligations in this Agreement and such default shall continue unremedied for a period of 30 days after notice thereof to the Company by the Agent or any Lender (through the Agent); or any "Event of Default" under and as defined in the other FPC Agreement shall be continuing; or

(e) The Company or any of the Company's Subsidiaries shall admit in writing its inability to, or be generally unable to, pay its debts as such debts become due; or

(f) The Company or any of the Company's Subsidiaries shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under the Bankruptcy Code (as now or hereafter in effect), (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts, (v) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under the Bankruptcy Code (as now or hereafter in effect), or (vi) take any corporate action for the purpose of effecting any of the foregoing; or

(g) A proceeding or case shall be commenced, without the application or consent of the Company or any of the Company's Subsidiaries, in any court of competent jurisdiction, seeking (i) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of the Company or such Subsidiary or of all or any substantial part of its assets, or (iii) similar relief in respect of the Company or such Subsidiary under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 60 or more days; or an order for relief against the Company or such Subsidiary shall be entered in an involuntary case under the Bankruptcy Code (as now or hereafter in effect); or

(h) A final judgment or judgments for the payment of money in excess of $10,000,000 in the aggregate shall be rendered by a court or courts against the Company and/or any of the Company's Subsidiaries and the same shall not be discharged (or provision shall not be made for such discharge), or a stay of execution thereof shall not be procured, within 30 days from the date of entry thereof and the Company or the relevant Subsidiary shall not, within said period of 30 days, or such longer period during which execution of the same shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal; or

(i) An event or condition specified in Section 8.01(e) hereof shall occur or exist with respect to any Plan or Multiemployer Plan and, as a result of such event or condition, together with all other such events or conditions, the Company, the Parent or any ERISA Affiliate shall incur or in the opinion of the Majority Lenders shall be reasonably likely to incur a liability to a Plan, a Multiemployer Plan or PBGC (or any combination of the foregoing) which is, in the determination of the Majority Lenders, material in relation to the consolidated financial condition, operations or business taken as a whole of the Company and its Consolidated Subsidiaries or of the Parent and its Consolidated Subsidiaries; or

(j) Any authorization, approval or consent of any governmental or regulatory authority or agency necessary for the execution, delivery or performance by the Company of this Agreement or the Notes, or for the validity or enforceability thereof, shall cease to be in full force and effect; or

(k) The Company shall cease to be a Wholly-owned Subsidiary of the Parent;

THEREUPON: (1) in the case of an Event of Default other than one referred to in clause (f) or (g) of this Section 9 with respect to the Company, (A) the Agent may and, upon request of the Majority Lenders, shall, by notice to the Company, cancel the Commitments and they shall thereupon terminate, and (B) the Agent may and, upon request of the Majority Lenders shall, by notice to the Company declare the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Company hereunder and under the Notes (including, without limitation, any amounts payable under Section 5.05 hereof) to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Company; and (2) in the case of the occurrence of an Event of Default referred to in clause (f) or (g) of this Section 9 with respect to the Company, the Commitments shall automatically be cancelled and the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Company hereunder and under the Notes (including, without limitation, any amounts payable under Section 5.05 hereof) shall automatically become immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Company.

Section 10. The Agent.

10.01 Appointment, Powers and Immunities. Each Lender hereby irrevocably appoints and authorizes the Agent to act as its agent hereunder with such powers as are specifically delegated to the Agent by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. The Agent (which term as used in this sentence and in Section 10.05 and the first sentence of Section 10.06 hereof shall include reference to its affiliates and its own and its affiliates' officers, directors, employees and agents): (a) shall have no duties or responsibilities except those expressly set forth in this Agreement, and shall not by reason of this Agreement be a trustee for any Lender; (b) shall not be responsible to the Lenders for any recitals, statements, representations or warranties contained in this Agreement, or in any certificate or other document referred to or provided for in, or received by any of them under, this Agreement, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, any Note or any other document referred to or provided for herein or for any failure by the Company or any other Person to perform any of its obligations hereunder or thereunder; (c) shall not be required to initiate or conduct any litigation or collection proceedings hereunder; and (d) shall not be responsible for any action taken or omitted to be taken by it hereunder or under any other document or instrument referred to or provided for herein or in connection herewith, except for its own gross negligence or willful misconduct. The Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith. The Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof shall have been filed with the Agent, together with the written consent of the Company to such assignment or transfer.

10.02 Reliance by Agent. The Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Agent. As to any matters not expressly provided for by this Agreement, the Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder in accordance with instructions signed by the Majority Lenders, and such instructions of the Majority Lenders and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders.

10.03 Defaults. The Agent shall not be deemed to have knowledge or notice of the occurrence of a Default (other than the non-payment of principal of or interest on Loans or of facility fees) unless the Agent has received notice from a Lender or the Company specifying such Default and stating that such notice is a "Notice of Default". In the event that the Agent receives such a notice of the occurrence of a Default, the Agent shall give prompt notice thereof to the Lenders (and shall give each Lender prompt notice of each such nonpayment). The Agent shall (subject to Section 10.07 hereof) take such action with respect to such Default as shall be directed by the Majority Lenders, provided that, unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take

such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interest of the Lenders.

10.04 Rights as a Lender. With respect to its Commitment and the Loans made by it, Chase (and any successor acting as Agent) in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as the Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include the Agent in its individual capacity. Chase (and any successor acting as Agent) and its affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with the Company (and any of its Subsidiaries or Affiliates) as if it were not acting as the Agent, and Chase and its affiliates may accept fees and other consideration from the Company for services in connection with this Agreement or otherwise without having to account for the same to the Lenders.

10.05 Indemnification. The Lenders agree to indemnify the Agent (to the extent not reimbursed under Section 11.03 hereof, but without limiting the obligations of the Company under said Section 11.03) ratably in accordance with the aggregate amount of their respective Commitments, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any other documents contemplated by or referred to herein or the transactions contemplated hereby (including, without limitation, the costs and expenses which the Company is obligated to pay under Section 11.03 hereof but excluding, unless a Default has occurred and is continuing, normal administrative costs and expenses incident to the performance of its agency duties hereunder) or the enforcement of any of the terms hereof or of any such other documents, provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified.

10.06 Non-Reliance on Agent and Other Lenders. Each Lender agrees that it has, independently and without reliance on the Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Company and its Subsidiaries and decision to enter into this Agreement and that it will, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement. The Agent shall not be required to keep itself informed as to the performance or observance by the Company of this Agreement or any other document referred to or provided for herein or to inspect the properties or books of the Company or any of its Subsidiaries. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of the Company or any of its Subsidiaries (or any of their affiliates) which may come into the possession of the Agent or any of its affiliates.

10.07 Failure to Act. Except for action expressly required of the Agent hereunder, the Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall receive further assurances to its satisfaction from the Lenders of their indemnification obligations under Section 10.05 hereof against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

10.08 Resignation or Removal of Agent. Subject to the appointment and acceptance of a successor Agent as provided below, the Agent may resign at any time by giving notice thereof to the Lenders and the Company, and the Agent may be removed at any time with or without cause by the Majority Lenders. Upon any such resignation or removal, the Majority Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring Agent's giving of notice of resignation or the Majority Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a bank which has an office in New York, New York and (unless it is a Lender) a combined capital and surplus of at least $200,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Section 10.08 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Agent.

10.09 Agency Fee. So long as the Commitments are in effect and until payment in full of the principal of and interest on the Loans and all other amounts payable by the Company hereunder, the Company will pay to the Agent an agency fee in an amount previously agreed, payable annually in advance on the Quarterly Date falling on or nearest to December 1 in each year. Such fee, once paid, shall be non-refundable. The appointment of a successor Agent under Section 10.08 hereof shall not increase or otherwise modify the Company's obligations under this Section 10.09.

10.10 Auction Fee. The Company agrees to pay to the Agent an auction fee in an amount previously agreed, payable on each day that the Company delivers a Money Market Quote Request.

Section 11. Miscellaneous.

11.01 Waiver. No failure an the part of the Agent or any Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement or any Note shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement or any Note preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

11.02 Notices. All notices and other communications provided for herein (including, without limitation, any modifications of, or waivers or consents under, this Agreement) shall be given or made by telex, telecopy, telegraph, cable or in writing (or, with respect to notices given pursuant to Section 2.03 hereof, by telephone, confirmed in writing by telex by the close of business on the day the notice is given) and telexed, telecopied, telegraphed, cabled, mailed or delivered (or telephoned, as the case may be) to the intended recipient at the "Address for Notices" specified below its name on the signature pages hereof; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telex or telecopier, delivered to the telegraph or cable office or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as aforesaid.

11.03 Expenses, Etc.

(a) The Company agrees to pay or reimburse each of the Lenders and the Agent for all reasonable out-of-pocket costs and expenses of the Agent (including, without limitation, the reasonable fees and expenses of counsel to the Agent), in connection with the negotiation, preparation, execution and delivery of this Agreement and the Notes and the making of the Loans hereunder.

(b) The Company agrees to pay or reimburse each of the Lenders and the Agent for (i) all reasonable out-of-pocket costs and expenses of the Agent (including reasonable counsel's fees) in connection with any amendment, modification or waiver of any of the terms of this Agreement or any of the Notes and (ii) all costs and expenses of the Lenders and the Agent (including reasonable counsels fees for each Lender and for the Agent) in connection with any Default and any enforcement or collection proceedings resulting therefrom.

(c) The Company agrees to pay all transfer, stamp, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement or any of the Notes or any other document referred to herein.

11.04 Amendments, Etc. Except as otherwise expressly provided in this Agreement, any provision of this Agreement may be amended or modified only by an instrument in writing signed by the Company, the Agent and the Majority Lenders, or by the Company and the Agent acting with the consent of the Majority Lenders, and any provision of this Agreement may be waived by the Majority Lenders or by the Agent acting with the consent of the Majority Lenders; provided that no amendment, modification or waiver shall, unless by an instrument signed by all of the Lenders or by the Agent acting with the consent of all of the Lenders: (i) extend the term, or extend the time or waive any requirement for the reduction or termination, of, or increase, the Commitments (except to the extent contemplated by the definition of "Commitment Termination Date" in Section 1.01 hereof), (ii) extend the date fixed for the payment of principal of or interest on any Loan or any fees or other amounts payable hereunder, (iii) reduce the amount of any payment of principal thereof or the rate at which interest is

payable thereon or any fee is payable hereunder, (iv) alter the terms of Section 8.06 or 11.06(a) hereof or of this Section 11.04, or (v) amend the definition of the term "Majority Lenders"; and provided, further, that any amendment of Section 10 hereof shall also require the consent of the Agent.

11.05 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

11.06 Assignments and Participations.

(a) The Company may not assign its rights or obligations hereunder or under the Notes without the prior consent of all of the Lenders and the Agent.

(b) No Lender may assign any of its Loans, its Notes, or its Commitment in whole or in part without the prior consent of the Company and the Agent (such consent of the Agent not to be unreasonably withheld); provided that (i) each such assignment by a Lender of its Syndicated Loans or its Commitment shall be made so that the assignee holds the same pro rata portions of the Syndicated Loans and the Commitments; and (ii) each such assignment by a Lender of its Syndicated Loans and Commitment shall be made concurrently with an assignment by it to the same assignee of the same pro rata portion of its outstanding "Syndicated Loans" and its "Commitment" under and as defined in the Other FPC Agreement. Upon execution and delivery by the assignee to the Company and the Agent of an instrument in writing pursuant to which such assignee agrees to become a "Lender" hereunder (if not already a Lender) having the Commitment(s) and Loans specified in such instrument, and upon consent thereto by the Company and the Agent to the extent required above, the assignee shall have, to the extent of such assignment (unless otherwise provided in such assignment with the consent of the Company and the Agent), the obligations, rights and benefits of a Lender hereunder holding the Commitment(s) and Loans (or portions thereof) assigned to it (in addition to the Commitment(s) and Loans, if any, theretofore held by such assignee) and the assigning Lender shall, to the extent of such assignment, be released from the Commitment(s) (or portion(s) thereof) so assigned. In connection with any assignment pursuant to this Section 11.06(b), the Company agrees to issue replacement Notes in the State of New York, in the appropriate principal amounts and payable to the appropriate Lenders, upon the request of any assigning Lender or assignee Lender. Upon each such assignment the assigning Lender shall pay the Agent an assignment fee of $3,500.

(c) A Lender may sell or agree to sell a participation in all or any part of any Loan held by it or Loans made or to be made by it. In the event of such a participation, no such participant shall have any rights or benefits under this Agreement or any Note (the participant's rights against such Lender in respect of such participation to be those set forth in the agreement (the "Participation Agreement") executed by such Lender in favor of the participant). The granting of a participation by a Lender hereunder shall not in any way release such Lender from any of its obligations under this Agreement. All amounts payable by the Company to any Lender under Section 5 hereof shall be determined as if such Lender had not sold or agreed to sell any participations in such Loan and as if such Lender were funding all of

such Loan in the same way that it is funding the portion of such Loan in which no participations have been sold. In no event shall a Lender that sells a participation be obligated to the participant under the Participation Agreement to take or refrain from taking any action hereunder or under such Lender's Notes except that such Lender may agree in the Participation Agreement that it will not, without the consent of the participant, agree to (i) the extension of any date fixed for the payment of principal of or interest on the related Loan or Loans or any portion of any fees payable to the participant, (ii) the reduction of any payment of principal thereof, or (iii) the reduction of the rate at which either interest is payable thereon or (if the participant is entitled to any part thereof) facility fee is payable hereunder to a level below the rate at which the participant is entitled to receive interest or facility fee (as the case may be) in respect of such participation.

(d) Anything in this Section 11.06 to the contrary notwithstanding, any Lender may assign and pledge all or any portion of its Loans and its Notes to any Federal Reserve Bank as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Lender from its obligations hereunder.

(e) A Lender may furnish any information concerning the Company, the Parent or any of their respective Subsidiaries in the possession of such Lender from time to time to assignees and participants and, with notice to the Company, to prospective participants and, with the consent of the Company, to prospective assignees.

(f) If:

(i) any Lender makes a demand for payment under Section 5.01 hereof,

(ii) Loans of any Lender are Converted into Base Rate Loans pursuant to Section 5.04 hereof, or

(iii) any Lender does not become a Consenting Lender (as that term is used in the definition of "Commitment Termination Date" in Section 1.01 hereof), does not become a "Consenting Lender" under (and as defined in) the Other FPC Agreement or either of the PCH Agreements, in each case within the required periods set forth in the relevant definitions thereof;

then, in the case of clause (i) above, within 60 days after the Company makes the payment demanded; in the case of clause (ii) above, within 60 days after the last of the relevant Conversions; and, in the case of clause (iii) above, at any time thereafter, the Company may, so long as no Default shall be continuing and subject to the consent of the Agent (which consent shall not be unreasonably withheld), demand that such Lender assign, pursuant to this Section 11.06 and documentation reasonably acceptable to such Lender, all (but not less than all) of such Lender's Commitment and outstanding Loans hereunder to one or more banks or financial

institutions designated by the Company, for a purchase price not less than the principal amount of such outstanding Loans, accrued interest thereon and all other amounts payable by the Company to such Lender hereunder (including amounts payable under Section 5.05 hereof) and under the Notes held by such Lender, such assignment to take place no later than 30 days after the Company's demand.

11.07 Survival. The obligations of the Company under Sections 5.01, 5.05 and 11.03 hereof shall survive the repayment of the Loans and the termination of the Commitments.

11.08 Captions. The table of contents and captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

11.09 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

11.10 Governing Law; Submission to Jurisdiction. This Agreement and the Notes shall be governed by, and construed in accordance with, the law of the State of New York. The Company hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York state court sitting in New York City for the purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Company irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

11.11 Waiver of Jury Trial. **EACH OF THE COMPANY, THE AGENT AND THE LENDERS HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

FLORIDA POWER CORPORATION

By Pamela A. Saari

Print Name: Pamela A. Saari
Print Title: Treasurer

Address for Notices:

Post Office Box 14042
St. Petersburg, Florida 33733

Telecopier No.: 727-820-5918

Telephone No.: 727-820-5875

Attention: Mr. Kenneth E. McDonald

Sworn to and subscribed before me on this 13th day of November, 1998, in the State of New York, County of New York.

Mary Vorderer
Notary Public

MARY VORDERER
Notary Public, State of New York
No. 02VO5082185
Qualified in New York County
Commission Expires July 21, 19 99

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Commitment
$33,750,000

THE CHASE MANHATTAN BANK

By _____

Print Name: PAUL V. FARRELL
Print Title: VICE PRESIDENT

Lending Office for all Loans (other than Eurodollar Loans):

The Chase Manhattan Bank
270 Park Avenue
New York, New York 10017-2070

Lending Office for Eurodollar Loans:

The Chase Manhattan Bank
Cayman Islands,
British West Indies Branch
c/o The Chase Manhattan Bank
One Chase Manhattan Plaza
New York, New York 10081

Address for Notices:

The Chase Manhattan Bank
Global Power & Environmental Group
270 Park Avenue
New York, New York 10017-2070

Telecopier No.: 212/270-3089

Telephone No.: 212/270-7653

Attention: Mr. Paul V. Farrell

Commitment
$25,000,000

NATIONSBANK, N.A.

By Gretchen P. Burud
Print Name: GRETCHEN P. BURUD
Print Title: VICE PRESIDENT

Lending Office for all Loans:

NationsBank, N.A.
101 North Tryon Street
Charlotte, NC 28255
Attn: Marcella Graham

Address for Notices:

NationsBank, N.A.
Corporate Center
NC1-007-08-08
100 North Tryon Street
Charlotte, NC 28255

Telecopier No.: 704-386-~~1270~~ 1319

Telephone No.: 704-386-8394

Attention: Ms. Gretchen P. Burud

p:/credit.agt/pwrcrdta.98

Commitment
$25,000,000

FIRST UNION NATIONAL BANK

By _____

Print Name: MICHAEL J. KOLOSOWSKY
Print Title: VICE PRESIDENT

Lending Office for all Loans

First Union National Bank
One First Union Center
301 South College Street
Charlotte, North Carolina 28288-0735

Address for Notices:

First Union National Bank
One First Union Center
301 South College Street
Charlotte, North Carolina 28288-0735

Telecopier No. 704-383-6670

Telephone No.: 704-383-8225

Attention: Mr. Michael J. Kolosowsky

p:/credit.agt/pwrcrdta.98

Commitment
$23,750,000

SUNTRUST BANK, TAMPA BAY

By _____
Print Name: Brigitta A. Lawton
Print Title: SVP

Lending Office for all Loans:

SunTrust Bank, Tampa Bay
300 1st Avenue South
St. Petersburg, Florida 33701

Address for Notices:

SunTrust Bank, Tampa Bay
300 1st Avenue South
St. Petersburg, Florida 33701

Telecopier No.: 813/892-4810

Telephone No.: 813/892-4958

Attention: Ms. Brigitta A. Lawton

p:/credit.agt/pwrcrdta.98

Commitment
$23,750,000

THE FIRST NATIONAL BANK OF CHICAGO

By _____

Print Name: MADELEINE N. PEMBER
Print Title: Assistant Vice President

Lending Office for all Loans:

The First National Bank of Chicago
One First National Plaza
Suite 0363
Chicago, Illinois 60670-0363

Address for Notices:

The First National Bank of Chicago
One First National Plaza
Suite 0363
Chicago, Illinois 60670-0363

Telecopier No.: 312/732-3055

Telephone No.: 312/732-9781

Attention: Mr. William N. Banks

p:/credit.agt/pwrcrdta.98

Commitment
$18,750,000

REVOLVING COMMITMENT VEHICLE CORPORATION

By: Morgan Guaranty Trust Company of New York, as Attorney-in-fact for Revolving Commitment Vehicle Corporation

By _____

Print Name: JAMES DWYER

Print Title: VICE PRESIDENT

Lending Office for all Loans:

Revolving Commitment Vehicle Corporation
500 Stanton Christiana Road
Newark, Delaware 19713

Address for Notices:

Morgan Guaranty Trust Company
of New York
60 Wall Street
New York, New York 10260-0060

Telecopier No.: 212/648-5014

Telephone No.: 212/648-9036

Attention: Ms. Kathryn Sayko-Yanes

p:/credit.agt/pwrcrdta.98

Commitment
$18,750,000

PNC BANK, NATIONAL ASSOCIATION

By _____
Print Name:
Print Title:

Lending Office for all Loans:

PNC Bank, National Association
One PNC Plaza
3rd Floor
249 - 5th Avenue
Pittsburgh, PA 15222-2707

Address for Notices:

PNC Bank, National Association
One PNC Plaza
3rd Floor
249 - 5th Avenue
Pittsburgh, PA 15222-2707

Telecopier No.: 412/762-2571

Telephone No.: 412/762-2540

Attention: Mr. Christopher N. Moravec

p:/credit.agt/pwrcrdta.98

Commitment
$18,750,000

WACHOVIA BANK, N.A.

By _____
Print Name: Shawn Janko
Print Title: Banking Officer

Lending Office for all Loans:

Wachovia Bank, N.A.
191 Peachtree Street, N.E.
Atlanta, GA 30303-1757

Address for Notices:

Wachovia Bank, N.A.
191 Peachtree Street, N.E.
Atlanta, GA 30303-1757

Telecopier No.: 404-332-5016

Telephone No.: 404-332-5134

Attention: Ms. Tammy F. Hughes

p:/credit.agt/pwrcrdta.98

COMMITMENT
$12,500,000

THE NORTHERN TRUST COMPANY

By _____
Print Name: CHRISTINA L. JAKUC
Print Title: SECOND VICE PRESIDENT

Lending Office for all Loans:

The Northern Trust Company
50 South LaSalle Street
Chicago, IL 60675

Address for Notices:

The Northern Trust Company
50 South LaSalle Street
Chicago, IL 60675

Telecopier No.: 312-630-6062

Telephone No.: 312-444-3455

Attention: Ms. Christina L. Jakuc

p:/credit.agt/pwrcrdta.98

THE CHASE MANHATTAN BANK
as Agent

By _____
Print Name: PAUL V. FARRELL
Print Title: VICE PRESIDENT

Address for Notices to Chase as Agent:

The Chase Manhattan Bank
1 Chase Manhattan Plaza - 8th Floor
New York, New York 10081

Telecopier No.: 212-552-7490

Telephone No.: 212-552-7943

Attention: Mr. Muniram Appanna

p:/credit.agt/pwrcrdta.98

EXHIBIT A-1

[Form of Note for Syndicated Loans]

PROMISSORY NOTE

$_____ _____, 199_
New York, New York

FOR VALUE RECEIVED, FLORIDA POWER CORPORATION, a Florida corporation (the "Company"), hereby promises to pay to _____ (the "Lender"), for account of its respective Applicable Lending offices provided for by the Credit Agreement referred to below, at the principal office of The Chase Manhattan Bank at 270 Park Avenue, New York, New York 10017, the principal sum of _____ Dollars (or such lesser amount as shall equal the aggregate unpaid principal amount of the Syndicated Loans made by the Lender to the Company under the Credit Agreement), in lawful money of the United States of America and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Syndicated Loan, at such office, in like money and funds, for the period commencing on the date of such Syndicated Loan until such Syndicated Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, Type, interest rate and duration of Interest Period (if applicable) of each Syndicated Loan made by the Lender to the Company, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the schedule attached hereto or any continuation thereof, provided that any failure by the Lender to make any such endorsement shall not affect the obligations of the Company hereunder.

This Note is one of the Notes referred to in the Third Amended and Restated Credit Agreement A (as modified and supplemented and in effect from time to time, the "Credit Agreement") dated as of November 17, 1998, between the Company, the lenders named therein and The Chase Manhattan Bank, as Agent, and evidences the Company's obligation to repay the Syndicated Loans made by the Lender thereunder and interest thereon. Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Loans upon the terms and conditions specified therein.

Except as permitted by Section 11.06(b) of the Credit Agreement, this Note may not be assigned by the Lender to any other Person.

This Note shall be governed by, and construed in accordance with, the law of the State of New York.

FLORIDA POWER CORPORATION

By_____
Title:

SCHEDULE OF LOANS

This Note Schedule describes Loans made, Continued or Converted under the within-described Credit Agreement to the Company, on the dates, in the principal amounts, of the Types, bearing interest at the rates and maturing on the dates set forth below, subject to the payments and prepayments of principal set forth below:

Date Made Continued or Converted	Principal Amount of Loan	Type of Loan	Interest Rate	Duration of Interest Period	Date and Amount Paid or Prepaid	Unpaid Principal Amount	Notation Made by

EXHIBIT A-2

[Form of Note for Money Market Loans]

PROMISSORY NOTE

_____, 199_
New York, New York

FOR VALUE RECEIVED, FLORIDA POWER CORPORATION, a Florida corporation (the "Company"), hereby promises to pay to _____ (the "Lender"), for account of its respective Applicable Lending Offices provided for by the Credit Agreement referred to below, at the principal office of The Chase Manhattan Bank at 270 Park Avenue, New York, New York 10017, the aggregate unpaid principal amount of the Money Market Loans made by the Lender to the Company under the Credit Agreement, in lawful money of the United States of America and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Money Market Loan, at such office, in like money and funds, for the period commencing on the date of such Money Market Loan until such Money Market Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, Type, interest rate and maturity date of each Money Market Loan made by the Lender to the Company, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the schedule attached hereto or any continuation thereof, provided that any failure by the Lender to make any such endorsement shall not affect the obligations of the Company hereunder.

This Note is one of the Notes referred to in the Third Amended and Restated Credit Agreement A (as modified and supplemented and in effect from time to time, the "Credit Agreement") dated as of November 17, 1998 between the Company, the lenders named therein (including the Lender) and The Chase Manhattan Bank, as Agent, and evidences the Company's obligation to repay the Money Market Loans made by the Lender thereunder and interest thereon. Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Loans upon the terms and conditions specified therein.

Except as permitted by Section 11.06(b) of the Credit Agreement, this Note may not be assigned by the Lender to any other Person.

This Note shall be governed by, and construed in accordance with, the law of the State of New York.

FLORIDA POWER CORPORATION

By_____
Title:

SCHEDULE OF LOANS

This Note Schedule describes Loans made under the within-described Credit Agreement to the Company, on the dates, in the principal amounts, of the Types, bearing interest at the rates and maturing on the dates set forth below, subject to the payments and prepayments of principal set forth below:

Date of Loan	Principal Amount of Loan	Type of Loan	Interest Rate	Maturity Date of Loan	Date and Amount Paid or Prepaid	Unpaid Principal Amount	Notation Made by

EXHIBIT B

[Form of Opinion of Counsel to the Parent]

_____, 199_

To: The Lenders party to the Credit Agreement referred to below and The Chase Manhattan Bank, as Agent

Ladies and Gentlemen:

I am Vice President and General Counsel of Florida Power Corporation (the "Company"), a wholly owned subsidiary of Florida Progress Corporation (the "Parent"), and am rendering this opinion in connection with the Credit Agreement A dated as of November 26, 1991 (the "Original Agreement"), between the Company, the lenders named therein and The Chase Manhattan Bank, as Agent, as amended and restated by the Third Amended and Restated Credit Agreement A dated as of November 17, 1998 (the Original Agreement, as amended and restated, being hereinafter referred to as the "Credit Agreement") providing for loans to be made by said lenders to the Company in an aggregate principal amount not exceeding $200,000,000. I have represented the Company in connection with the negotiation of the Credit Agreement. Terms defined in the Credit Agreement are used herein as defined therein.

In rendering the opinion expressed below, I have examined the originals or conformed copies of such corporate records, agreements and instruments of the Company and the Parent, certificates of public officials and of officers of the Company and the Parent, and such other documents and records, and such matters of law, as I have deemed appropriate as a basis for the opinions hereinafter expressed.

Based upon the foregoing, I am of the opinion that:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Florida and has the necessary corporate power to make and perform the Credit Agreement and the Notes (collectively, the "Credit Documents") and to borrow under the Credit Agreement.

2. The making and performance by the Company of the Credit Agreement and the borrowings thereunder have been duly authorized by all necessary corporate action, and do not and will not violate any provision of law or regulation or any provision of its articles or by-laws or result in the breach of, or constitute a default or require any consent under, or result in the creation of any Lien upon any of its properties, revenues or assets pursuant to, any indenture or other agreement or instrument to which the Company or any of its

Subsidiaries is a party or by which the Company or any of its Subsidiaries or their respective properties may be bound.

3. The Credit Agreement has been duly executed and delivered by the Company and constitutes, and the Notes when executed and delivered for value will constitute, legal, valid and binding obligations of the Company, enforceable in accordance with their respective terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and except that no opinion is expressed as to (i) Section 4.07(c) of the Credit Agreement or (ii) the effect of the law of any jurisdiction (other than the State of Florida) wherein any Lender (including any of its Applicable Lending Offices) may be located which limits rates of interest which may be charged or collected by such Lender. I express no opinion as to (i) whether a Federal or state court outside of the State of New York would give effect to the choice of New York law provided for in the Credit Agreement and the Notes, (ii) the second sentence of Section 11.10 of the Credit Agreement, insofar as such sentence relates to the subject matter jurisdiction of the United States District Court for the Southern District of New York to adjudicate any controversy related to the Credit Agreement or the Notes, (iii) the waiver of inconvenient forum set forth in Section 11.10 of the Credit Agreement with respect to proceedings in the United States District Court for the Southern District of New York, or (iv) Section 11.11 of the Credit Agreement.

4. In connection with the above, I wish to point out that provisions of the Credit Agreement that permit the Agent or any Lender to take action or make determinations, or to benefit from indemnities and similar undertakings of the Company, may be subject to a requirement that such action or inaction by the Agent or a Lender which may give rise to a request for payment under such an undertaking be taken or not taken, on a reasonable basis and in good faith.

5. Except for the matters disclosed (i) under the heading "Legal Proceedings" in part I, Item 3 of the Company's Annual Report on Form 10-K for the year ended December 31, 1997, and (ii) under the heading "Legal Proceedings" in Part II, Item 1 of the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30, and September 30, 1998, there are no legal or arbitral proceedings, and no proceedings by or before any governmental or regulatory authority or agency, pending or (to my knowledge) threatened against or affecting the Company or any of the Company's Subsidiaries, or any properties or rights of the Company or any of the Company's Subsidiaries, which, if adversely determined, would have a material adverse effect on the consolidated financial condition, operations or business taken as a whole of the Company and its Consolidated Subsidiaries.

6. Other than the approval of the Florida Public Service Commission (which approval has been duly obtained and is in full force and effect), no authorizations, consents, approvals, licenses, filings or registrations with, any governmental or regulatory authority

or agency are required in connection with the execution, delivery or performance by the Company of the Credit Documents.

7. The Parent is a "holding company" within the meaning of Section 2(a)(7) of the 1935 Act and the Parent and the Company are exempt from all of the requirements of the 1935 Act other than Section 9(a)(2) thereof by virtue of the filing of an exemption statement on Form U-3A-2 under Rule 2 under Section 3(a)(1) of the 1935 Act. Such Form U-3A-2 exemption statement was completed in compliance with all applicable rules and regulations of the Securities and Exchange Commission under the 1935 Act and was filed on June 23, 1998.

I wish to point out that the exemption provided by such filing may be terminated by the Securities and Exchange Commission pursuant to Rule 6 under the 1935 Act thirty days after notification by the Securities and Exchange Commission by registered mail to the Parent that a substantial question of law or fact exists as to whether or not the Parent is within the exemption afforded by Rule 2 under Section 3(a)(1) of the 1935 Act or any question exists as to whether or not the exemption of the Parent afforded by Rule 2 under the 1935 Act may be detrimental to the public interest or the interest of investors or consumers. Such termination would be without prejudice to the right of the Parent to file an application for an order granting an exemption pursuant to any applicable section of the 1935 Act and without prejudice to any temporary exemption provided for by the 1935 Act if such application is filed in good faith. As of the date hereof, no such notification has been received by the Parent, and (except for proceedings that may arise should the Securities and Exchange Commission adopt proposed Rule 17 under the 1935 Act) I am not aware of any facts or circumstances that would currently provide a basis for the Securities and Exchange Commission to initiate proceedings to revoke the exemption claimed by the Parent under Rule 2 under Section 3(a)(1) of the 1935 Act.

8. None of the Lenders nor the Agent will solely as a result of the participation by them and the Parent and the Company in the transactions contemplated by the Credit Agreement and the Notes be subject to regulation by any governmental authority as an "electric utility company," a "public utility company", a "holding company" or a "subsidiary company" or "affiliate" of any of the foregoing under the 1935 Act.

I am a member of the bar of the State of Florida and I do not herein intend to express any opinion as to any matters governed by any laws other than the law of the State of Florida and the Federal law of the United States of America.

Very truly yours,

EXHIBIT C

[Form of Money Market Quote Request]

[Date]

To: The Chase Manhattan Bank as Agent

From: Florida Power Corporation, Inc.

Re: Money Market Quote Request

Pursuant to Section 2.03 of the Third Amended and Restated Credit Agreement A (the "Credit Agreement") dated as of November 17, 1998, as amended or restated from time to time, between Florida Power Corporation, the lenders named therein and The Chase Manhattan Bank, as Agent, we hereby give notice that we request Money Market Quotes for the following proposed Money Market Borrowing(s):

Borrowing Date	Quotation Date[*1]	Amount[*2]	Type[*3]	Interest Period[*4]

Terms used herein have the meanings assigned to them in the Credit Agreement.

FLORIDA POWER CORPORATION

By_____
Title:

---

* All numbered footnotes appear on the last page of this Exhibit.

---

[1] For use if a Money Market Rate in a Set Rate Auction is requested to be submitted before the Borrowing Date.

[2] Each amount must be $10,000,000 or a larger multiple of $1,000,000.

[3] Insert either "Margin" (in the case of LIBOR Market Loans) or "Rate" (in the case of Set Rate Loans).

[4] One, two, three or six months, in the case of a LIBOR Market Loan or, in the case of a Set Rate Loan, a period of up to 180 days after the making of such Set Rate Loan and ending on a Business Day.

EXHIBIT D

[Form of Money Market Quote]

To: The Chase Manhattan Bank, as Agent

Attention:

Re: Money Market Quote to
Florida Power Corporation (the "Borrower")

This Money Market Quote is given in accordance with Section 2.03(c) of the Third Amended and Restated Credit Agreement A (the "Credit Agreement") dated as of November 17, 1998, as amended or restated from time to time, between Florida Power Corporation, the lenders named therein and The Chase Manhattan Bank, as Agent. Terms defined in the Credit Agreement are used herein as defined therein.

In response to the Borrower's invitation dated _____, 19__, we hereby make the following Money Market Quote(s) on the following terms:

1. Quoting Lender:

2. Person to contact at Quoting Lender:

3. We hereby offer to make Money Market Loan(s) in the following principal amount(s), for the following Interest Period(s) and at the following rate(s):

Borrowing Date	Quotation Date[*1]	Amount[*2]	Interest Type[*3]	Period[*4]	Rate[*5]

4. The maximum aggregate principal amount of all Money Market Loans:

---

* All numbered footnotes appear on the last page of this Exhibit.

EXHIBIT (a)-2

Third Amended and Restated Credit Agreement B

****

PROGRESS CAPITAL HOLDINGS, INC.

THIRD AMENDED AND RESTATED CREDIT AGREEMENT B

Dated as of November 17, 1998

This Agreement amends and restates
Credit Agreement B Dated as of November 26, 1991

THE CHASE MANHATTAN BANK
as Agent

****

THIS THIRD AMENDED AND RESTATED CREDIT AGREEMENT B dated as of November 17, 1998 between: PROGRESS CAPITAL HOLDINGS, INC., a corporation duly organized and validly existing under the laws of the State of Florida (the "Company"); each of the lenders that is a signatory hereto or which, pursuant to Section 11.06(b) hereof, shall become a "Lender" hereunder (individually, a "Lender" and, collectively, the "Lenders"); and THE CHASE MANHATTAN BANK, as agent for the Lenders (in such capacity, together with its successors in such capacity, the "Agent"); amends and restates the Credit Agreement B dated as of November 26, 1991, between the Company, each of the Lenders and the Agent.

The Company has requested that the Lenders make loans to it in an aggregate principal amount not exceeding $300,000,000 at any one time outstanding and the Lenders are prepared to make such loans upon the terms hereof. Accordingly, the parties hereto agree as follows:

Section 1. Definitions and Accounting Matters.

1.01 Certain Defined Terms. As used herein, the following terms shall have the following meanings (all terms defined in this Section 1.01 or in other provisions of this Agreement in the singular to have the same meanings when used in the plural and vice versa):

"Applicable Lending Office" shall mean, for each Lender and for each Type of Loan, the "Lending Office" of such Lender (or of an affiliate of such Lender) designated for such Type of Loan on the signature pages hereof or such other office of such Lender (or of an affiliate of such Lender) as such Lender may from time to time specify to the Agent and the Company as the office by which its Loans of such Type are to be made and maintained.

"Applicable Margin" shall mean:

(i) during each Class 1 Rating Period,

(A) with respect to Base Rate Loans, zero,

(B) with respect to Eurodollar Loans, 0.20%, and

(C) with respect to CD Loans, 0.325%,

(ii) during each Class 2 Rating Period,

(A) with respect to Base Rate Loans, zero

(B) with respect to Eurodollar Loans, 0.275%,

(C) with respect to CD Loans, 0.40%, and

(iii) during each Class 3 Rating Period,

(A) with respect to Base Rate Loans, zero,

(B) with respect to Eurodollar Loans, 0.45%, and

(C) with respect to CD Loans, .575%.

"Applicable Facility Fee Rate" shall mean, a rate per annum equal to (a) during each Class 1 Rating Period, 0.10%; (b) during each Class 2 Rating Period, 0.175% and (c) during each Class 3 Rating Period, 0.25%.

"Assessment Rate" shall mean, for any Interest Period for any CD Loan, the effective annual assessment rate (rounded upwards, if necessary, to the nearest 1/100 of 1%) payable by Chase to the Federal Deposit Insurance Corporation (or any successor) for deposit insurance for Dollar time deposits with Chase at the Principal Office during such Interest Period, as reasonably estimated by the Agent.

"Base Rate" shall mean, for any day, the higher of (a) the Federal Funds Rate for such day plus 1/2 of 1% per annum and (b) the Prime Rate for such day. Each change in any interest rate provided for herein based upon the Base Rate resulting from a change in the Base Rate shall take effect at the time of such change in the Base Rate.

"Base Rate Loans" shall mean Syndicated Loans which bear interest at rates based upon the Base Rate.

"Business Day" shall mean any day on which commercial banks are not authorized or required to close in New York City and, if such day relates to the giving of notices or quotes in connection with a LIBOR Auction or to a borrowing of, a payment or prepayment of principal of or interest on, or an Interest Period for, a Eurodollar Loan or a LIBOR Market Loan or a notice by the Company with respect to any such borrowing, payment, prepayment or Interest Period, which is also a day on which dealings in Dollar deposits are carried out in the London interbank market.

"CD Loans" shall mean Syndicated Loans the interest rates on which are determined on the basis of rates referred to in clause (b) of the definition of "Fixed Base Rate" in this Section 1.01.

"Chase" shall mean The Chase Manhattan Bank.

"Class" shall have the meaning given to that term in Section 1.03 hereof.

"Class 1 Rating Period" shall mean any period during which the rating of the long-term unsecured senior debt of the Company (a) by Moody's equals or exceeds "A3" and (b) by S&P equals or exceeds "A-".

"Class 2 Rating Period" shall mean any period during which the rating of the long-term unsecured senior debt of the Company (a) by Moody's equals or exceeds "Baa3" and (b) by S&P equals or exceeds "BBB-", and which is not a Class 1 Rating Period.

"Class 3 Rating Period" shall mean any period that is neither a Class 1 Rating Period nor a Class 2 Rating Period.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" shall mean, with respect to each Lender, the obligation of such Lender to make Syndicated Loans pursuant to Section 2.01 hereof in an aggregate amount at any one time outstanding up to but not exceeding the amount set opposite such Lender's name on the signature pages hereof under the caption "Commitment" (as the same may be reduced at any time or from time to time pursuant to Section 2.04 hereof). The original aggregate amount of the Commitments is $300,000,000.

"Commitment Termination Date" shall mean, with respect to each Lender, November 30, 2003; provided that

(a) if, (i) not later than 39 months, but no more than 40 months, prior to the Commitment Termination Date, determined after giving effect to all previous extensions thereof pursuant to this definition (the "Existing Commitment Termination Date", the Company requests that the Lenders agree to extend the Commitment Termination Date to the November 30 falling two years after the Existing Commitment Termination Date (the "Proposed Commitment Termination Date") and (ii) each of the Lenders so agrees in writing prior to the Existing Commitment Termination Date, then the "Commitment Termination Date" shall be extended, with respect to each Lender, to the Proposed Commitment Termination Date;

(b) if, pursuant to any such request, some, but not all, of the Lenders agree to so extend the Existing Commitment Termination Date to the Proposed Commitment Termination Date (the Lenders that so agree, the "Consenting Lenders"), the "Commitment Termination Date" shall mean (i) with respect to the Consenting Lenders, the Proposed Commitment Termination Date and (ii) with respect to the Lenders that are not Consenting Lenders, the Existing Commitment Termination Date; and

(c) if the Commitment Termination Date as determined above is not a Business Day, the Commitment Termination Date shall be the next preceding Business Day.

"Consolidated Subsidiary" shall mean, as to any Person, each Subsidiary of such Person (whether now existing or hereafter created or acquired) the financial statements of which shall be (or should have been) consolidated with the financial statements of such Person in accordance with GAAP.

"Continue", "Continuation" and "Continued" shall refer to the continuation pursuant to Section 2.09 hereof of a Fixed Rate Loan of one Type as a Fixed Rate Loan of the same Type from one Interest Period to the next Interest Period.

"Convert", "Conversion" and "Converted" shall refer to a conversion pursuant to Section 2.09 hereof of Base Rate Loans into CD Loans or Eurodollar Loans, of CD Loans into Base Rate Loans or Eurodollar Loans, or of Eurodollar Loans into Base Rate Loans or CD Loans, which may be accompanied by the transfer by a Lender (at its sole discretion) of a Loan from one Applicable Lending office to another.

"Default" shall mean an Event of Default or an event which with notice or lapse of time or both would become an Event of Default.

"Dollars" and "$" shall mean lawful money of the United States of America.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" shall mean any corporation or trade or business which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Company or the Parent or is under common control (within the meaning of Section 414(c) of the Code) with the Company or the Parent.

"Eurodollar Loans" shall mean Syndicated Loans the interest rates on which are determined on the basis of rates referred to in clause (a) of the definition of "Fixed Base Rate" in this Section 1.01.

"Event of Default" shall have the meaning assigned to such term in Section 9 hereof.

"Federal Funds Rate" shall mean, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds

Rate for such day shall be the average rate charged to Chase on such day on such transactions as determined by the Agent.

"Fixed Base Rate" shall mean, with respect to any Fixed Rate Loan for any Interest Period therefor:

(a) if such Loan is a Eurodollar Loan or a LIBOR Market Loan, the arithmetic mean (rounded upwards, if necessary, to the nearest 1/16 of 1%), as determined by the Agent, of the rates per annum quoted by the respective Reference Lenders at approximately 11:00 a.m. London time (or as soon thereafter as practicable) on the date two Business Days prior to the first day of such Interest Period for the offering by the respective Reference Lenders to leading banks in the London interbank market of Dollar deposits having a term comparable to such Interest Period and in an amount comparable to the principal amount of the Eurodollar Loan or LIBOR Market Loan to be made by the respective Reference Lenders for such Interest Period; and

(b) if such Loan is a CD Loan, the arithmetic mean (rounded upwards, if necessary, to the nearest 1/20 of 1%), as determined by the Agent, of the rates per annum determined by the respective Reference Lenders to be the average of the bid rates quoted to the respective Reference Lenders at approximately 10:00 a.m. New York time (or as soon thereafter as practicable) on the first day of such Interest Period by at least two certificate of deposit dealers of recognized national standing selected by the respective Reference Lenders for the purchase at face value of certificates of deposit of the respective Reference Lenders having a term comparable to such Interest Period and in an amount comparable to the principal amount of the CD Loan to be made by the respective Reference Lenders for such Interest Period.

If any Reference Lender is not participating in any Fixed Rate Loan during any Interest Period therefor, the Fixed Base Rate for such Loan shall be determined by reference to the amount of the Loan which such Reference Lender would have made had it been participating in such Loan; provided that in the case of any LIBOR Market Loan, the Fixed Base Rate for such Loan shall be determined with reference to deposits of $10,000,000. If any Reference Lender does not timely furnish such information for determination of any Fixed Base Rate, the Agent shall determine such Fixed Base Rate on the basis of information timely furnished by the remaining Reference Lenders.

"Fixed Rate" shall mean, for any Fixed Rate Loan for any Interest Period therefor, a rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the Agent to be equal to the sum of (a) the Fixed Base Rate for such Interest Period divided by 1 minus the Reserve Requirement for such Loan for such Interest Period plus (b) if such Loan is a CD Loan, the Assessment Rate for such Interest Period.

"Fixed Rate Loans" shall mean CD Loans, Eurodollar Loans and, for the purposes of the definition of "Fixed Base Rate" in this Section 1.01 and in Section 5 hereof, LIBOR Market Loans.

"FPC Agreements" shall mean, collectively, (a) The Third Amended and Restated Credit Agreement A dated as of November 17, 1998 between Florida Power Corporation, the Lenders and Chase, as agent for the Lenders thereunder and (b) The Third Amended and Restated Credit Agreement B dated as of November 17, 1998 between Florida Power Corporation, the Lenders and Chase, as agent for the Lenders thereunder, as each of said agreements may be amended and supplemented and in effect from time to time.

"Interest Period" shall mean:

(a) with respect to any Eurodollar Loan, each period commencing on the date such Eurodollar Loan is made or Converted from a Loan of another Type or the last day of the next preceding Interest Period for such Loan and ending on the numerically corresponding day in the first, second, third or sixth calendar month thereafter, as the Company may select as provided in Section 4.05 hereof, except that each Interest Period which commences on the last Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month;

(b) with respect to any CD Loan, each period commencing on the date such CD Loan is made or Converted from a Loan of another Type or the last day of the next preceding Interest Period for such Loan and ending on the day 30, 60, 90 or 180 days thereafter, as the Company may select as provided in Section 4.05 hereof;

(c) With respect to any Set Rate Loan, the period commencing on the date such Set Rate Loan is made and ending on any Business Day up to 180 days thereafter, as the Company may select as provided in Section 2.03(b) hereof; and

(d) With respect to any LIBOR Market Loan, the period commencing on the date such LIBOR Market Loan is made and ending on the numerically corresponding day in the first, second, third or sixth calendar month thereafter, as the Company may select as provided in Section 2.03(b) hereof, except that each Interest Period which commences on the last Business Day of a calendar month (or any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month.

Notwithstanding the foregoing: (i) no Interest Period with respect to Loans to be made by any Lender may end after such Lender's Commitment Termination Date (as in effect on the first day of such Interest Period); (ii) each Interest Period which would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day (or, in the case of an Interest Period for Eurodollar Loans or LIBOR Market Loans, if such next succeeding Business

Day falls in the next succeeding calendar month, on the next preceding Business Day); and (iii) notwithstanding clause (i) above, no Interest Period for any Fixed Rate Loans or LIBOR Market Loans shall have a duration of less than one month (in the case of Eurodollar Loans and LIBOR Market Loans) or 30 days (in the case of CD Loans) and, if the Interest Period for any Fixed Rate Loans or LIBOR Market Loans would otherwise be a shorter period, such Loans shall not be available hereunder.

"LIBO Rate" shall mean, for any LIBOR Market Loan, a rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the Agent to be equal to the rate of interest specified in clause (a) of the definition of "Fixed Base Rate" in this Section 1.01 for the Interest Period for such Loan divided by 1 minus the Reserve Requirement for such Loan for such Interest Period.

"LIBOR Auction" shall mean a solicitation of Money Market Quotes setting forth Money Market Margins based on the LIBO Rate pursuant to Section 2.03 hereof.

"LIBOR Market Loans" shall mean Money Market Loans the interest rates on which are determined on the basis of LIBO Rates pursuant to a LIBOR Auction.

"Lien" shall mean, with respect to any asset, any mortgage, lien, pledge, hypothecation, charge, security interest or encumbrance of any kind in respect of such asset. For purposes of this Agreement, the Parent or any of its Subsidiaries shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loans" shall mean Money Market Loans and Syndicated Loans.

"Majority Lenders" shall mean Lenders having at least 66-2/3% of the aggregate amount of the Commitments; provided that, if all of the Commitments shall have terminated, Majority Lenders shall mean Lenders holding at least 66-2/3% of the aggregate unpaid principal amount of the Loans.

"MCL" shall mean Mid-Continent Life Insurance Company, a Wholly-owned Subsidiary of the Parent.

"MCL Transaction" shall mean any conveyance, sale, lease, exchange, transfer, pledge or other disposition of any or all of the capital stock (or other ownership interest) or of the assets of (a) MCL, (b) any Subsidiary of MCL, or (c) any Person in which MCL has any ownership interest.

"Margin Stock" shall mean margin stock within the meaning of Regulations U and X.

"Money Market Borrow" shall have the meaning assigned to such term in Section 2.03(b) hereof.

"Money Market Loans" shall mean the loans provided for by Section 2.03 hereof.

"Money Market Margin" shall have the meaning assigned to such term in Section 2.03(c)(ii)(C) hereof.

"Money Market Quote" shall mean an offer in accordance with Section 2.03(c) hereof by a Lender to make a Money Market Loan with one single specified interest rate.

"Money Market Quote Request" shall have the meaning assigned to such term in Section 2.03(b) hereof.

"Money Market Rate" shall have the meaning assigned to such term in Section 2.03(c)(ii)(D) hereof.

"Moody's" shall mean Moody's Investors Services, Inc.

"Multiemployer Plan" shall mean a multiemployer plan defined as such in Section 3(37) of ERISA to which contributions have been made by the Company, the Parent or any ERISA Affiliate and which is covered by Title IV of ERISA.

"1935 Act" shall have the meaning given to that term in Section 7.11 hereof.

"1934 Act Reports" shall mean all periodic reports filed with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended.

"Notes" shall mean the promissory notes provided for by Section 2.08 hereof.

"Other PCH Agreement" shall mean the Third Amended and Restated Credit Agreement A dated as of November 17, 1998 between the Company, the Lenders and Chase, as agent for the Lenders thereunder, as the same may be amended and supplemented and in effect from time to time.

"Parent" shall mean Florida Progress Corporation, a Florida corporation.

"Parent Letter" shall mean a letter from the Parent to the Lenders, substantially in the form set forth as Exhibit E hereto.

"PBGC" shall mean the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Person" shall mean any individual, corporation, company, voluntary association, partnership, joint venture, trust, unincorporated organization or government (or any agency, instrumentality or political subdivision thereof).

"Plan" shall mean an employee benefit or other plan established or maintained by the Company, the Parent or any ERISA Affiliate and which is covered by Title IV of ERISA, other than (a) a Multiemployer Plan and (b) any such plan established or maintained by the Company or any ERISA Affiliate that has assets and actuarial liabilities of less than $50,000,000 (a "Small Plan") unless the aggregate assets or aggregate actuarial liabilities of all Small Plans is in excess of $50,000,000.

"Post-Default Rate" shall mean, in respect of any principal of any Loan or any other amount payable by the Company under this Agreement or any Note that is not paid when due (whether at stated maturity, by acceleration or otherwise), a rate per annum during the period from and including the due date to but excluding the date on which such amount is paid in full equal to 1% above the Base Rate as in effect from time to time (provided that, if the amount so in default is principal of a Fixed Rate Loan or a Money Market Loan and the due date thereof is a day other than the last day of an Interest Period therefor, the "Post-Default Rate" for such principal shall be, for the period from and including such due date to but excluding the last day of such Interest Period, 1% above the interest rate for such Loan as provided in Section 3.02 hereof and, thereafter, the rate provided for above in this definition).

"Prime Rate" shall mean the rate of interest from time to time announced by Chase at the Principal Office as its prime commercial lending rate.

"Principal Office" shall mean the principal office of the Agent and Chase, presently located at 270 Park Avenue, New York, New York 10017.

"Quarterly Dates" shall mean the first day of January, April, July and October in each year, the first of which shall be the first such day after the date of this Agreement; provided that if any such day is not a Business Day, then such Quarterly Date shall be the next succeeding Business Day.

"Reference Lenders" shall mean Chase and Morgan Guaranty Trust Company of New York (or their Applicable Lending Offices, as the case may be).

"Regulation D", "Regulation U" and "Regulation X" shall mean, respectively, Regulation D, Regulation U and Regulation X of the Board of Governors of the Federal Reserve System (or any successor), as the same may be amended or supplemented from time to time.

"Regulatory Change" shall mean, with respect to any Lender, any change after the date of this Agreement in United States Federal, state or foreign law or regulations (including, without limitation, Regulation D) or the adoption or making after such date of any interpretation, directive or request applying to a class of banks including such Lender of or

under any United States Federal, state or foreign law or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Reserve Requirement" shall mean, for any Interest Period for any Fixed Rate Loan or LIBOR Market Loan, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during such Interest Period under Regulation D by member banks of the Federal Reserve System in New York City with deposits exceeding one billion Dollars against (a) in the case of Eurodollar Loans or LIBOR Market Loans, "Eurocurrency liabilities" (as such term is used in Regulation D) or (b) in the case of CD Loans, non-personal Dollar time deposits in an amount of $100,000 or more. Without limiting the effect of the foregoing, the Reserve Requirement shall include any other reserves required to be maintained by such member banks by reason of any Regulatory Change against (i) any category of liabilities which includes deposits by reference to which the Fixed Base Rate for Eurodollar Loans, LIBOR Market Loans or CD Loans (as the case may be) is to be determined as provided in the definition of "Fixed Base Rate" in this Section 1.01 or (ii) any category of extensions of credit or other-assets which includes Eurodollar Loans, CD Loans or LIBOR Market Loans.

"S&P" shall mean Standard & Poor's Corporation.

"Set Rate Auction" shall mean a solicitation of Money Market Quotes setting forth Money Market Rates pursuant to Section 2.03 hereof.

"Set Rate Loans" shall mean Money Market Loans the interest rates on which are determined on the basis of Money Market Rates pursuant to a Set Rate Auction.

"Subsidiary" shall mean, as to any Person, any corporation of which at least a majority of the outstanding shares of stock having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person. "Wholly-owned Subsidiary" shall mean any such corporation of which all of such shares, other than directors' qualifying shares, are so owned or controlled.

"Support Agreement" shall mean the Second Amended and Restated Guaranty and Support Agreement dated as of August 7, 1996 between the Parent and the Company, as such may be amended from time to time pursuant to Section 8.06 hereof.

"Syndicated Loans" shall mean the loans provided for by Section 2.01 hereof.

"Syndicated Notes" shall mean the promissory notes provided for by Section 2.08(a) hereof.

"Type" shall have the meaning given to that term in Section 1.03 hereof.

1.02 Accounting Terms and Determinations.

(a) Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Lenders hereunder shall (unless otherwise disclosed to the Lenders in writing) be prepared, in accordance with generally accepted accounting principles applied on a basis consistent with that used in the preparation of the latest financial statements furnished to the Lenders hereunder after the date hereof.

(b) The Company will not change the last day of its fiscal year from December 31 of each year, or the last days of the first three fiscal quarters in each of its fiscal years from March 31, June 30 and September 30 of each year, respectively.

1.03 Classes and Types of Loans. Loans hereunder are distinguished by "Class" and by "Type". The "Class" of a Loan (or of a Commitment to make a Loan) refers to whether such Loan is a Money Market Loan or a Syndicated Loan, each of which constitutes a Class. The "Type" of a Loan refers to whether such Loan is a Base Rate Loan, a CD Loan, a Eurodollar Loan, a Set Rate Loan, or a LIBOR Market Loan, each of which constitutes a Type. Loans may be identified by both Class and Type.

Section 2. Commitments.

2.01 Syndicated Loans. Each Lender severally agrees, on the terms of this Agreement, to make loans to the Company in Dollars during the period from and including the date hereof to but not including such Lender's Commitment Termination Date in an aggregate principal amount at any one time outstanding up to but not exceeding the amount of such Lender's Commitment as then in effect. Subject to the terms of this Agreement, during such period the Company may borrow, repay and reborrow the amount of the Commitments by means of Base Rate Loans, CD Loans and Eurodollar Loans and may Convert Syndicated Loans of one Type into Syndicated Loans of another Type (as provided in Section 2.09 hereof) or Continue Syndicated Loans of one Type as Syndicated Loans of the same Type; provided that there may be no more than 15 different Interest Periods for Syndicated Loans outstanding at the same time.

2.02 Borrowings of Syndicated Loans. The Company shall give the Agent (which shall promptly notify the Lenders) notice of each borrowing hereunder of Syndicated Loans as provided in Section 4.05 hereof. Not later than noon New York time on the date specified for each borrowing of Syndicated Loans hereunder, each Lender shall make available the amount of the Syndicated Loan to be made by it on such date to the Agent, at account number NYAO-DI-900-9-000002 maintained by the Agent with Chase at the Principal Office, in immediately

available funds. The amount so received by the Agent shall, subject to the terms and conditions of this Agreement, be made available to the Company by depositing the same, in immediately available funds, in an account of, and designated by, the Company maintained at a bank in New York City.

2.03 Money Market Loans.

(a) In addition to borrowings of Syndicated Loans, the Company may, as set forth in this Section 2.03, request the Lenders to make offers to make Money Market Loans to the Company in Dollars. The Lenders may, but shall have no obligation to, make such offers and the Company may, but shall have no obligation to, accept any such offers in the manner set forth in this Section 2.03. Money Market Loans may be LIBOR Market Loans or Set Rate Loans, provided that:

(i) there may be no more than 15 different Interest Periods for both Syndicated Loans and Money market Loans outstanding at the same time (for which purpose Interest Periods described in different lettered clauses of the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous);

(ii) the aggregate principal amount of all Money Market Loans, together with the aggregate principal amount of all Syndicated Loans, at any one time outstanding shall not exceed the aggregate amount of the Commitments at such time.

(b) When the Company wishes to request offers to make Money Market Loans, it shall give the Agent (which shall promptly notify the Lenders) notice (a "Money Market Quote Request") so as to be received no later than 11:00 a.m. New York time on (x) the fourth Business Day prior to the date of borrowing proposed therein, in the case of a LIBOR Auction or (y) the Business Day next preceding the date of borrowing proposed therein, in the case of a Set Rate Auction (or, in any such case, such other time and date as the Company and the Agent, with the consent of the Majority Lenders (and with notice to each Lender prior-to the Money Market Quote Request for which such change is to be effective), may agree). The Company may request offers to make Money Market Loans for up to five different Interest Periods in a single notice (for which purpose Interest Periods in different lettered clauses of the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous); provided that the request for each separate Interest Period shall be deemed to be a separate Money Market Quote Request for a separate borrowing (a "Money Market Borrowing"). Each such notice shall be substantially in the form of Exhibit C hereto and shall specify as to each Money Market Borrowing:

(i) the proposed date of such borrowing, which shall be a Business Day;

(ii) the aggregate amount of such Money Market Borrowing, which shall be at least $10,000,000 (or in larger multiples of $1,000,000) but shall not cause the limits specified in Section 2.03(a) hereof to be violated;

(iii) the duration of the Interest Period applicable thereto;

(iv) whether the Money Market Quotes requested for a particular Interest Period are seeking quotes for LIBOR Market Loans or Set Rate Loans; and

(v) if the Money Market Quotes requested are seeking quotes for Set Rate Loans, the date on which the Money Market Quotes are to be submitted if it is before the proposed date of borrowing (the date on which such Money Market Quotes are to be submitted is called the "Quotation Date").

Except as otherwise provided in this Section 2.03(b), no Money Market Quote Request shall be given within five Business Days (or such other number of days as the Company and the Agent, with the consent of the Majority Lenders (and with notice to each Lender prior to effectiveness of such consent), may agree) of any other Money Market Quote Request.

(c) (i) Each Lender may submit one or more Money Market Quotes, each containing an offer to make a Money Market Loan in response to any Money Market Quote Request; provided that, if the Company's request under Section 2.03(b) hereof specified more than one Interest Period, such Lender may make a single submission containing one or more Money Market Quotes for each such Interest Period. Each Money Market Quote must be submitted to the Agent not later than (x) 2:00 p.m. New York time on the fourth Business Day prior to the proposed date of borrowing, in the case of a LIBOR Auction or (y) 10:00 a.m. New York time on the Quotation Date, in the case of a Set Rate Auction (or, in any such case, such other time and date as the Company and the Agent, with the consent of the Majority Lenders (and with notice to each Lender prior to the Money Market Quote Request for which such change is to be effective), may agree); provided that any Money Market Quote submitted by Chase (or its Applicable Lending Office) may be submitted, and may only be submitted, if Chase (or such Applicable Lending Office) notifies the Company of the terms of the offer contained therein not later than (x) 1:00 p.m. New York time on the fourth Business Day prior to the proposed date of borrowing, in the case of a LIBOR Auction or (y) 9:45 a.m. New York time on the Quotation Date, in the case of a Set Rate Auction. Subject to Sections 5.02(b), 5.03, 6.02 and 9 hereof, any Money Market Quote so made shall be irrevocable except with the written consent of the Agent given on the instructions of the Company.

(ii) Each Money Market Quote shall be substantially in the form of Exhibit D hereto and shall specify:

(A) the proposed date of borrowing and the Interest Period therefor;

(B) the principal amount of the Money Market Loan for which each such offer is being made, which principal amount shall be at least $5,000,000 or a larger multiple of $1,000,000; provided that the aggregate principal amount of all Money Market Loans for which a Lender submits Money Market Quotes (x) may be greater or less than the aggregate Commitments of such Lender but (y) may not exceed the principal amount of the Money Market Borrowing for a particular Interest Period for which offers were requested;

(C) in the case of a LIBOR Auction, the margin above or below the applicable LIBO Rate (the "Money Market Margin") offered for each such Money Market Loan, expressed as a percentage (rounded upwards, if necessary, to the nearest 1/10,000th of 1%) to be added to or subtracted from the applicable LIBO Rate;

(D) in the case of a Set Rate Auction, the rate of interest per annum (rounded upwards, if necessary, to the nearest 1/10,000th of 1%) offered for each such Money Market Loan (the "Money Market Rate");

(E) the identity of the quoting Lender; and

(F) the maximum aggregate principal amount of all Money Market Loans for which such offer is being made.

Unless otherwise agreed by the Agent and the Company, no Money Market Quote shall contain qualifying, conditional or similar language or propose terms other than or in addition to those set forth in the applicable Money Market Quote Request and, in particular, no Money Market Quote may be conditioned upon acceptance by the Company of all (or some specified minimum) of the principal amount of the Money Market Loan for which such Money Market Quote is being made.

(d) The Agent shall (x) in the case of a Set Rate Auction, as promptly as practicable after the Money Market Quote is submitted (but in any event not later than 10:15 a.m. New York time on the Quotation Date) or (y) in the case of a LIBOR Auction, by 4:00 p.m. New York time on the day a Money Market Quote is submitted, notify the Company of the terms (i) of any Money Market Quote submitted by a Lender that is in accordance with Section 2.03(c) hereof and (ii) of any Money Market Quote that amends, modifies or is otherwise inconsistent with a previous Money Market Quote submitted by such Lender with respect to the same Money Market Quote Request. Any such subsequent Money Market Quote shall be disregarded by the Agent unless such subsequent Money Market Quote is submitted solely to correct a manifest error in such former Money Market Quote. The Agent's notice to the Company shall specify (A) the aggregate principal amount of the Money Market Borrowing for which offers have been received and (B) the respective principal amounts and Money Market Margins or Money Market Rates, as the case may be, so offered by each Lender (identifying the Lender that made each Money Market Quote).

(e) Not later than 11:00 a.m. New York time on (x) the third Business Day prior to the proposed date of borrowing, in the case of a LIBOR Auction or (y) the Quotation Date, in the case of a Set Rate Auction (or, in any such case, such other time and date as the Company and the Agent, with the consent of the Majority Lenders (and with notice to each Lender prior to the Money Market Quote Request for which such change is to be effective), may agree), the Company shall notify the Agent of its acceptance or nonacceptance of the offers so notified to it pursuant to Section 2.03(d) hereof (and the failure of the Company to give such notice by such time shall constitute nonacceptance) and the Agent shall promptly notify each affected Lender. In the case of acceptance, such notice shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Company may accept any Money Market Quote in whole or in part (provided that any Money Market Quote accepted in part shall be at least $5,000,000 or in larger multiples of $1,000,000); provided that:

(i) the aggregate principal amount of each Money Market Borrowing may not exceed the applicable amount set forth in the related Money Market Quote Request;

(ii) the aggregate principal amount of each Money Market Borrowing shall be at least $10,000,000 (or in larger multiples of $1,000,000) but shall not cause the limits specified in Section 2.03(a) hereof to be violated; and

(iii) the Company may not accept any offer where the Agent has advised the Company that such offer fails to comply with Section 2.03(c)(ii) hereof or otherwise fails to comply with the requirements of this Agreement (including, without limitation, Section 2.03(a) hereof).

(f) Any Lender whose offer to make any Money Market Loan has been accepted shall, not later than noon New York time on the date specified for the making of such Loan, make the amount of such Loan available to the Agent at account number NYAO-DI-900-9-000002 maintained by the Agent with Chase at the Principal Office in immediately available funds, for account of the Company. The amount so received by the Agent shall, subject to the terms and conditions of this Agreement, be made available to the Company on such date by depositing the same, in immediately available funds, in an account of the Company maintained with a bank in New York City designated by the Company.

(g) Except for the purpose and to the extent expressly stated in Section 2.04(c) hereof, the amount of any Money Market Loan made by any Lender shall not constitute a utilization of such Lender's Commitment.

2.04 Changes of Commitments.

(a) The amount of each Lender's Commitment shall be automatically reduced to zero on such Lender's Commitment Termination Date.

(b) Reserved.

(c) The Company shall have the right at any time or from time to time (i) so long as no Syndicated Loans or Money Market Loans are outstanding, to terminate the Commitments and (ii) to reduce the aggregate unused amount of the Commitments (for which purpose use of the Commitments shall be deemed to include the aggregate principal amount of all Money Market Loans); provided that (x) the Company shall give notice of each such termination or reduction as provided in Section 4.05 hereof, and (y) each partial reduction shall be in aggregate amount at least equal to $10,000,000 and in multiples of $1,000,000 in excess thereof.

(d) The Commitments once terminated or reduced may not be reinstated.

2.05 Facility Fee. The Company shall pay to the Agent for account of each Lender a facility fee on the amount of such Lender's Commitment, for the period from and including the date of this Agreement to but not including the earlier of the date such Commitment is terminated or such Lender's Commitment Termination Date, at a rate per annum equal to the Applicable Facility Fee Rate. Accrued facility fees payable to any Lender shall be payable on each Quarterly Date and on the earlier of the date the Commitments are terminated and such Lender's Commitment Termination Date.

2.06 Lending Offices. The Loans of each Type made by each Lender shall be made and maintained at such Lender's Applicable Lending Office for Loans of such Type.

2.07 Several Obligations; Remedies Independent. The failure of any Lender to make any Loan to be made by it on the date specified therefor shall not relieve any other Lender of its obligation to make its Loan on such date, but neither any Lender nor the Agent shall be responsible for the failure of any other Lender to make a Loan to be made by such other Lender. The amounts payable by the Company at any time hereunder and under the Notes to each Lender shall be a separate and independent debt and each Lender shall be entitled to protect and enforce its rights arising out of this Agreement and the Notes, and it shall not be necessary for any other Lender or the Agent to consent to, or be joined as an additional party in, any proceedings for such purposes.

2.08 Notes.

(a) The Company's obligation to repay the Syndicated Loans made by each Lender, together with interest thereon, shall be evidenced by a single promissory note of the Company substantially in the form of Exhibit A-1 hereto, dated the date hereof, payable to such Lender in a principal amount equal to the aggregate amount of its Commitments as originally in effect and otherwise duly completed. The date, amount, Type, interest rate and duration of Interest Period (if applicable) of each Syndicated Loan made by each Lender to the Company, and each payment made on account of the principal thereof, shall be recorded by such Lender on its books. Any such recording of loans on a Lender's books shall be conclusive evidence of the amounts payable by the Company under such Note, absent manifest error.

(b) The Company's obligation to repay the Money Market Loans made by any Lender, together with interest thereon, shall be evidenced by a single promissory note of the Company substantially in the form of Exhibit A-2 hereto, dated the date hereof, payable to such Lender and otherwise duly completed. The date, amount, Type, interest rate and duration of Interest Period (if applicable) of each Money Market Loan made by each Lender to the Company, and each payment made on account of the principal thereof, shall be recorded by such Lender on its books. Any such recording of loans on a Lender's books shall be conclusive evidence of the amounts payable by the Company under such Note, absent manifest error.

2.09 Prepayments and Conversions or Continuations of Loans. Subject to Section 4.04 hereof, the Company shall have the right to prepay Syndicated Loans, or to Convert Syndicated Loans of one Type into Syndicated Loans of another Type or Continue Syndicated Loans of one Type as Syndicated Loans of the same Type, at any time or from time to time, provided that: (i) the Company shall give the Agent notice of each such prepayment, Conversion or Continuation as provided in Section 4.05 hereof; and (ii) Fixed. Rate Loans may be prepaid or Converted only on the last day of an Interest Period for such Loans.

Section 3. Payments of Principal and Interest.

3.01 Repayment of Loans.

(a) The Company hereby promises to pay to the Agent for account of each Lender the principal of each Syndicated Loan made by such Lender, and each Syndicated Loan made by such Lender shall mature, on such Lender's Commitment Termination Date.

(b) The Company hereby promises to pay to the Agent for account of each Lender that makes any Money Market Loan the principal amount of such Money Market Loan on the last day of the Interest Period for such Money Market Loan.

3.02 Interest. The Company hereby promises to pay to the Agent for account of each Lender interest on the unpaid principal amount of each Loan made by such Lender for the period from and including the date of such Loan to but excluding the date such Loan shall be paid in full, at the following rates per annum:

(a) during such periods as such Loan is a Base Rate Loan, the Base Rate (as in effect from time to time) plus the Applicable Margin (if any);

(b) during such periods as such Loan is a Fixed Rate Loan, for each Interest Period relating thereto, the Fixed Rate for such Loan for such Interest Period plus the Applicable Margin;

(c) if such Loan is a LIBOR Market Loan, the LIBO Rate for such Loan for the Interest Period therefor plus (or minus) the Money Market Margin quoted by the Lender making such Loan in accordance with Section 2.03 hereof; and

(d) if such Loan is a Set Rate Loan, the Set Rate for such Loan for the Interest Period therefor quoted by the Lender making such Loan in accordance with Section 2.03 hereof.

Notwithstanding the foregoing, the Company hereby promises to pay to the Agent for account of each Lender interest at the applicable Post-Default Rate on any principal of any Loan made by such Lender, and on any other amount payable by the Company hereunder or under the Notes held by such Lender to or for account of such Lender, which shall not be paid in full when due (whether at stated maturity, by acceleration or otherwise), for the period from and including the due date thereof to but excluding the date the same is paid in full. Accrued interest on each Loan shall be payable (i) in the case of a Base Rate Loan, quarterly on the Quarterly Dates, (ii) in the case of a Fixed Rate Loan or a Money Market Loan, on the last day of each Interest Period therefor and, if such Interest Period is longer than 90 days (in the case of a CD Loan or a Set Rate Loan) or three months (in the case of a Eurodollar Loan or a LIBOR Market Loan), at 90-day or three-month intervals, respectively, following the first day of such Interest Period, and (iii) in the case of any Loan, upon the payment or prepayment thereof or the Conversion of such Loan to a Loan of another Type (but only on the principal amount so paid, prepaid or Converted), except that interest payable at the Post-Default Rate shall be payable from time to time on demand. Promptly after the determination of any interest rate provided for herein or any change therein, the Agent shall give notice,thereof to the Lenders to which such interest is payable and to the Company.

Section 4. Payments; Pro Rata Treatment; Computations; Etc.

4.01 Payments.

(a) Except to the extent otherwise provided herein, all payments of principal, interest and other amounts to be made by the Company under this Agreement and the Notes shall be made in Dollars, in immediately available funds, without deduction, set-off or counterclaim, to the Agent at account number NYAO-DI-900-9-000002 maintained by the Agent with Chase at the Principal Office, not later than 2:00 p.m. New York time on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day).

(b) Any Lender for whose account any such payment is to be made, may (but shall not be obligated to) debit the amount of any such payment which is not made by such time to any ordinary deposit account of the Company (for purposes of this Section 4.01(b), "ordinary deposit account of the Company" shall not include any account in the name of a Person other than the Company) with such Lender (with notice to the Company).

(c) The Company shall, at the time of making each payment under this Agreement or any Note, specify to the Agent (which shall promptly notify the intended recipients) thereof) the Loans or other amounts payable by the Company hereunder to which such payment is to be applied (and in the event that it fails to so specify, or if an Event of Default has occurred and

is continuing, such Lender may apply the amount of such payment received by it from the Agent in such manner as such Lender may determine to be appropriate).

(d) Each payment received by the Agent under this Agreement or any Note for account of a Lender shall be paid promptly to such Lender, in immediately available funds, for account of such Lender's Applicable Lending Office for the Loan in respect of which such payment is made.

(e) If the due date of any payment under this Agreement or any Note would otherwise fall on a day which is not a Business Day such date shall be extended to the next succeeding Business Day and interest shall be payable for any principal so extended for the period of such extension.

4.02 Pro Rata Treatment. Except to the extent otherwise provided herein: (a) each borrowing from the Lenders under Section 2.01 hereof shall be made from the Lenders, each payment of facility fee under Section 2.05 hereof shall be made for account of the Lenders, and each termination or reduction of the amount of the Commitments under Section 2.04 hereof shall be applied to the Commitments of the Lenders, pro rata according to the amounts of their respective Commitments; (b) the making, Conversion and Continuation of Syndicated Loans of a particular Type (other than Conversion provided for by Section 5.04 hereof) shall be made pro rata among the Lenders according to the amounts of their respective Commitments (in the case of making of Loans) or Syndicated Loans (in the case of Conversion and Continuation of Loans) and the then current Interest Period for such Syndicated Loan of such Type shall be coterminous; (c) each payment of principal of Syndicated Loans by the Company shall be made for account of the Lenders pro rata in accordance with the respective unpaid principal amounts of the Syndicated Loans held by the Lenders; and (d) each payment or prepayment of interest on Syndicated Loans by the Company shall be made for account of the Lenders pro rata in accordance with the amounts of interest on Syndicated Loans due and payable to the respective Lenders.

4.03 Computations. Interest on Loans shall be computed on the basis of a year of 360 days and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable and facility fee shall be computed on the basis of a year of 365 or 366 days (as the case may be) and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable.

4.04 Minimum Amounts. Except for Conversions or prepayments made pursuant to Section 5.04 hereof, each borrowing, Conversion and prepayment of principal of Loans shall be in an amount at least equal to $10,000,000 and in multiples of $1,000,000 in excess thereof (borrowings, Conversions or prepayments of or into Loans of different Types or, in the case of Fixed Rate Loans, having different Interest Periods at the same time hereunder to be deemed separate borrowings, Conversions and prepayments for purposes of the foregoing, one for each Type or Interest Period). Anything in this Agreement to the contrary notwithstanding, the aggregate principal amount of Fixed Rate Loans of each Type having the same Interest Period

shall be in an amount at least equal to $10,000,000 and in multiples of $1,000,000 in excess thereof and, if any Fixed Rate Loans would otherwise be in a lesser principal amount for any period, such Loans shall be Base Rate Loans during such period.

4.05 Certain Notices. Except as otherwise provided in Section 2.03 hereof with respect to Money Market Loans, notices by the Company to the Agent of terminations or reductions of the Commitments, of borrowings, Conversions, Continuations and optional prepayments of Loans and of Types of Loans and of the duration of Interest Periods shall be irrevocable and shall be effective only if received by the Agent not later than 10:00 a.m. New York time on the number of Business Days prior to the date of the relevant termination, reduction, borrowing, Conversion, Continuation or prepayment or the first day of such Interest Period specified below:

Notice	Number of Business Days Prior
Termination or reduction of the Commitments	five
Borrowing or prepayment of, or Conversions into, Base Rate Loans	same day
Borrowing or prepayment of, Conversions into, Continuations as, or duration of Interest Period for, Eurodollar Loans	three
Borrowing or prepayment of, Conversions into, Continuations as, or duration of Interest Period for, CD Loans	two

Each such notice of termination or reduction shall specify the amount of the Commitments to be terminated or reduced. Each such notice of borrowing, Conversion, Continuation or optional prepayment shall specify the amount (subject to Section 4.04 hereof) and Type of each Loan to be borrowed, Converted, Continued or prepaid (and, in the case of a Conversion, the Type of Loan to result from such Conversion) and the date of borrowing, Conversion, Continuation or optional prepayment (which shall be a Business Day). Each such notice of the duration of an Interest Period shall specify the Loans to which such Interest Period is to relate. The Agent shall promptly notify the Lenders of the contents of each such notice. In the event that the Company fails to select the Type of Loan, or the duration of any Interest Period, for any Fixed Rate Loan

within the time period and otherwise as provided in this Section 4.05, such Loan (if outstanding as a Fixed Rate Loan) will be automatically Converted into a Base Rate Loan on the last day of the then current Interest Period for such Loan or (if outstanding as a Base Rate Loan) will remain as, or (if not then outstanding) will be made as, a Base Rate Loan.

4.06 Non-Receipt of Funds by the Agent. Unless the Agent shall have been notified by a Lender or the Company (the "Payor") prior to the date on which the Payor is to make payment to the Agent of (in the case of a Lender) the proceeds of a Loan to be made by it hereunder or (in the case of the Company) a payment to the Agent for account of one or more of the Lenders hereunder (such payment being herein called the "Required Payment"), which notice shall be effective upon receipt, that the Payor does not intend to make the Required Payment to the Agent, the Agent may assume that the Required Payment has been made and may, in reliance upon such assumption (but shall not be required to), make the amount thereof available to the intended recipient(s) on such date and, if the Payor has not in fact made the Required Payment to the Agent, the recipient(s) of such payment shall, on demand, repay to the Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal to the Federal Funds Rate for such day and, if such recipient(s) shall fail promptly to make such payment, the Agent shall be entitled to recover such amount, on demand, from the Payor, together with interest as aforesaid.

4.07 Sharing of Payments, Etc.

(a) The Company agrees that, in addition to (and without limitation of) any right of set-off, banker's lien or counterclaim a Lender may otherwise have, each Lender shall be entitled, at its option, to offset balances held by it for account of the Company (for purposes of this Section 4.07(a), "balances held for account of the Company" shall not include any balances held in an account in the name of a Person other than the Company) at any of its offices, in Dollars or in any other currency, against any principal of or interest on any of such Lender's Loans, or any other amount payable to such Lender hereunder, which is not paid when due (regardless of whether such balances are then due to the Company), in which case it shall promptly notify the Company and the Agent thereof, provided that such Lender's failure to give such notice shall not affect the validity of such offset.

(b) If any Lender shall obtain payment of any principal of or interest on any Loan made by it to the Company any under this Agreement through the exercise of any right of set-off, banker's lien or counterclaim or similar right or otherwise, and, as a result of such payment, such Lender shall have received a greater percentage of the principal or interest then due hereunder by the Company to such Lender than the percentage received by any other Lenders, it shall promptly purchase from such other Lenders participation in (or, if and to the extent specified by such Lender, direct interests in) the Loans owing to such other Lenders (or in interest due thereon, as the case may be) in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all the Lenders shall share the benefit of such excess payment (net of any expenses which may be incurred by such Lender in obtaining

or preserving such excess payment) pro rata in accordance with the unpaid principal of and/or interest on the Loans owing to each of the Lenders. To such end all the Lenders shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored.

(c) The Company agrees that any Lender so purchasing a participation (or direct interest) in the Loans made by other Lenders (or in interest due thereon, as the case may be) may exercise all rights of set-off, banker's lien, counterclaim or similar rights with respect to such participation as fully as if such Lender were a direct holder of Loans in the amount of such participation.

(d) Nothing contained herein shall require any Lender to exercise any such right or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Company.

(e) If, under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a set-off to which this Section 4.07 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders entitled under this Section 4.07 to share in the benefits of any recovery on such secured claim.

Section 5. Yield Protection and Illegality.

5.01 Additional Costs.

(a) The Company shall pay directly to each Lender from time to time such amounts as such Lender may determine to be necessary to compensate it for any costs which such Lender determines are attributable to its making or maintaining of any Fixed Rate Loans or its obligation to make any Fixed Rate Loans hereunder, or any reduction in any amount receivable by such Lender hereunder in respect of any of such Loans or such obligation (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), resulting from any Regulatory Change which:

(i) subjects any Lender to taxation on, or changes the basis of taxation of, any amounts payable to such Lender under this Agreement or its Notes in respect of any of such Loans (other than taxes imposed on or measured by the overall net income of such Lender or of its Applicable Lending Office for any of such Loans by the jurisdiction in which such Lender has its principal office or such Applicable Lending Office); or

(ii) imposes or modifies any reserve, special deposit or similar requirements (other than the Reserve Requirement utilized in the determination of the Fixed Rate or LIBO Rate, as the case may be, for such Loan) relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Lender (including any

of such Loans or any deposits referred to in the definition of "Fixed Base Rate" in Section 1.01 hereof), or any commitment of such Lender (including the Commitments of such Lender hereunder); or

(iii) imposes any other condition affecting this Agreement or its Notes (or any of such extensions of credit or liabilities) or its Commitments.

If any Lender requests compensation from the Company under this Section 5.01(a), the Company may, by notice to such Lender (with a copy to the Agent), suspend the obligation of such Lender to make or Continue Loans of the Type with respect to which such compensation is requested until the Regulatory Change giving rise to such request ceases to be in effect (in which case the provisions of Section 5.04 hereof shall be applicable).

(b) Without limiting the effect of the provisions of paragraph (a) of this Section 5.01, in the event that, by reason of any Regulatory Change, any Lender either (i) incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of such Lender which includes deposits by reference to which the interest rate on Eurodollar Loans or CD Loans is determined as provided in this Agreement or a category of extensions of credit or other assets of such Lender which includes Eurodollar Loans or CD Loans or (ii) becomes subject to restrictions on the amount of such a category of liabilities or assets which it may hold, then, if such Lender so elects by notice to the Company (with a copy to the Agent), the obligation of such Lender to make or Continue Loans of such Type hereunder shall be suspended until such Regulatory Change ceases to be in effect (in which case the provisions of Section 5.04 hereof shall be applicable).

(c) Without limiting the effect of the foregoing provisions of this Section 5.01 (but without duplication), the Company shall pay directly to each Lender from time to time on request such amounts as such Lender may determine to be necessary to compensate such Lender (or, without duplication, the bank holding company of which such Lender is a subsidiary) for any costs which it determines are attributable to the maintenance by such Lender (or any Applicable Lending Office or such bank holding company), pursuant to any law or regulation or any interpretation, directive or request (whether or not having the force of law) of any court or governmental or monetary authority

(i) following any Regulatory Change, or

(ii) implementing any risk-based capital guideline or requirement (whether or not having the force of law and whether or not the failure to comply therewith would be unlawful) heretofore or hereafter issued by any government or governmental or supervisory authority implementing at the national level the Basle Accord (including, without limitation, the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) and the Final Risk-Based Capital Guidelines of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A)),

of capital in respect of its Commitment or Loans (such compensation to include, without limitation, an amount equal to any reduction of the rate of return on assets or equity of such Lender (or any Applicable Lending Office or such bank holding company) to a level below that which such Lender (or any Applicable Lending Office or such bank holding company) could have achieved with respect to such Lender's Commitment or Loans hereunder but for such law, regulation, interpretation, directive or request). For purposes of this Section 5.01(c), "Basle Accord" shall mean the proposals for risk-based capital framework described by the Basle Committee on Banking Regulations and Supervisory Practices in its paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as amended, modified and supplemented and in effect from time to time or any replacement thereof.

(d) Each Lender will notify the Company of any event occurring after the date of this Agreement that will entitle such Lender to compensation under paragraph (a) or (c) of this Section 5.01 as promptly as practicable, but in any event within 45 days, after such Lender obtains actual knowledge thereof; provided, however, that if any Lender fails to give such notice within 45 days after it obtains actual knowledge of such an event, such Lender shall, with respect to compensation payable pursuant to this Section 5.01 in respect of any costs resulting from such event, only be entitled to payment under this Section 5.01 for costs incurred from and after the date 45 days prior to the date that such Lender does give such notice; and provided, further, that each Lender will designate a different Applicable Lending Office for the Loans of such Lender affected by such event if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole opinion of such Lender, be disadvantageous to such Lender, except that such Lender shall have no obligation to designate an Applicable Lending Office located in the United States of America. Each Lender will furnish to the Company a certificate setting forth the basis and amount of each request by such Lender for compensation under paragraph (a) or (c) of this Section 5.01. Determinations and allocations by any Lender for purposes of this Section 5.01 of the effect of any Regulatory Change pursuant to paragraph (a) or (b) of this Section 5.01, or of the effect of capital maintained pursuant to paragraph (c) of this Section 5.01, on its costs or rate of return of maintaining Loans or its obligation to make Loans, or on amounts receivable by it in respect of Loans, and of the amounts required to compensate such Lender under this Section 5.01, shall be conclusive, provided that such determinations and allocations are made on a reasonable basis and in a manner consistent with the determinations and allocations made by such Lender with respect to its other commitments and extensions of credit similarly affected.

5.02 Limitation on Types of Loans. Anything herein to the contrary notwithstanding, if, on or prior to the determination of any Fixed Base Rate for any Interest Period:

(a) the Agent determines, which determination shall be conclusive provided that it is made on a reasonable basis, that quotations of interest rates for the relevant deposits referred to in the definition of "Fixed Base Rate" in Section 1.01 hereof are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for any Type of Fixed Rate Loans as provided herein; or

(b) Lenders having more than 50% of the aggregate amount of the Commitments determine (or any Lender that has outstanding a Money Market Quote with respect to a LIBOR Market Loan determines, which determination shall be conclusive provided that it is made on a reasonable basis, and notify (or notifies, as the case may be) the Agent that the relevant rates of interest referred to in the definition of "Fixed Base Rate" in Section 1.01 hereof upon the basis of which the rate of interest for Eurodollar Loans or CD Loans (or LIBOR Market Loans, as the case may be) for such Interest Period is to be determined are not likely adequately to cover the cost to such Lenders (or to such quoting Lender) of making or maintaining such Type of Loans for such Interest Period; then the Agent shall give the Company and each Lender prompt notice thereof, and so long as such condition remains in effect, the Lenders (or such quoting Lender) shall be under no obligation to make additional Loans of such Type, to Continue Loans of such Type or to Convert Loans of any other Type into Loans of such Type and the Company shall, on the last day(s) of the then current Interest Period(s) for the outstanding Loans of such Type, either prepay such Loans or Convert such Loans into another Type of Loan in accordance with Section 2.09 hereof.

5.03 Illegality. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Lender or its Applicable Lending Office to honor its obligation to make or maintain Eurodollar Loans or LIBOR Market Loans hereunder, then such Lender shall promptly notify the Company thereof (with a copy to the Agent) and such Lender's obligation to make Eurodollar Loans shall be suspended until such time as such Lender may again make and maintain Eurodollar Loans (in which case the provisions of Section 5.04 hereof shall be applicable), and such Lender shall no longer be obligated to make any LIBOR Market Loan that it has offered to make.

5.04 Treatment of Affected Loans. If the obligation of any Lender to make a particular Type of Fixed Rate Loans shall be suspended pursuant to Section 5.01 or 5.03 hereof (Loans of such Type being herein called "Affected Loans" and such Type being herein called the "Affected Type"), such Lender's Affected Loans shall be automatically Converted into Base Rate Loans on the last day(s) of the then current Interest Period(s) for Affected Loans (or, in the case of a Conversion required by Section 5.01(b) or 5.03 hereof, on such earlier date as such Lender may specify to the Company with a copy to the Agent) and, unless and until such Lender gives notice as provided below that the circumstances specified in Section 5.01 or 5.03 hereof which gave rise to such Conversion no longer exist:

(a) to the extent that such Lender's Affected Loans have been so Converted, all payments and prepayments of principal which would otherwise be applied to such Lender's Affected Loans shall be applied instead to its Base Rate Loans;

(b) all Loans which would otherwise be made or Continued by such Lender as Loans of the Affected Type shall be made or Continued instead as Base Rate Loans and all Loans of such Lender which would otherwise be Converted into Loans of the Affected Type shall be Converted instead (or shall remain as) Base Rate Loans; and

(c) if Loans of other Lenders of the Affected Type are subsequently Converted into Loans of another Type (other than Base Rate Loans), such Lender's Base Rate Loans shall be automatically Converted on the Conversion date for such Loans of the other Lenders into Loans of such other Type to the extent necessary so that, after giving effect thereto, all Loans held by such Lender and the Lenders whose Loans are so Converted are held pro rata (as to principal amounts, Types and Interest Periods) in accordance with their respective Commitments.

5.05 Compensation. The Company shall pay to the Agent for account of each Lender, upon the request of such Lender through the Agent, such amount or amounts as shall be sufficient (in the reasonable opinion of such Lender) to compensate it for any loss, cost or expense which such Lender determines is attributable to:

(a) any payment or conversion of a Fixed Rate Loan or a Set Rate Loan made by such Lender for any reason (including, without limitation, the acceleration of the Loans pursuant to Section 9 hereof or the conversion of Loans pursuant to Section 5.04 hereof) on a date other than the last day of the Interest Period for such Loan; or

(b) any failure by the Company for any reason (including, without limitation, the failure of any of the conditions precedent specified in Section 6 hereof to be satisfied) to borrow a Fixed Rate Loan or a Set Rate Loan (with respect to which, in the case of a Money Market Loan, the Company has accepted a Money Market Quote) from such Lender on the date for such borrowing specified in the relevant notice of borrowing given pursuant to Section 2.02 or 2.03(b) hereof.

Without limiting the effect of the preceding sentence, such compensation shall include an amount equal to the excess, if any, of (i) the amount of interest which otherwise would have accrued an the principal amount so paid or converted or not borrowed for the period from the date of such payment, conversion or failure to borrow to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow, the Interest Period for such Loan which would have commenced on the date specified for such borrowing) at the applicable rate of interest for such Loan provided for herein over (ii) the interest component of the amount such Lender would have bid in the London interbank market (if such Loan is a Eurodollar Loan or a LIBOR Market Loan) or the United States secondary certificate of deposit market (if such Loan is a CD Loan or a Set Rate Loan) for Dollar deposits of leading banks in amounts comparable to such principal amount and with maturities comparable to such period (as reasonably determined by such Lender).

Section 6. Conditions Precedent.

6.01 Initial Loan. The obligation of any Lender to make its initial Loan hereunder is subject to the receipt by the Agent of the following documents, each of which shall be satisfactory to the Agent in form and substance:

(a) Corporate Action. Certified copies of (i) the articles of incorporation and by-laws of the Company and all corporate action taken by the Company approving this Agreement and the Notes and borrowings by the Company hereunder (including, without limitation, a certificate setting forth the resolutions of the Board of Directors of the Company adopted in respect of the transactions contemplated hereby) and (ii) the articles of incorporation and by-laws of the Parent and all corporate action taken by the Parent approving the Support Agreement and the Parent Letter (including, without limitation, a certificate setting forth the resolutions of the Board of Directors of the Parent adopted in respect of the Support Agreement).

(b) Incumbency. A certificate of the Company in respect of each of the officers (i) who is authorized to sign on its behalf this Agreement or the Notes and (ii) who will, until replaced by another officer or officers duly authorized for that purpose, act as its representative for the purposes of signing documents and giving notices and other communications in connection with this Agreement and the transactions contemplated hereby (and the Agent and each Lender may conclusively rely on such certificate until it receives notice in writing from the Company to the contrary) and a certificate of the Parent in respect of each of its officers who is authorized to sign on its behalf the Parent Letter.

(c) Officer's Certificate. A certificate of a vice president or treasurer or assistant treasurer of the Company to the effect set forth in the first sentence of Section 6.02 hereof.

(d) Notes. The Notes, duly completed and executed and delivered.

(e) Parent Letter. The Parent Letter, duly executed and delivered by the Parent.

(f) Opinion of Counsel to the Company. An opinion of Kenneth E. Armstrong, Esq., General Counsel of the Company and Vice President and General Counsel of the Parent, substantially in the form of Exhibit B hereto.

(g) Other Documents. Such other documents as the Agent or any Lender may reasonably request.

6.02 Initial and Subsequent Loans. The obligation of any Lender to make any Loan (including any Money Market Loan and such Lender's initial Syndicated Loan) to the Company upon the occasion of each borrowing hereunder is subject to the further conditions precedent that, both immediately prior to such Loan and also after giving effect thereto: (i) no Default shall have occurred and be continuing; and (ii) the representations and warranties made by the Company in Section 7 hereof shall be true and complete on and as of the date of the making of such Loan with the same force and effect as if made on and as of such date. Each notice of borrowing by the Company hereunder shall constitute a certification by the Company to the effect set forth in the preceding sentence (both as of the date of such notice and, unless

the Company otherwise notifies the Agent prior to the date of such borrowing, as of the date of such borrowing).

Section 7. Representations and Warranties. The Company represents and warrants to the Lenders that:

7.01 Corporate Existence. Each of the Company, the Parent, Electric Fuels Corporation and Florida Power Corporation: (a) is a corporation duly organized and validly existing under the laws of the State of Florida; (b) has all requisite corporate power, and has all material governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted; and (c) is qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify would have a material adverse effect on the consolidated financial condition, operations or business taken as a whole of the Company and its Consolidated Subsidiaries or of the Parent and its Consolidated Subsidiaries. The Company is a Wholly-Owned Subsidiary of the Parent.

7.02 Financial Condition. (a) The audited consolidated balance sheet of the Company and its Consolidated Subsidiaries as at December 31, 1997 and the related consolidated statements of income, shareholders' equity and cash flow of the Company and its Consolidated Subsidiaries for the fiscal year ended on said date, with the opinion thereon of KPMG Peat Marwick LLP, and the unaudited consolidated balance sheet of the Company and its Consolidated Subsidiaries as at September 30, 1998 and the related consolidated statements of income and cash flow of the Company and its Consolidated Subsidiaries for the nine-month period ended on such date, heretofore furnished to each of the Lenders, are complete and correct and fairly present the consolidated financial condition of the Company and its Consolidated Subsidiaries as at said dates and the consolidated results of their operations for the fiscal year and nine-month period ended on said dates (subject, in the case of such financial statements as at September 30, 1998, to normal year-end audit adjustments), all in accordance with generally accepted accounting principles and practices applied on a consistent basis (provided that such financial statements may contain condensed footnotes prepared in accordance with Rule 10-01(a)(5) of Securities and Exchange Commission Regulation S-X). Neither the Company nor any of its Subsidiaries had on said dates any contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, in each case material to the Company and its Consolidated Subsidiaries taken as a whole, except as referred to or reflected or provided for in said balance sheets as at said dates. Since September 30, 1998, there has been no material adverse change in the consolidated financial condition, operations or business taken as a whole of the Company and its Consolidated Subsidiaries from that set forth in said financial statements as at said date.

(b) The consolidated balance sheet of the Parent and its Consolidated Subsidiaries as at December 31, 1997 and the related consolidated statements of income, shareholders, equity and cash flow of the Parent and its Consolidated Subsidiaries for the fiscal year ended on said date, with the opinion thereon of KPMG Peat Marwick LLP, and the unaudited consolidated

balance sheet of the Parent and its Consolidated Subsidiaries as at September 30, 1998 and the related consolidated statements of income and cash flow of the Parent and its Consolidated Subsidiaries for the nine-month period ended on such date, heretofore furnished to each of the Lenders, are complete and correct and fairly present the consolidated financial condition of the Parent and its Consolidated Subsidiaries as at said dates and the consolidated results of their operations for the fiscal year and nine-month period ended on said dates (subject, in the case of such financial statements as at September 30, 1998, to normal year-end audit adjustments), all in accordance with generally accepted accounting principles and practices applied on a consistent basis (provided that such financial statements may contain condensed footnotes prepared in accordance with Rule 10-01(a)(5) of Securities and Exchange Commission Regulation S-X). Neither the Parent nor any of its Subsidiaries had on said dates any contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, in each case material to the Parent and its Subsidiaries taken as a whole, except as referred to or reflected or provided for in said balance sheets as at said dates. Since September 30, 1998, there has been no material adverse change in the consolidated financial condition, operations or business taken as a whole of the Parent and its Consolidated Subsidiaries from that set forth in said financial statements as at said date.

7.03 Litigation. Except for the matters disclosed in the Parent's Annual Report on Form 10-K for the year ended December 31, 1997, and the Parent's Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30, and September 30, 1998, there are no legal or arbitral proceedings or any proceedings by or before any governmental or regulatory authority or agency, now pending or (to the knowledge of the Company) threatened against the Company, the Parent or any of the Parent's Subsidiaries which, if adversely determined, could have a material adverse effect on the consolidated financial condition, operations or business taken as a whole of the Company and its Consolidated Subsidiaries or of the Parent and its Consolidated Subsidiaries.

7.04 No Breach. None of the execution and delivery of this Agreement, the Notes, the Support Agreement and the Parent Letter, the consummation of the transactions herein contemplated and compliance with the terms and provisions hereof and thereof will conflict with or result in a breach of, or require any consent under, the articles of incorporation or by-laws of the Company or the Parent, or any applicable law or regulation, or any order, writ, injunction or decree of any court or governmental authority or agency, or any agreement or instrument to which the Company, the Parent or any of the Parent's Subsidiaries is a party or by which any of them is bound or to which any of them is subject, or constitute a default under any such agreement or instrument, or result in the creation or imposition of any Lien upon any of the revenues or assets of the Company, the Parent or any of the Parent's Subsidiaries pursuant to the terms of any such agreement or instrument.

7.05 Corporate Action. The Company has all necessary corporate power and authority to execute, deliver and perform its obligations under this Agreement and the Notes; the Parent has all necessary corporate power and authority to execute, deliver and perform its obligations under the Support Agreement and the Parent Letter; the execution, delivery and

performance by the Company of this Agreement and the Notes, and the execution, delivery and performance by the Parent of the Support Agreement and the Parent Letter, have been duly authorized by all necessary corporate action on the part of the Company or the Parent (as the case may be); and this Agreement has been duly and validly executed and delivered by the Company, and the Support Agreement and the Parent Letter have been duly and validly executed and delivered by the Parent, and each such document constitutes, and each of the Notes when executed by the Company and delivered for value will constitute, the legal, valid and binding obligation of the Company or the Parent (as the case may be), enforceable in accordance with its terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally.

7.06 Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any governmental or regulatory authority or agency are necessary for the execution, delivery or performance by the Company of this Agreement or the Notes, or by the Parent of the Support Agreement or the Parent Letter, or for the validity or enforceability of any thereof.

7.07 Use of Loans. Neither the Company nor the Parent is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock and no part of the proceeds of any Loan hereunder will be used to buy or carry any Margin Stock.

7.08 ERISA. The Company, the Parent and the ERISA Affiliates have fulfilled their respective obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the presently applicable provisions of ERISA and the Code, and have not incurred any liability to the PBGC or any Plan or Multiemployer Plan (other than to make contributions in the ordinary course of business).

7.09 Taxes. United States Federal income tax returns of the Parent and its Subsidiaries have been examined and closed through the fiscal year of the Parent ended December 31, 1985. The Parent and its Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Parent or any of its Subsidiaries. The charges, accruals and reserves on the books of the Parent and its Subsidiaries in respect of taxes and other governmental charges are, in the opinion of the Company, adequate. If the Parent is a member of an affiliated group or corporations filing consolidated returns for United States Federal income tax purposes, it is the "common parent" of such group.

7.10 Investment Company Act. The Company is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

7.11 Public Utility Holding Company Act. The Company is not a "public utility company" within the meaning of Section 2(a)(5) of the Public Utility Holding Company Act of 1935 (the "1935 Act"). The Company is not a "holding company" within the meaning of Section 2(a)(7) of the 1935 Act. The Company is an "affiliate" within the meaning of Section 2(a)(11) of the 1935 Act of the Parent and is a "subsidiary company" of the Parent within the meaning of Section 2(a)(8) of the 1935 Act. The Parent is a "holding company" within the meaning of Section 2(a)(7) of the 1935 Act, but is entitled to and currently claims the benefits of an exemption from the requirements of the 1935 Act (other than Section 9(a)(2) thereof) pursuant to Rule 2 under Section 3(a)(1) of the 1935 Act. The Parent has filed with the Securities and Exchange Commission all documents that are necessary to maintain such exemption in full force and effect and such exemption is in full force and effect. Such exemption also provides the Company with an exemption from all requirements of the 1935 Act relating to the Company's status as a "subsidiary company" of the Parent. Neither the Company nor the Parent has received any notification from the Securities and Exchange Commission under Rule 6 under the 1935 Act with respect to its status under the 1935 Act. Except for proceedings that may arise should the Securities and Exchange Commission adopt proposed Rule 17 under the 1935 Act, neither the Company nor the Parent has any knowledge of any fact or other circumstance that would provide the Securities and Exchange Commission with a basis for seeking to regulate the Company as a holding company under the 1935 Act or for seeking to revoke the exemption under the 1935 Act presently claimed by the Parent. No Loan will be made in violation of the provisions of the 1935 Act or any rule or regulation thereunder, for purposes of Section 26(c) thereof.

Section 8. Covenants of the Company. The Company agrees that, so long as any of the Commitments are in effect and until payment in full of all Loans hereunder, all interest thereon and all other amounts payable by the Company hereunder:

8.01 Financial Statements. The Company shall deliver to each of the Lenders:

(a) as soon as available and in any event within 60 days after the end of each quarterly fiscal period of each fiscal year of the Company, consolidated and consolidating statements of income and cash flow of the Company and its Consolidated Subsidiaries for such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related consolidated and consolidating balance sheet as at the end of such period, setting forth in each case in comparative form the corresponding consolidated figures for the corresponding period in the preceding fiscal year, accompanied by a certificate of the Treasurer, an Assistant Treasurer, the Chief Financial Officer or the Controller of the Company, which certificate shall state that said financial statements fairly present the consolidated financial condition and results of operations of the Company and its Consolidated Subsidiaries in accordance with generally accepted accounting principles, consistently applied, as at the end of, and for, such period (subject to normal year-end audit adjustments and provided that such financial statements may contain condensed footnotes prepared in accordance with Rule 10-01(a)(5) of Securities and Exchange Commission Regulation S-X);

(b) as soon as available and in any event within 60 days after the end of each quarterly fiscal period of each fiscal year of the Parent, consolidated statements of income and cash flow of the Parent and its Consolidated Subsidiaries for such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related consolidated balance sheet as at the end of such period, setting forth in each case in comparative form the corresponding consolidated figures for the corresponding period in the preceding fiscal year, accompanied by a certificate of the Treasurer, an Assistant Treasurer, the Chief Financial Officer or the Controller of the Parent, which certificate shall state that said financial statements fairly present the consolidated financial condition and results of operations of the Parent and its Consolidated Subsidiaries in accordance with generally accepted accounting principles, consistently applied, as at the end of, and for, such period (subject to normal year-end audit adjustments and provided that such financial statements may contain condensed footnotes prepared in accordance with Rule 10-01(a)(5) of Securities and Exchange Commission Regulation S-X);

(c) as soon as available and in any event within 120 days after the end of each fiscal year of the Company, consolidated and consolidating statements of income, shareholders' equity and cash flow of the Company and its Consolidated Subsidiaries for such year and the related consolidated and consolidating balance sheet as at the end of such year, setting forth in each case in comparative form the corresponding consolidated figures for the preceding fiscal year, and accompanied, in the case of said consolidated statements and balance sheet, by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that said consolidated financial statements fairly present the consolidated financial condition and results of operations of the Company and its Consolidated Subsidiaries as at the end of, and for, such fiscal year;

(d) as soon as available and in any event within 120 days after the end of each fiscal year of the Parent, consolidated statements of income, shareholders' equity and cash flow of the Parent and its Consolidated Subsidiaries for such year and the related consolidated balance sheet as at the end of such year, setting forth in each case in comparative form the corresponding consolidated figures for the preceding fiscal year, and accompanied by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that said consolidated financial statements fairly present the consolidated financial condition and results of operations of the Parent and its Consolidated Subsidiaries as at the end of, and for, such fiscal year, and a certificate of such accountants stating that, in making the examination necessary for their opinion, they obtained no knowledge, except as specifically stated, of any Default;

(e) promptly upon their becoming available, copies of all registration statements and regular periodic reports, if any, which the Company or the Parent shall have filed

with the Securities and Exchange Commission (or any governmental agency substituted therefor) or any national securities exchange;

(f) promptly upon the mailing thereof to the shareholders of the Parent generally, copies of all financial statements, reports and proxy statements so mailed;

(g) if any of the events or conditions specified below with respect to any Plan or Multiemployer Plan shall have occurred or exist, promptly upon filing any required notice thereof with PBGC, a copy of such notice or other report to PBGC and a statement signed by a senior financial officer of the Company setting forth details respecting such event or condition and the action, if any, which the Company, the Parent or an ERISA Affiliate proposes to take with respect thereto:

(i) any reportable event, as defined in Section 4043(b) of ERISA and the regulations issued thereunder, with respect to a Plan, as to which PBGC has not by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event (provided that a failure to meet the minimum funding standard of Section 412 of the Code or Section 302 of ERISA shall be a reportable event regardless of the issuance of any waivers in accordance with Section 412(d) of the Code);

(ii) the filing under Section 4041 of ERISA of a notice of intent to terminate any Plan or the termination of any Plan;

(iii) the institution by PBGC of proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company, the Parent or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by PBGC with respect to such Multiemployer Plan;

(iv) the complete or partial withdrawal by the Company, the Parent or any ERISA Affiliate under Section 4201 or 4204 of ERISA from a Multiemployer Plan, or the receipt by the Company, the Parent or any ERISA Affiliate of notice from a Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under Section 4041A of ERISA; and

(v) the institution of a proceeding by a fiduciary of any Multiemployer Plan against the Company, the Parent or any ERISA Affiliate to enforce Section 515 of ERISA, which proceeding is not dismissed within 30 days;

(h) promptly after the Company knows or has reason to know that any Default has occurred, a notice of such Default describing the same in reasonable detail, specifying that such notice is a "Notice of Default" and, together with such notice or as

soon thereafter as possible, a description of the action that the Company has taken and proposes to take with respect thereto; and

(i) from time to time such other information regarding the business, affairs or financial condition of the Company, the Parent or any of the Parent's Subsidiaries (including, without limitation, any Plan or Multiemployer Plan and any reports or other information required to be filed under ERISA) as any Lender or the Agent may reasonably request.

The Company will furnish to each Lender, at the time it furnishes each set of financial statements pursuant to paragraph (a), (b), (c) or (d) above, a certificate of the Treasurer, an Assistant Treasurer, the Chief Financial Officer or the Controller of the Company to the effect that no Default has occurred and is continuing (or, if any Default has occurred and is continuing, describing the same in reasonable detail and describing the action that the Company has taken and proposes to take with respect thereto).

8.02 Litigation. The Company will promptly give to each Lender notice (which notice may be given by the Company through the Parent and which may be in the form of the Parent's 1934 Act Reports) of all legal or arbitral proceedings, and of all proceedings by or before any governmental or regulatory authority or agency, and any material development in respect of such legal or other proceedings, affecting the Company, the Parent or any of the Parent's Subsidiaries, except proceedings which, if adversely determined, would not have a material adverse effect on the consolidated financial condition, operations or business taken as a whole of the Company and its Consolidated Subsidiaries or of the Parent and its Consolidated Subsidiaries.

8.03 Corporate Existence, Etc. The Company will: preserve and maintain its corporate existence and all of its material rights, privileges and franchises; comply with the requirements of all applicable laws, rules, regulations and orders of governmental or regulatory authorities if failure to comply with such requirements would materially and adversely affect the consolidated financial condition, operations or business taken as a whole of the Company and its Consolidated Subsidiaries, except for any such laws, rules, regulations or orders that the Company is contesting in good faith and by proper proceedings; pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained; maintain all of its properties used or useful in its business in good working order and condition, ordinary wear and tear excepted; and permit representatives of any Lender or the Agent, during normal business hours, to examine, copy and make extracts from its books and records, to inspect its properties, and to discuss its business and affairs with its officers, all to the extent reasonably requested by such Lender or the Agent (as the case may be).

8.04 Prohibition of Fundamental Changes. The Company will not enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), except that the Company may merge into the Parent so long as the Parent is the surviving corporation and assumes all of the Company's obligations under this Agreement and the Notes and so long as both prior to such merger and after giving effect thereto no Default shall have occurred and be continuing. The Company will not convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any substantial part of its business or assets, whether now owned or hereafter acquired, except that the Company may consummate any MCL Transaction.

8.05 Use of Proceeds. The Company will use the proceeds of the Loans hereunder for its general corporate purposes (in compliance with all applicable legal and regulatory requirements); provided that neither the Agent nor any Lender shall have any responsibility as to the use of any of such proceeds.

8.06 Support Agreement. The Company will exercise its rights under the Support Agreement from time to time to the extent necessary to enable the Company to perform all of its obligations hereunder and will not agree to any waiver of the obligations of the Parent under the Support Agreement or agree to any termination or modification of or amendment to the Support Agreement, without the prior written consent of each of the Lenders, except for any modification or amendment that does not adversely affect the interests of the Lenders hereunder. The Company will furnish to each Lender copies of each proposed modification or amendment to the Support Agreement before such modification or amendment is entered into.

Section 9. Events of Default. If one or more of the following events (herein called "Events of Default") shall occur and be continuing:

(a) The Company shall default in the payment when due of any principal of or interest on any Loan or any other amount payable by it hereunder; or

(b) The Company shall default in the payment when due of any principal of or interest on any of its other indebtedness aggregating $10,000,000 or more or the Parent or any of the Parent's other Subsidiaries (except MCL) shall default in the payment when due of any principal of or interest on any of its indebtedness aggregating $25,000,000 or more; or any event specified in any note, agreement, indenture or other document evidencing or relating to any such indebtedness of the Company, the Parent or any of the Parent's other Subsidiaries (except MCL) in the respective aggregate amounts set forth above in this clause (b) shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such indebtedness to become due, or to be prepaid in full (whether by redemption, purchase or otherwise), prior to its stated maturity; or

(c) Any representation, warranty or certification made or deemed made herein (or in any modification or supplement hereto) by the Company, or any certificate furnished to any Lender or the Agent pursuant to the provisions hereof (or thereof), shall prove to have been false or misleading as of the time made or furnished in any material respect; or

(d) The Company shall default in the performance of any of its obligations under any of Sections 8.01(h), 8.04 or 8.06 hereof; or the Company shall default in the performance of any of its other obligations in this Agreement and such default shall continue unremedied for a period of 30 days after notice thereof to the Company by the Agent or any Lender (through the Agent); or any "Event of Default" under and as defined in the Other PCH Agreement shall be continuing; or

(e) The Company, the Parent or any of the Parent's Subsidiaries (except MCL) shall admit in writing its inability to, or be generally unable to, pay its debts as such debts become due; or

(f) The Company, the Parent or any of the Parent's Subsidiaries (except MCL) shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under the Bankruptcy Code (as now or hereafter in effect), (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts, (v) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under the Bankruptcy Code (as now or hereafter in effect), or (vi) take any corporate action for the purpose of effecting any of the foregoing; or

(g) A proceeding or case shall be commenced, without the application or consent of the Company, the Parent or any of the Parent's Subsidiaries (except MCL), in any court of competent jurisdiction, seeking (i) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of the Company, the Parent or such Subsidiary or of all or any substantial part of its assets, or (iii) similar relief in respect of the Company, the Parent or such Subsidiary under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 60 or more days; or an order for relief against the Company, the Parent or such Subsidiary shall be entered in an involuntary case under the Bankruptcy Code (as now or hereafter in effect); or

(h) A final judgment or judgments for the payment of money in excess of $10,000,000 in the aggregate shall be rendered by a court or courts against the Company and/or the Parent and/or any of the Parent's Subsidiaries (except MCL) and the same shall not be discharged (or provision shall not be made for such discharge), or a stay of execution thereof shall not be procured, within 30 days from the date of entry thereof and the Company, the Parent or the relevant Subsidiary shall not, within said period of 30 days, or such longer period during which execution of the same shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal; or

(i) An event or condition specified in Section 8.01(g) hereof shall occur or exist with respect to any Plan or Multiemployer Plan and, as a result of such event or condition, together with all other such events or conditions, the Company, the Parent or any ERISA Affiliate shall incur or in the opinion of the Majority Lenders shall be reasonably likely to incur a liability to a Plan, a Multiemployer Plan or PBGC (or any combination of the foregoing) which is, in the determination of the Majority Lenders, material in relation to the consolidated financial condition, operations or business taken as a whole of the Company and its Consolidated Subsidiaries or of the Parent and its Consolidated Subsidiaries; or

(j) The Parent shall default in the performance of any of its obligations under the Support Agreement or the Parent Letter; or the Parent's obligations under the Support Agreement or the Parent Letter shall cease to be in full force and effect for any reason whatsoever; or

(k) The Company shall cease to be a Wholly-owned Subsidiary of the Parent; or

(l) The Company or the Parent shall cease to be exempt from all of the requirements of the 1935 Act other than Section 9(a)(2) thereof pursuant to Rule 2 under Section 3(a)(1) of the 1935 Act, but only after the conclusion of all proceedings (or the expiration of the time allowed to prosecute them in the event they are not prosecuted) available to the Company or the Parent (whether by appeal or application for such exemption) to contest the cessation of such exemption;

THEREUPON: (1) in the case of an Event of Default other than one referred to in clause (f) or (g) of this Section 9 with respect to the Company, (A) the Agent may and, upon request of the Majority Lenders, shall, by notice to the Company, cancel the Commitments and they shall thereupon terminate, and (B) the Agent may and, upon request of the Majority Lenders shall, by notice to the Company declare the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Company hereunder and under the Notes (including, without limitation, any amounts payable under Section 5.05 hereof) to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Company; and (2) in the case of the occurrence of an Event of Default referred to in clause (f) or (g) of this Section 9 with respect to the Company, the Commitments

shall automatically be cancelled and the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Company hereunder and under the Notes (including, without limitation, any amounts payable under Section 5.05 hereof) shall automatically become immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Company.

Section 10. The Agent.

10.01 Appointment, Powers and Immunities. Each Lender hereby irrevocably appoints and authorizes the Agent to act as its agent hereunder with such powers as are specifically delegated to the Agent by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. The Agent (which term as used in this sentence and in Section 10.05 and the first sentence of Section 10.06 hereof shall include reference to its affiliates and its own and its affiliates' officers, directors, employees and agents): (a) shall have no duties or responsibilities except those expressly set forth in this Agreement, and shall not by reason of this Agreement be a trustee for any Lender; (b) shall not be responsible to the Lenders for any recitals, statements, representations or warranties contained in this Agreement, or in any certificate or other document referred to or provided for in, or received by any of them under, this Agreement, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, any Note or any other document referred to or provided for herein or for any failure by the Company or any other Person to perform any of its obligations hereunder or thereunder; (c) shall not be required to initiate or conduct any litigation or collection proceedings hereunder; and (d) shall not be responsible for any action taken or omitted to be taken by it hereunder or under any other document or instrument referred to or provided for herein or in connection herewith, except for its own gross negligence or willful misconduct. The Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith. The Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof shall have been filed with the Agent, together with the written consent of the Company to such assignment or transfer.

10.02 Reliance by Agent. The Agent shall be entitled to rely upon,any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Agent. As to any matters not expressly provided for by this Agreement, the Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder in accordance with instructions signed by the Majority Lenders, and such instructions of the Majority Lenders and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders.

10.03 Defaults. The Agent shall not be deemed to have knowledge or notice of the occurrence of a Default (other than the non-payment of principal of or interest on Loans or of facility fees) unless the Agent has received notice from a Lender or the Company specifying

such Default and stating that such notice is a "Notice of Default". In the event that the Agent receives such a notice of the occurrence of a Default, the Agent shall give prompt notice thereof to the Lenders (and shall give each Lender prompt notice of each such non-payment). The Agent shall (subject to Section 10.07 hereof) take such action with respect to such Default as shall be directed by the Majority Lenders, provided that, unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interest of the Lenders.

10.04 Rights as a Lender. With respect to its Commitment and the Loans made by it, Chase (and any successor acting as Agent) in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as the Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include the Agent in its individual capacity. Chase (and any successor acting as Agent) and its affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with the Company (and any of its Subsidiaries or Affiliates) as if it were not acting as the Agent, and Chase and its affiliates may accept fees and other consideration from the Company for services in connection with this Agreement or otherwise without having to account for the same to the Lenders.

10.05 Indemnification. The Lenders agree to indemnify the Agent (to the extent not reimbursed under Section 11.03 hereof, but without limiting the obligations of the Company under said Section 11.03) ratably in accordance with the aggregate amount of their respective Commitments, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any other documents contemplated by or referred to herein or the transactions contemplated hereby (including, without limitation, the costs and expenses which the Company is obligated to pay under Section 11.03 hereof but excluding, unless a Default has occurred and is continuing, normal administrative costs and expenses incident to the performance of its agency duties hereunder) or the enforcement of any of the terms hereof or of any such other documents, provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified.

10.06 Non-Reliance on Agent and Other Lenders. Each Lender agrees that it has, independently and without reliance on the Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Company and its Subsidiaries and decision to enter into this Agreement and that it will, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement. The Agent shall not be required to keep itself informed as to the performance or observance by the Company of this Agreement or any other document referred to or provided for herein or to inspect the properties

or books of the Company or any of its Subsidiaries. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of the Company or any of its Subsidiaries (or any of their affiliates) which may come into the possession of the Agent or any of its affiliates.

10.07 Failure to Act. Except for action expressly required of the Agent hereunder, the Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall receive further assurances to its satisfaction from the Lenders of their indemnification obligations under Section 10.05 hereof against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

10.08 Resignation or Removal of Agent. Subject to the appointment and acceptance of a successor Agent as provided below, the Agent may resign at any time by giving notice thereof to the Lenders and the Company, and the Agent may be removed at any time with or without cause by the Majority Lenders. Upon any such resignation or removal, the Majority Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring Agent's giving of notice of resignation or the Majority Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a bank which has an office in New York, New York and (unless it is a Lender) a combined capital and surplus of at least $200,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Section 10.08 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Agent.

10.09 Agency Fee. So long as the Commitments are in effect and until payment in full of the principal of and interest on the Loans and all other amounts payable by the Company hereunder, the Company will pay to the Agent an agency fee in an amount previously agreed, payable annually in advance on the Quarterly Date falling on or nearest to December in each year. Such fee, once paid, shall be non-refundable. The appointment of a successor Agent under Section 10.08 hereof shall not increase or otherwise modify the Company's obligations under this Section 10.09.

10.10 Auction Fee. The Company agrees to pay to the Agent an auction fee in an amount previously agreed, payable on each day that the Company delivers a Money Market Quote Request.

Section 11. Miscellaneous.

11.01 Waiver. No failure on the part of the Agent or any Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement or any Note shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement or any Note preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

11.02 Notices. All notices and other communications provided for herein (including, without limitation, any modifications of, or waivers or consents under, this Agreement) shall be given or made by telex, telecopy, telegraph, cable or in writing (or, with respect to notices given pursuant to Section 2.03 hereof, by telephone, confirmed in writing by telex by the close of business on the day the notice is given) and telexed, telecopied, telegraphed, cabled, mailed or delivered (or telephoned, as the case may be) to the intended recipient at the "Address for Notices" specified below its name on the signature pages hereof; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telex or telecopier, delivered to the telegraph or cable office or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as aforesaid.

11.03 Expenses, Etc.

(a) The Company agrees to pay or reimburse each of the Lenders and the Agent for all reasonable out-of-pocket costs and expenses of the Agent (including, without limitation, the reasonable fees and expenses of counsel to the Agent), in connection with the negotiation, preparation, execution and delivery of this Agreement and the Notes and the making of the Loans hereunder.

(b) The Company agrees to pay or reimburse each of the Lenders and the Agent for (i) all reasonable out-of-pocket costs and expenses of the Agent (including reasonable counsel's fees) in connection with any amendment, modification or waiver of any of the terms of this Agreement or any of the Notes and (ii) all costs and expenses of the Lenders and the Agent (including reasonable counsel's fees for each Lender and for the Agent) in connection with any Default and any enforcement or collection proceedings resulting therefrom.

(c) The Company agrees to pay all transfer, stamp, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement or any of the Notes or any other document referred to herein.

11.04 Amendments, Etc. Except as otherwise expressly provided in this Agreement, any provision of this Agreement may be amended or modified only by an instrument in writing signed by the Company, the Agent and the Majority Lenders, or by the Company and the Agent acting with the consent of the Majority Lenders, and any provision of this Agreement

may be waived by the Majority Lenders or by the Agent acting with the consent of the Majority Lenders; provided that no amendment, modification or waiver shall, unless by an instrument signed by all of the Lenders or by the Agent acting with the consent of all of the Lenders: (i) extend the term, or extend the time or waive any requirement for the reduction or termination, of, or increase, the Commitments (except to the extent contemplated by the definition of "Commitment Termination Date" in Section 1.01 hereof); (ii) extend the date fixed for the payment of principal of or interest on any Loan or any fees or other amounts payable hereunder; (iii) reduce the amount of any payment of principal thereof or the rate at which interest is payable thereon or any fee is payable hereunder; (iv) alter the terms of Section 8.06 or 11.06(a) hereof or of this Section 11.04; (v) amend the definition of the term "Majority Lenders"; or (vi) waive any Event of Default of the type described in Section 9(j) hereof; and provided, further, that any amendment of Section 10 hereof shall also require the consent of the Agent.

11.05 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

11.06 Assignments and Participations.

(a) The Company may not assign its rights or obligations hereunder or under the Notes without the prior consent of all of the Lenders and the Agent.

(b) No Lender may assign any of its Loans, its Notes, or its Commitment in whole or in part without the prior consent of the Company and the Agent (such consent of the Agent not to be unreasonably withheld); provided that (i) each such assignment by a Lender of its Syndicated Loans or its Commitment shall be made so that the assignee holds the same pro rata portions of the Syndicated Loans and the Commitments; and (ii) each such assignment by a Lender of its Syndicated Loans and Commitment shall be made concurrently with an assignment by it to the same assignee of the same pro rata portion of its outstanding "Syndicated Loans" and its "Commitment" under and as defined in the Other PCH Agreement. Upon execution and delivery by the assignee to the Company and the Agent of an instrument in writing pursuant to which such assignee agrees to become a "Lender" hereunder (if not already a Lender) having the Commitment(s) and Loans specified in such instrument, and upon consent thereto by the Company and the Agent to the extent required above, the assignee shall have, to the extent of such assignment (unless otherwise provided in such assignment with the consent of the Company and the Agent), the obligations, rights and benefits of a Lender hereunder holding the Commitment(s) and Loans (or portions thereof) assigned to it (in addition to the Commitment(s) and Loans, if any, theretofore held by such assignee) and the assigning Lender shall, to the extent of such assignment, be released from the Commitment(s) (or portion(s) thereof) so assigned. In connection with any assignment pursuant to this Section 11.06(b), the Company agrees to issue replacement Notes in the State of New York, in the appropriate principal amounts and payable to the appropriate Lenders, upon the request of any assigning Lender or assignee Lender. Upon each such assignment the assigning Lender shall pay the Agent an assignment fee of $3,500.

(c) A Lender may sell or agree to sell a participation in all or any part of any Loan held by it or Loans made or to be made by it. In the event of such a participation, no such participant shall have any rights or benefits under this Agreement or any Note or the Parent Letter (the participant's rights against such Lender in respect of such participation to be those set forth in the agreement (the "Participation Agreement") executed by such Lender in favor of the participant). The granting of a participation by a Lender hereunder shall not in any way release such Lender from any of its obligations under this Agreement. All amounts payable by the Company to any Lender under Section 5 hereof shall be determined as if such Lender had not sold or agreed to sell any participations in such Loan and as if such Lender were funding all of such Loan in the same way that it is funding the portion of such Loan in which no participations have been sold. In no event shall a Lender that sells a participation be obligated to the participant under the Participation Agreement to take or refrain from taking any action hereunder or under such Lender's Notes except that such Lender may agree in the Participation Agreement that it will not, without the consent of the participant, agree to (i) the extension of any date fixed for the payment of principal of or interest on the related Loan or Loans or any portion of any fees payable to the participant, (ii) the reduction of any payment of principal thereof, or (iii) the reduction of the rate at which either interest is payable thereon or (if the participant is entitled to any part thereof) facility fee is payable hereunder to a level below the rate at which the participant is entitled to receive interest or facility fee (as the case may be) in respect of such participation.

(d) Anything in this Section 11.06 to the contrary notwithstanding, any Lender may assign and pledge all or any portion of its Loans and its Notes to any Federal Reserve Bank as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Lender from its obligations hereunder.

(e) A Lender may furnish any information concerning the Company, the Parent or any of their respective Subsidiaries in the possession of such Lender from time to time to assignees and participants and, with notice to the Company, to prospective participants and, with the consent of the Company, to prospective assignees.

(f) If:

(i) any Lender makes a demand for payment under Section 5.01 hereof,

(ii) Loans of any Lender are Converted into Base Rate Loans pursuant to Section 5.04 hereof, or

(iii) any Lender does not become a Consenting Lender (as that term is used in the definition of "Commitment Termination Date" in Section 1.01 hereof), does not become a "Consenting Lender" under (and as defined in) the Other PCH Agreement or either of the FPC Agreements, in each case within the required periods set forth in the relevant definitions thereof;

then, in the case of clause (i) above, within 60 days after the Company makes the payment demanded; in the case of clause (ii) above, within 60 days after the last of the relevant Conversions; and, in the case of clause (iii) above, at any time thereafter, the Company may, so long as no Default shall be continuing and subject to the consent of the Agent (which consent shall not be unreasonably withheld), demand that such Lender assign, pursuant to this Section 11.06 and documentation reasonably acceptable to such Lender, all (but not less than all) of such Lender's Commitment and outstanding Loans hereunder to one or more banks or financial institutions designated by the Company, for a purchase price not less than the principal amount of such outstanding Loans, accrued interest thereon and all other amounts payable by the Company to such Lender hereunder (including amounts payable under Section 5.05 hereof) and under the Notes held by such Lender, such assignment to take place no later than 30 days after the Company's demand.

11.07 Survival. The obligations of the Company under Sections 5.01, 5.05 and 11.03 hereof shall survive the repayment of the Loans and the termination of the Commitments.

11.08 Captions. The table of contents and captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

11.09 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

11.10 Governing Law; Submission to Jurisdiction. This Agreement and the Notes shall be governed by, and construed in accordance with, the law of the State of New York. The Company hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York state court sitting in New York City for the purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Company irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

11.11 Waiver of Jury Trial. **EACH OF THE COMPANY, THE AGENT AND THE LENDERS HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

PROGRESS CAPITAL HOLDINGS, INC.

By Pamela A. Saari
Print Name: Pamela A. Saari
Print Title: Treasurer

Address for Notices:

Post Office Box 14042
St. Petersburg, Florida 33733

Telecopier No.: 727-820-5918

Telephone No.: 727-820-5875

Attention: Mr. Kenneth E. McDonald

Sworn to and subscribed before me on this 13th day of November, 1998, in the State of New York, County of New York.

Mary Vorderer
Notary Public

MARY VORDERER
Notary Public, State of New York
No. 02V05082185
Qualified in New York County
Commission Expires July 21, 1999

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Commitment
$50,625,000

THE CHASE MANHATTAN BANK

By _____

Print Name: PAUL V. FARRELL
Print Title: VICE PRESIDENT

Lending Office for all Loans
(other than Eurodollar Loans):

The Chase Manhattan Bank
270 Park Avenue
New York, New York 10017-2070

Lending Office for Eurodollar Loans:

The Chase Manhattan Bank
Cayman Islands,
British West Indies Branch
c/o The Chase Manhattan Bank
One Chase Manhattan Plaza
New York, New York 10081

Address for Notices:

The Chase Manhattan Bank
Global Power & Environmental Group
270 Park Avenue
New York, New York 10017-2070

Telecopier No.: 212/270-3089

Telephone No.: 212/270-7653

Attention: Mr. Paul V. Farrell

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Commitment
$37,500,000

NATIONSBANK, N.A.

By Gretchen P. Burud
Print Name: GRETCHEN P. BURUD
Print Title: VICE PRESIDENT

Lending Office for all Loans:

NationsBank, N.A.
101 North Tryon Street
Charlotte, NC 28255
Attn: Marcella Graham
Credit Services

Address for Notices:

NationsBank, N.A.
Corporate Center
NC1-007-08-08
100 North Tryon Street
Charlotte, NC 28255

Telecopier No.: 704-386-1270 1319

Telephone No.: 704-386-8394

Attention: Ms. Gretchen P. Burud

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Commitment
$37,500,000

FIRST UNION NATIONAL BANK

By _____

Print Name: MICHAEL J. KOLOSOWSKY
Print Title: VICE PRESIDENT

Lending Office for all Loans

First Union National Bank
One First Union Center
301 South College Street
Charlotte, North Carolina 28288-0735

Address for Notices:

First Union National Bank
One First Union Center
301 South College Street
Charlotte, North Carolina 28288-0735

Telecopier No. 704-383-6670

Telephone No.: 704-383-8225

Attention: Mr. Michael J. Kolosowsky

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Commitment
$35,625,000

SUNTRUST BANK, TAMPA BAY

By _____
Print Name: Brigitta A. Lawton
Print Title: SVP

Lending Office for all Loans:

SunTrust Bank, Tampa Bay
300 1st Avenue South
St. Petersburg, Florida 33701

Address for Notices:

SunTrust Bank, Tampa Bay
300 1st Avenue South
St. Petersburg, Florida 33701

Telecopier No.: 813/892-4810

Telephone No.: 813/892-4958

Attention: Ms. Brigitta A. Lawton

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Commitment
$35,625,000

THE FIRST NATIONAL BANK OF CHICAGO

By _____

Print Name: MADELEINE N. PEMBER
Print Title: Assistant Vice President

Lending Office for all Loans:

The First National Bank of Chicago
One First National Plaza
Suite 0363
Chicago, Illinois 60670-0363

Address for Notices:

The First National Bank of Chicago
One First National Plaza
Suite 0363
Chicago, Illinois 60670-0363

Telecopier No.: 312/732-3055

Telephone No.: 312/732-9781

Attention: Mr. William N. Banks

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Commitment
$28,125,000

REVOLVING COMMITMENT VEHICLE CORPORATION

By: Morgan Guaranty Trust Company of New York, as Attorney-in-fact for Revolving Commitment Vehicle Corporation

By _____

Print Name: JAMES DWYER
Print Title: VICE PRESIDENT

Lending Office for all Loans:

Revolving Commitment Vehicle Corporation
500 Stanton Christiana Road
Newark, Delaware 19713

Address for Notices:

Morgan Guaranty Trust Company
of New York
60 Wall Street
New York, New York 10260-0060

Telecopier No.: 212/648-5014

Telephone No.: 212/648-9036

Attention: Ms. Kathryn Sayko-Yanes

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Commitment
$28,125,000

PNC BANK, NATIONAL ASSOCIATION

By _____
Print Name:
Print Title:

Lending Office for all Loans:

PNC Bank, National Association
One PNC Plaza
3rd Floor
249 - 5th Avenue
Pittsburgh, PA 15222-2707

Address for Notices:

PNC Bank, National Association
One PNC Plaza
3rd Floor
249 - 5th Avenue
Pittsburgh, PA 15222-2707

Telecopier No.: 412/762-2571

Telephone No.: 412/762-2540

Attention: Mr. Christopher N. Moravec

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Commitment
$28,125,000

WACHOVIA BANK, N.A.

By _____

Print Name: Shawn Janko
Print Title: Banking Officer

Lending Office for all Loans:

Wachovia Bank, N.A.
191 Peachtree Street, N.E.
Atlanta, GA 30303-1757

Address for Notices:

Wachovia Bank, N.A.
191 Peachtree Street, N.E.
Atlanta, GA 30303-1757

Telecopier No.: 404-332-5016

Telephone No.: 404-332-5134

Attention: Ms. Tammy F. Hughes

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COMMITMENT
$18,750,000

THE NORTHERN TRUST COMPANY

By _____
Print Name: CHRISTINA L. JAKUC
Print Title: SECOND VICE PRESIDENT

Lending Office for all Loans:

The Northern Trust Company
50 South LaSalle Street
Chicago, IL 60675

Address for Notices:

The Northern Trust Company
50 South LaSalle Street
Chicago, IL 60675

Telecopier No.: 312-630-6062

Telephone No.: 312-444-3455

Attention: Ms. Christina L. Jakuc

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THE CHASE MANHATTAN BANK
as Agent

By _____

Print Name: PAUL V. FARRELL
Print Title: VICE PRESIDENT

Address for Notices to Chase as Agent:

The Chase Manhattan Bank
1 Chase Manhattan Plaza - 8th Floor
New York, New York 10081

Telecopier No.: 212-552-7490

Telephone No.: 212-552-7943

Attention: Mr. Muniram Appanna

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EXHIBIT A-1

[Form of Note for Syndicated Loans]

PROMISSORY NOTE

$_____ _____, 199_
New York, New York

FOR VALUE RECEIVED, PROGRESS CAPITAL HOLDINGS, INC., a Florida corporation (the "Company"), hereby promises to pay to _____ (the "Lender"), for account of its respective Applicable Lending Offices provided for by the Credit Agreement referred to below, at the principal office of The Chase Manhattan Bank at 270 Park Avenue, New York, New York 10017, the principal sum of _____ Dollars (or such lesser amount as shall equal the aggregate unpaid principal amount of the Syndicated Loans made by the Lender to the Company under the Credit Agreement), in lawful money of the United States of America and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Syndicated Loan, at such office, in like money and funds, for the period commencing on the date of such Syndicated Loan until such Syndicated Loan shall be paid in full, at the rates per annum and an the dates provided in the Credit Agreement.

The date, amount, Type, interest rate and duration of Interest Period (if applicable) of each Syndicated Loan made by the Lender to the Company, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the schedule attached hereto or any continuation thereof, provided that any failure by the Lender to make any such endorsement shall not affect the obligations of the Company hereunder.

This Note is one of the Notes referred to in the Third Amended and Restated Credit Agreement B (as modified and supplemented and in effect from time to time, the "Credit Agreement") dated as of November 17, 1998, between the Company, the lenders named therein and The Chase Manhattan Bank, as Agent, and evidences the Company's obligation to repay the Syndicated Loans made by the Lender thereunder and interest thereon. Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Loans upon the terms and conditions specified therein.

Except as permitted by Section 11.06(b) of the Credit Agreement, this Note may not be assigned by the Lender to any other Person.

This Note shall be governed by, and construed in accordance with, the law of the State of New York.

PROGRESS CAPITAL HOLDINGS, INC.

By_____

Title:

SCHEDULE OF LOANS

This Note Schedule describes Loans made, Continued or Converted under the within-described Credit Agreement to the Company, on the dates, in the principal amounts, of the Types, bearing interest at the rates and maturing on the dates set forth below, subject to the payments and prepayments of principal set forth below:

Date Made Continued or Converted	Principal Amount of Loan	Type of Loan	Interest Rate	Duration of Interest Period	Date and Amount Paid or Prepaid	Unpaid Principal Amount	Notation Made by

EXHIBIT A-2

[Form of Note for Money Market Loans]

PROMISSORY NOTE

_____, 199_
New York, New York

FOR VALUE RECEIVED, PROGRESS CAPITAL HOLDINGS, INC., a Florida corporation (the "Company"), hereby promises to pay to _____ (the "Lender"), for account of its respective Applicable Lending Offices provided for by the Credit Agreement referred to below, at the principal office of The Chase Manhattan Bank at 270 Park Avenue, New York, New York 10017, the aggregate unpaid principal amount of the Money Market Loans made by the Lender to the Company under the Credit Agreement, in lawful money of the United States of America and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Money Market Loan, at such office, in like money and funds, for the period commencing on the date of such Money Market Loan until such Money Market Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, Type, interest rate and maturity date of each Money Market Loan made by the Lender to the Company, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the schedule attached hereto or any continuation thereof, provided that any failure by the Lender to make any such endorsement shall not affect the obligations of the Company hereunder.

This Note is one of the Notes referred to in the Third Amended and Restated Credit Agreement B (as modified and supplemented and in effect from time to time, the "Credit Agreement") dated as of November 17, 1998 between the Company, the lenders named therein (including the Lender) and The Chase Manhattan Bank, as Agent, and evidences the Company's obligation to repay the Money Market Loans made by the Lender thereunder and interest thereon. Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Loans upon the terms and conditions specified therein.

Except as permitted by Section 11.06(b) of the Credit Agreement, this Note may not be assigned by the Lender to any other Person.

This Note shall be governed by, and construed in accordance with, the law of the State of New York.

PROGRESS CAPITAL HOLDINGS, INC.

By_____

Title:

SCHEDULE OF LOANS

This Note Schedule describes Loans made under the within-described Credit Agreement to the Company, on the dates, in the principal amounts, of the Types, bearing interest at the rates and maturing on the dates set forth below, subject to the payments and prepayments of principal set forth below:

Principal Date of Loan	Amount of Loan	Type of Loan	Interest Rate	Date and Maturity Date of Loan	Amount Paid or Prepaid	Unpaid Principal Amount	Notation Made by

EXHIBIT B

[Form of Opinion of Counsel to the Company and the Parent]

_____, 199_

To: the Lenders party to the Credit Agreement referred to below and The Chase Manhattan Bank, as Agent

Ladies and Gentlemen:

I am General Counsel of Progress Capital Holdings, Inc. (the "Company") and Vice President and General Counsel of Florida Progress Corporation (the "Parent") and am rendering this opinion in connection with Credit Agreement B dated as of November 26, 1991 (the "Original Agreement") between the Company, the lenders named therein and The Chase Manhattan Bank, as Agent, as amended and restated by the Third Amended and Restated Credit Agreement A dated as of November 17, 1998 (the Original Agreement, as amended and restated, being hereinafter referred to as the "Credit Agreement"), providing for loans to be made by said lenders to the Company in an aggregate principal amount not exceeding $300,000,000. Terms defined in the Credit Agreement are used herein as defined therein.

In rendering the opinion expressed below, I have examined the originals or conformed copies of such corporate records, agreements and instruments of the Company and the Parent, certificates of public officials and of officers of the Company and the Parent, and such other documents and records, and such matters of law, as I have deemed appropriate as a basis for the opinions hereinafter expressed.

Based upon the foregoing, I am of the opinion that:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Florida and has the necessary corporate power to make and perform the Credit Agreement and the Notes (collectively, the "Credit Documents") and to borrow under the Credit Agreement. The Parent is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Florida and has the necessary corporate power to make and perform the Support Agreement and the Parent Letter.

2. The making and performance by the Company of the Credit Agreement and the borrowings thereunder have been duly authorized by all necessary corporate action, and do not and will not violate any provision of law or regulation or any provision of its articles or by-laws or result in the breach of, or constitute a default or require any consent under, or result in the creation of any Lien upon any of its properties, revenues

or assets pursuant to, any indenture or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries or their respective properties may be bound.

3. The making and performance by the Parent of the Support Agreement and the Parent Letter have been duly authorized by all necessary corporate action, and do not and will not violate any provision of law or regulation or any provision of its articles or by-laws or result in the breach of, or constitute a default or require any consent under, or result in the creation of any Lien upon any of its properties, revenues or assets pursuant to, any indenture or other agreement or instrument to which the Parent or any of its Subsidiaries is a party or by which the Parent or any of its Subsidiaries or their respective properties may be bound.

4. The Credit Agreement has been duly executed and delivered by the Company and constitutes, and the Notes when executed and delivered for value will constitute, legal, valid and binding obligations of the Company, and each of the Support Agreement and the Parent Letter has been duly executed and delivered by the Parent and constitutes legal, valid and binding obligations of the Parent, in the case of each document, enforceable in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and except that no opinion is expressed as to (i) Section 4.07(c) of the Credit Agreement or (ii) the effect of the law of any jurisdiction (other than the State of Florida) wherein any Lender (including any of its Applicable Lending Offices) may be located which limits rates of interest which may be charged or collected by such Lender. I express no opinion as to (i) whether a Federal or state court outside of the State of New York would give effect to the choice of New York law provided for in the Credit Agreement and the Notes, (ii) the second sentence of Section 11.10 of the Credit Agreement, insofar as such sentence relates to the subject matter jurisdiction of the United States District Court for the Southern District of New York to adjudicate any controversy related to the Credit Agreement or the Notes, (iii) the waiver of inconvenient forum set forth in Section 11.10 of the Credit Agreement with respect to proceedings in the United States District Court for the Southern District of New York, or (iv) Section 11.11 of the Credit Agreement.

5. In connection with the above, I wish to point out that provisions of the Credit Agreement that permit the Agent or any Lender to take action or make determinations, or to benefit from indemnities and similar undertakings of the Company, may be subject to a requirement that such action or inaction by the Agent or a Lender which may give rise to a request for payment under such an undertaking be taken or not taken, on a reasonable basis and in good faith.

6. Except for the matters disclosed (i) under the heading "Legal Proceedings" in Part I, Item 3 of the Parent's Annual Report on Form 10-K for the year ended December 31, 1997, and (ii) under the heading "Legal Proceedings" in Part II, Item 1 of the Parent's Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30, and September 30, 1998, there are no legal or arbitral proceedings, and no proceedings by or before any governmental or regulatory authority or agency, pending or (to my knowledge) threatened against or affecting the Company, the Parent or any of the Parent's Subsidiaries, or any properties or rights of the Company, the Parent or any of the Parent's Subsidiaries, which, if adversely determined, would have a material adverse effect on the consolidated financial condition, operations or business taken as a whole of the Company and its Consolidated Subsidiaries or of the Parent and its Consolidated Subsidiaries.

7. No authorizations, consents, approvals, licenses, filings or registrations with, any governmental or regulatory authority or agency are required in connection with the execution, delivery or performance by the Company of the Credit Documents or by the Parent of the Support Agreement or the Parent Letter.

8. The Parent is a "holding company" within the meaning of Section 2(a)(7) of the 1935 Act and the Parent and the Company are exempt from all of the requirements of the 1935 Act other than Section 9(a)(2) thereof by virtue of the filing of an exemption statement on Form U-A-2 under Rule 2 under Section 3(a)(1) of the 1935 Act. Such Form U-A-2 exemption statement was completed in compliance with all applicable rules and regulations of the Securities and Exchange Commission under the 1935 Act and was filed on June 23, 1998.

I wish to point out that the exemption provided by such filing may be terminated by the Securities and Exchange Commission pursuant to Rule 6 under the 1935 Act thirty days after notification by the Securities and Exchange Commission by registered mail to the Parent that a substantial question of law or fact exists as to whether or not the Parent is within the exemption afforded by Rule 2 under Section 3(a)(1) of the 1935 Act or any question exists as to whether or not the exemption of the Parent afforded by Rule 2 under the 1935 Act may be detrimental to the public interest or the interest of investors or consumers. Such termination would be without prejudice to the right of the Parent to file an application for an order granting an exemption pursuant to any applicable section of the 1935 Act and without prejudice to any temporary exemption provided for by the 1935 Act if such application is filed in good faith. As of the date hereof, no such notification has been received by the Parent, and (except for proceedings that may arise should the Securities and Exchange Commission adopt proposed Rule 17 under the 1935 Act) I am not aware of any facts or circumstances that would currently provide a basis for the Securities and Exchange Commission to initiate proceedings to revoke the exemption claimed by the Parent under Rule 2 under Section 3(a)(1) of the 1935 Act.

9. None of the Lenders nor the Agent will solely as a result of the participation by them and the Parent and the Company in the transactions contemplated by the Credit Agreement and the Notes be subject to regulation by any governmental authority as an "electric utility company," a "public utility company," a "holding company" or a "subsidiary company" or "affiliate" of any of the foregoing under the 1935 Act.

I am a member of the bar of the State of Florida and I do not herein intend to express any opinion as to any matters governed by any laws other than the law of the State of Florida and the Federal law of the United States of America.

Very truly yours,

EXHIBIT C

[Form of Money Market Quote Request]

[Date]

To: The Chase Manhattan Bank, as Agent

From: Progress Capital Holdings, Inc.

Re: Money Market Quote Request

Pursuant to Section 2.03 of the Third Amended and Restated Credit Agreement B (the "Credit Agreement") dated as of November 17, 1998, as amended or restated from time to time, between Progress Capital Holdings, Inc., the lenders named therein and The Chase Manhattan Bank, as Agent, we hereby give notice that we request Money Market Quotes for the following proposed Money Market Borrowing(s):

Borrowing Date	Quotation Date[*1]	Amount[*2]	Type [*3]	Interest Period[*4]

Terms used herein have the meanings assigned to them in the Credit Agreement.

PROGRESS CAPITAL HOLDINGS, INC.

By:_____
Title:

---

* All numbered footnotes appear on the last page of this Exhibit.

[1] For use if a Money Market Rate in a Set Rate Auction is requested to be submitted before the Borrowing Date.

[2] Each amount must be $10,000,000 or a larger multiple of $1,000,000.

[3] Insert either "Margin" (in the case of LIBOR Market Loans) or "Rate" (in the case of Set Rate Loans).

[4] One, two, three or six months, in the case of a LIBOR Market Loan or, in the case of a Set Rate Loan, a period of up to 180 days after the making of such Set Rate Loan and ending on a Business Day.

EXHIBIT D

[Form of Money Market Quote]

To: The Chase Manhattan Bank, as Agent

Attention:

Re: Money Market Quote to
Progress Capital Holdings, Inc. (the "Borrower")

This Money Market Quote is given in accordance with Section 2.03(c) of the Third Amended and Restated Credit Agreement B (the "Credit Agreement") dated as of November 17, 1998, as amended and restated from time to time, between Progress Capital Holdings, Inc., the lenders named therein and The Chase Manhattan Bank, as Agent. Terms defined in the Credit Agreement are used herein as defined therein.

In response to the Borrower's invitation dated _____, 19__, we hereby make the following Money Market Quote(s) on the following terms:

1. Quoting Lender:

2. Person to contact at Quoting Lender:

3. We hereby offer to make Money Market Loan(s) in the following principal amount(s), for the following Interest Period(s) and at the following rate(s):

Borrowing Date	Quotation Date[*1]	Amount[*2]	Type[*3]	Interest Period[*4]	Rate[*5]

4. The maximum aggregate principal amount of all Money Market Loans:

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* All numbered footnotes appear on the last page of this Exhibit.

We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the Credit Agreement, irrevocably obligate(s) us to make the Money Market Loan(s) for which any offer(s) (is/are) accepted, in whole or in part (subject to the third sentence of Section 2.03(e) of the Credit Agreement).

Very truly yours,

(Name of Lender]

By_____
Authorized Officer

Dated: _____, ____

[1] As specified in the related Money Market Quote Request.

[2] The principal amount bid for each Interest Period may not exceed the principal amount requested. Bids must be made for at least $5,000,000 or a larger multiple of $1,000,000.

[3] Indicate "Margin" (in the case of LIBOR Market Loans) or "Rate" (in the case of Set Rate Loans).

[4] One, two, three or six months, in the case of a LIBOR Market Loan or, in the case of a Set Rate Loan, a period of up to 180 days after the making of such Set Rate Loan and ending on a Business Day, as specified in the related Money Market Quote Request.

[5] For a LIBOR Market Loan, specify margin over or under the London interbank offered rate determined for the applicable Interest Period. Specify percentage (rounded to the nearest 1/10,000th of 1%) and specify whether "PLUS" or "MINUS." For a Set Rate Loan, specify rate of interest per annum (rounded to the nearest 1/10,000th of 1%).

EXHIBIT E

[Form of Parent Letter]

To: The Lenders party to the Credit Agreement referred to below and to The Chase Manhattan Bank, as Agent

Re: Progress Capital Holdings Inc.

Ladies and Gentlemen:

The undersigned refers to (a) the Second Amended and Restated Guaranty and Support Agreement dated as of August 7, 1996 (the "Support Agreement") between the undersigned and Progress Capital Holdings, Inc. (the "Company") and (b) the Third Amended and Restated Credit Agreement B dated November 17, 1998 between the Company, the Lenders referred to therein and The Chase Manhattan Bank, as Agent (as modified and supplemented and in effect from time to time, the "Credit Agreement"). Terms used herein that are defined in the Credit Agreement have the respective meanings given to them in the Credit Agreement.

Attached hereto is a true, correct and complete copy of the Support Agreement.

The undersigned acknowledges that the Lenders have entered into the Credit Agreement, and will make loans to the Company thereunder, in reliance upon the undertakings of the undersigned set forth in the Support Agreement. The undersigned agrees, for the benefit of the Lenders, to perform all of its obligations under the Support Agreement, and not to terminate, modify or amend the Support Agreement without the prior written consent of each of the Lenders, except for modifications or amendments that do not adversely affect the interests of the Lenders under the Credit Agreement.

The undersigned further agrees that the Loans, interest thereon and all other amounts payable by the Company under the Credit Agreement constitute "Debt" for purposes of the Support Agreement, that the Lenders constitute "Holders" for purposes of the Support Agreement and that, as provided in the Support Agreement, each Lender may, upon the occurrence of an Event of Default, proceed directly against the undersigned to obtain payment of any Loan, any interest on any Loan or any other amount payable by the Company under the Credit Agreement.

This letter shall be governed by, and construed in accordance with, the law of the State of New York.

Very truly yours,

FLORIDA PROGRESS CORPORATION

By:_____
Title:

Accepted:

THE CHASE MANHATTAN BANK, as Agent

By_____
Title:

EXHIBIT (a)-3

Merrill Lynch Commercial Paper Issuer memorandum

EXHIBIT (a)-3

Merrill Lynch Commercial Paper Issuer memorandum

Merrill Lynch Money Markets Inc.

Commercial Paper Issuer

PROGRAM REPORT

November 17, 1998

Florida Power Corporation

$400,000,000

COMMERCIAL PAPER NOTES

CREDIT RATINGS [1]

	Commercial Paper
Standard & Poor's Ratings Group	A-1+
Moody's Investors Service, Inc.	P-1
Duff & Phelps Rating Service	D-1+

TERMS OF COMMERCIAL PAPER NOTES

Issuer:	Florida Power Corporation (the "Company") is a subsidiary of Florida Progress Corporation. The company is an operating public utility engaged in the generation, purchase, transmission, distribution and sale of electricity within Florida.
Jurisdiction of Incorporation:	Florida.
Program Size:	Authorized to a maximum outstanding of US$400,000,000.
Securities:	Unsecured notes (the "Notes"), ranking pari passu with Florida Power Corporation's other unsubordinated and unsecured indebtedness.
Exemption:	The Notes are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(3), and cannot be resold unless registered or an exemption from registration is available.
Offering Price:	Par less a discount representing an interest factor or, if interest bearing, at par.

[1] *Such ratings are only accurate as of the date hereof, as they have been obtained with the understanding that Standard & Poor's Ratings Group, Moody's Investors Service and Duff & Phelps Rating Service would continue to monitor the credit of the Company and make future adjustments to such ratings to the extent warranted. The ratings may be changed, superseded or withdrawn, and therefore, a prospective purchaser should check the current ratings before purchasing the Notes.*

Denominations:	Minimum of $100,000.
Maturities:	Up to 270 days from date of issue.
Redemption:	The Notes will not be redeemed prior to maturity or be subject to voluntary prepayment.
Form:	Each Note will be evidenced by (i) a note certificate issued in bearer form or (ii) one of two master notes (interest bearing or discount) registered in the name of the nominee of The Depository Trust Company ("DTC"). Each master note (the "Book-Entry Notes") will be deposited with the Issuing and Paying Agent as subcustodian for DTC or its successor. DTC will record, by appropriate entries on its book-entry registration and transfer system, the respective amounts payable in respect of Book-Entry Notes. Payments by DTC participants to purchasers for whom a DTC participant is acting as agent in respect of Book-Entry Notes will be governed by the standing instructions and customary practices under which securities are held at DTC through DTC participants.
Settlement:	Unless otherwise agreed to, same day basis, in immediately available funds.
Issuing & Paying Agent:	Chase Manhattan Bank 1 Chase Manhattan Plaza Lloyd Bags 212-552-1876

USE OF PROCEEDS

The proceeds from the sale of the Notes will be used for current transactions.

BANK FACILITIES

It is the Company's policy to maintain unused bank lines sufficient to back up 100% of Commercial Paper Notes outstanding. The Company will maintain these unused bank lines at all times except under certain conditions referred to in the Company's agreement with its bank(s).

AVAILABLE INFORMATION

Florida Power Corporation has made financial and other information readily available on Disclosure Inc. and Moody's/Docutronics Information Service, Inc. The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports and other information may be inspected without charge at the public reference facilities maintained by the Commission at 450 Fifth Street, NW, Washington, D.C. 20549, and at the Regional Offices of the Commission. Copies thereof may be obtained from the Commission upon payment of the prescribed fees. If available, such reports and other information may also be accessed through the Commission's electronic data gathering, analysis and retrieval system ("EDGAR") via electronic means, including the Commission's web site on the Internet (http://www.sec.gov). Florida Power Corporation will provide without charge to each purchaser of the Notes, upon oral or written request, a copy of any and all documents filed with the Commission and any and all publicly available financial information. Requests should be directed to: Investor Services, PO Box 33028, St. Petersburg, Fl. 33733 (727) 820-5738. Any other questions can be directed to Merrill Lynch -- Institutional Marketing at (212) 449-0233.

EXHIBIT (a)-4

First Chicago Commercial Paper Offering Memorandum

FIRST CHICAGO CAPITAL MARKETS, INC

Commercial Paper Offering Memorandum

FLORIDA POWER CORPORATION

3201 34th St. South
St. Petersburg, FL 33711

DEBT RATINGS

	Short-Term	Long-Term
Standard & Poor's	A-1+	AA-
Moody's	P-1	Aa3
Duff & Phelps	D-1+	AA-

November 23, 1998

FLORIDA POWER CORPORATION
3(a)(3) COMMERCIAL PAPER PROGRAM
$400,000,000

Florida Power Corporation (the "Company") issues short-term notes (the "Notes") through First Chicago Capital Markets, Inc. as a Dealer ("FCCM" or the "Dealer"). The Chase Manhattan Bank in New York acts as Issuing Agent and Paying Agent with respect to the Notes.

The Notes are exempt from registration under the Securities Act of 1933 of the United States of America. The Notes will be placed with institutional investors by the Dealer. The Notes have maturities of not more than 270 days, are issued in denominations of not less than $100,000 and in increments of $1,000 in excess thereof and are generally sold on a discounted basis. Proceeds from the sale of the Notes will be used for current transactions.

CONTACT: Edward G. Austin
Managing Director
(312) 732-7324

Florida Power Corporation

Florida Power Corporation was incorporated in Florida in 1899 and is an operating public utility engaged in the generation, purchase transmission, distribution and sale of electricity within Florida. The Company became a wholly owned subsidiary of Florida Progress Corporation in March 1982, as a result of a corporate restructuring.

The Company provide electric service during 1997 to an average of 1,300,000 customers, in a service area covering 20,000 square miles in central and northern Florida and along the west coast of the state. The service area includes the densely populated areas around Orlando, as well as the cities of St. Petersburg and Clearwater. Excluding nuclear outage costs, Florida Power's 1997 earnings per share were up 3 3 percent over 1996, primarily due to continued customer growth. (Florida Power's Crystal River nuclear plant was out of service for 1997. It returned to service in February 1998) Customer growth among residential and commercial customers averaged about 2 percent in 1997 and 1996. Important industries in the territory include phosphate and rock mining and processing, and electronics design and manufacturing, and citrus and other food processing. Other important commercial activities are tourism, health care, construction and agriculture.

Bank Lines

Florida Power's interim financing needs are funded primarily through its commercial paper program. The utility has a $300 million 364-day revolving bank credit facility and a $200 million five-year facility, which are used to back up commercial paper.

General

This Offering Circular includes the following documents which are incorporated herein by reference: (i) the latest Annual Report on Form 10-K of the Company, as filed with the Securities and Exchange Commission, and (ii) every subsequent Quarterly Report of the Company on Form 10-Q or Current Report on Form 8-K as so filed. Copies of the foregoing documents are available from the Dealer, One First National Plaza, Mail Suite 0033, Chicago, Illinois 60670-0033, Attention: Edward G. Austin, telephone (312) 732-7324.

The attached Offering Memorandum was prepared from information provided by Florida Power Corporation. FCCM makes no representation or warranty, express or implied, as to the accuracy or completeness of any of the information contained in this Offering Memorandum or in any document for the time being incorporated herein by reference and FCCM accepts no responsibility for the accuracy or completeness thereof. This Offering Memorandum is not intended to provide the sole basis of any credit or other evaluation. A potential purchaser of the Notes should determine for itself the relevance of the information contained in the Offering Memorandum and its decision whether or not to purchase Notes should be based on such investigation as it deems necessary.

This Offering Memorandum is for information purposes only and does not constitute an offer or invitation by or on behalf of Florida Power Corporation, FCCM or any other person to tender for or subscribe or purchase any Notes. No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, any such information or representation must not be relied upon as having been authorized.

The First National Bank of Chicago and other banking affiliates of FCCM may participate on a regular basis in various general financing and banking transactions and services for Florida Power Corporation. Proceeds from the sales of the Notes may be used to repay indebtedness of Florida Power Corporation to

Proceeds from the sales of the Notes may be used to repay indebtedness of Florida Power Corporation to any lending affiliate of FCCM.

FCCM, a wholly owned subsidiary of First Chicago NBD Corporation, is a separate entity from the lending affiliates. Unless otherwise disclosed, securities sold, offered or recommended by FCCM are not deposits, are not insured by the Federal Deposit Insurance Corporation, are not guaranteed by any lending affiliate of FCCM, and are not otherwise an obligation or responsibility of any lending affiliate of FCCM.

FLORIDA POWER CORPORATION
Balance Sheets
For the years ended December 31, 1997, and 1996
(Dollars in millions)

	1997	1996
ASSETS		
PROPERTY, PLANT AND EQUIPMENT:		
Electric utility plant in service and held for future use	$6,166.8	$5,965.6
Less - Accumulated depreciation	2,511.0	2,335.8
Accumulated decommissioning for nuclear plant	223.7	193.3
Accumulated dismantlement for fossil plants	128.5	119.6
	3,303.6	3,316.9
Construction work in progress	279.4	140.3
Nuclear fuel, net of amortization of $356.7 in 1997 and $356.7 in 1996	66.5	59.9
	3,649.5	3,517.1
Other property, net	33.2	13.3
	3,682.7	3,530.4
CURRENT ASSETS:		
Accounts receivable, less reserve of $3.2 in 1997 and $4.1 in 1996	243.9	174.7
Inventories at average cost:		
Fuel	44.0	47.2
Materials and supplies	91.9	95.4
Underrecovery of fuel cost	34.5	82.6
Income tax receivable	13.5	-
Deferred income taxes	5.8	35.6
Other	32.2	6.2
	465.8	441.7
OTHER ASSETS:		
Nuclear plant decommissioning fund	266.7	207.8
Unamortized debt expense, being amortized over term of debt	25.0	25.0
Deferred purchased power contract termination costs	348.2	-
Other	112.4	59.1
	752.3	291.9
	$4,900.8	$4,264.0

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

FLORIDA POWER CORPORATION
Balance Sheets
For the years ended December 31, 1997, and 1996
(Dollars in millions)

	1997	1996
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Common stock	$1,004.4	$1,004.4
Retained earnings	763.1	821.1
	1,767.5	1,825.5
CUMULATIVE PREFERRED STOCK:		
Without sinking funds	33.5	33.5
LONG-TERM DEBT	1,745.4	1,296.4
TOTAL CAPITAL	3,546.4	3,155.4
CURRENT LIABILITIES:		
Accounts payable	161.9	115.5
Accounts payable to associated companies	26.5	21.2
Customers' deposits	97.1	81.7
Income taxes payable	-	10.4
Accrued other taxes	7.9	10.0
Accrued interest	45.7	34.8
Other	59.2	47.3
	398.3	320.9
Notes payable	179.8	4.1
Current portion of long-term debt	1.5	21.3
	579.6	346.3
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	451.3	472.3
Unamortized investment tax credits	85.1	92.8
Other postretirement benefit costs	104.7	96.5
Other	133.7	100.7
	774.8	762.3
	$4,900.8	$4,264.0

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

EXHIBIT (a)-6

Prospectus Supplement dated February 10, 1998 together with
Prospectus dated July 1, 1997

PROSPECTUS SUPPLEMENT
(To Prospectus dated July 1, 1997)

$150,000,000

Florida Power Corporation

6¾% Notes due February 1, 2028

Interest Payable February 1 and August 1

The Notes offered hereby (the "Offered Notes") constitute an issue of a series of the Medium-Term Notes, Series B of Florida Power Corporation (the "Company"). Interest on the Offered Notes is payable by the Company semi-annually in arrears on February 1 and August 1 of each year, commencing August 1, 1998. The Offered Notes may be redeemed at any time at the option of the Company, in whole or in part, at a redemption price equal to the sum of (i) the principal amount of the Offered Notes being redeemed, plus accrued interest to the redemption date, and (ii) the Make-Whole Amount, if any. See "Certain Terms of the Offered Notes — Optional Redemption."

The Offered Notes will be represented by a Global Security registered in the name of The Depository Trust Company (the "Depositary") or its nominee. Beneficial interests in the Global Securities will be shown on, and transfers thereof will be effected only through, records maintained by the Depositary and its participants. Except as described in the accompanying Prospectus, Offered Notes in certificated form will not be issued. See "Description of Notes."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public(1)	*Underwriting Discounts and Commissions(2)*	*Proceeds to Company(1)(3)*
Per Offered Note	99.709%	0.875%	98.834%
Total	$149,563,500	$1,312,500	$148,251,000

(1) Plus accrued interest, if any, from February 13, 1998.
(2) See "Underwriting."
(3) Before deducting expenses estimated at $80,000, which are payable by the Company.

The Offered Notes are offered by the Underwriters, subject to prior sale, when and as if delivered to and accepted by the Underwriters, subject to their right to reject orders in whole or in part, and subject to approval of certain legal matters by Jones, Day, Reavis & Pogue, counsel to the Underwriters. It is expected that delivery of the Offered Notes will be made through the facilities of the Depositary, against payment therefor in same-day funds, on or about February 13, 1998.

PaineWebber Incorporated

First Chicago Capital Markets, Inc.

J.P. Morgan & Co.

The date of this Prospectus Supplement is February 10, 1998.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE OFFERED NOTES. SUCH TRANSACTIONS MAY INCLUDE THE PURCHASE OF OFFERED NOTES IN THE OPEN MARKET TO STABILIZE THE MARKET PRICE OF THE OFFERED NOTES AND THE PURCHASE OF OFFERED NOTES TO COVER SHORT POSITIONS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

THE COMPANY

Florida Power Corporation, a wholly-owned subsidiary of Florida Progress Corporation, was incorporated in Florida in 1899 and has its principal executive office at 3201 34th Street South, St. Petersburg, Florida 33711, telephone number (813) 866-5151. The Company is an operating public utility engaged in the generation, purchase, transmission, distribution and sale of electricity primarily within the State of Florida. The Company's service area, with a population of about 4.5 million, comprises approximately 20,000 square miles in west central Florida and includes the densely populated areas around Orlando, as well as the cities of St. Petersburg and Clearwater. During the twelve months ended December 31, 1997, the Company served an average of approximately 1,315,000 customers. The Company has a system generating capacity of 7,717 megawatts, and its energy mix (on a megawatt hour basis) for the twelve months ended December 31, 1997, was approximately 45% coal, 18% oil, 6% gas and 31% purchased power. The Company's only nuclear unit, the Crystal River unit, was out of service throughout 1997.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the Company's ratio of earnings to fixed charges for the periods indicated:

Year Ended December 31,				
1997	1996	1995	1994	1993
2.75	4.80	4.41	3.90	3.83

For purposes of computing the ratio of earnings to fixed charges, earnings consist of net income plus income taxes and fixed charges. Fixed charges consist of gross interest expense including amortization of debt expense, discount or premium.

USE OF PROCEEDS

The Company intends to use the net proceeds from the sale of the Offered Notes, together with certain other funds, to redeem in March 1998 all of the Company's outstanding $150,000,000 principal amount of First Mortgage Bonds, 8⅛% Series due November 1, 2021 at a redemption price of 105.17% of the principal amount thereof, together with accrued interest to the date of redemption. The redemption is subject to formal board action, which is expected to occur within the next week.

CERTAIN TERMS OF THE OFFERED NOTES

General

The Offered Notes will mature on the date and bear interest at the rate, payable semi-annually in arrears on the dates, as set forth on the front cover of this Prospectus Supplement. The regular record dates for the February 1 and August 1 interest payment dates will be January 15 and July 15, respectively. The Offered Notes are not subject to any sinking fund. For other terms applicable to the Offered Notes not described under "Optional Redemption" below, see "Description of Notes" in the Prospectus.

Optional Redemption

The Offered Notes may be redeemed at any time at the option of the Company, in whole or in part, at a redemption price equal to the sum of (i) the principal amount of the Offered Notes being redeemed, plus accrued interest thereon to the redemption date, and (ii) the Make-Whole Amount, if any, with respect to such Offered Notes (the "Redemption Price").

"Make-Whole Amount" means the excess, if any, of (i) the aggregate present value as of the date of any optional redemption of each dollar of principal being redeemed and the amount of interest (exclusive of interest accrued to the date of redemption) that would have been payable in respect of such dollar if such redemption had not been made, determined by discounting, on a semi-annual basis, such principal and interest at the Reinvestment Rate (determined on the third Business Day preceding the date notice of such redemption is given) from the respective dates on which such principal and interest would have been payable if such redemption had not been made, over (ii) the aggregate principal amount of the Offered Notes being redeemed.

"Reinvestment Rate" means .15% (fifteen one-hundredths of one percent) plus the arithmetic mean of the yields under the respective headings "This Week" and "Last Week" published in the Statistical Release under the caption "Treasury Constant Maturities" for the maturity (rounded to the nearest month) corresponding to the remaining life to maturity, as of the payment date of the principal being redeemed. If no maturity exactly corresponds to such maturity, yields for the two published maturities most closely corresponding to such maturity shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make-Whole Amount shall be used.

"Statistical Release" means the statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded United States government securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination under the Indenture, then such other reasonably comparable index which shall be designated by the Company.

Written notice of any optional redemption of any Offered Notes will be given by mail, first-class postage prepaid, to holders at their respective addresses, as shown in the security register, not more than 60 nor less than 30 days prior to the date fixed for redemption. The notice of redemption will specify, among other items, the Redemption Price and the principal amount of the Offered Notes held by such holder to be redeemed. If less than all the Offered Notes are to be redeemed, the Company will notify the Trustee at least 60 days prior to the redemption of the aggregate principal amount of Offered Notes to be redeemed and their redemption date. The Trustee shall select, in such manner as it shall deem fair and appropriate, Offered Notes to be redeemed in whole or in part. Offered Notes may be redeemed in part in denominations of $1,000 or in any integral multiple thereof. If notice of redemption of the Offered Notes has been given as provided in the Indenture and funds for the redemption of any Offered Notes called for redemption shall have been made available on the redemption date referred to in such notice, such Offered Notes will cease to bear interest on the date fixed for such redemption specified in such notice and the only right of the holders of the Offered Notes will be to receive payment of the Redemption Price.

UNDERWRITING

Subject to the terms and conditions contained in a Terms Agreement dated February 10, 1998 (the "Terms Agreement"), the Company has agreed to sell to PaineWebber Incorporated, First Chicago Capital Markets, Inc. and J.P. Morgan Securities Inc. (collectively, the "Underwriters"), and the Underwriters have severally agreed to purchase, the respective principal amount of Offered Notes set forth opposite their names below. The Terms Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent, and that the Underwriters will be obligated to purchase all of the Offered Notes if any are purchased.

Underwriters	Principal Amount
PaineWebber Incorporated	$ 50,000,000
First Chicago Capital Markets, Inc.	50,000,000
J.P. Morgan Securities Inc.	50,000,000
Total	$150,000,000

The Underwriters have advised the Company that they propose initially to offer the Offered Notes to the public at the public offering price set forth on the cover page of this Prospectus Supplement, and to certain dealers at such price less a concession not in excess of .50% of the principal amount of the Offered Notes. The Underwriters may allow, and such dealers may reallow, a discount not in excess of .25% of the principal amount of the Offered Notes. After the initial public offering, the public offering price, concession and discount may be changed.

In the Terms Agreement, the Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the Underwriters may be required to make in respect thereof. The issuance of the Offered Notes is a new issue of securities with no established trading market. The Company does not intend to apply for listing of the Offered Notes on any national securities exchange. The Company has been advised by the Underwriters that the Underwriters intend to make a market in the Offered Notes. However, the Underwriters are not obligated to do so and may discontinue market-making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Offered Notes.

Until the distribution of the Offered Notes is completed, rules of the SEC may limit the ability of the Underwriters to bid for and purchase the Offered Notes. As an exception to these rules, the Underwriters are permitted to engage in certain transactions that stabilize the price of the Offered Notes. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Offered Notes.

If the Underwriters create a short position in the Offered Notes in connection with this offering, *i.e.*, if the Underwriters sell a greater aggregate principal amount of Offered Notes than are set forth on the cover page of this Prospectus Supplement, the Underwriters may reduce that short position by purchasing Offered Notes in the open market. In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither the Company nor the Underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above might have on the price of the Offered Notes. In addition, neither the Company nor the Underwriters makes any representation that the Underwriters will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

From time to time in the ordinary course of business, affiliates of certain of the Underwriters have engaged, and may in the future engage, in general financing and banking transactions with the Company and its affiliates.

Prospectus

Florida Power Corporation

$850,000,000

Medium-Term Notes, Series B

Due from 9 Months to 30 Years from Date of Issue

Florida Power Corporation, a Florida corporation (the "Company") may offer from time to time its Medium-Term Notes, Series B (the "Notes") in an aggregate principal amount of up to $850,000,000. The Notes will have stated maturities from 9 months to 30 years from the date of issue.

The designations, aggregate principal amount, specific interest rates (or method of calculation), maturities, offering price, sinking fund or other redemption provisions, if any, and other specific terms of Notes will be set forth in Pricing Supplements to this Prospectus. Unless otherwise specified in the applicable Pricing Supplement, the Notes will bear interest at a fixed rate to be determined by the Company at or prior to the sale thereof, with interest payable on February 1 and August 1 of each year and at maturity. See "Description of Notes".

The Notes will be represented by one or more Global Notes (collectively, the "Global Note") registered in the name of a nominee of The Depository Trust Company or another depositary (the "Depositary"), unless the applicable Pricing Supplement specifies that the Notes will be issued in definitive registered form. A beneficial interest in a Global Note will be shown on, and transfers thereof will be effected only through, records maintained by the Depositary and its participants. A beneficial interest in a Global Note will be exchanged for Notes in definitive form only under the limited circumstances described herein or in the applicable Pricing Supplement. See "Description of Notes — Book-Entry System".

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS OR ANY SUPPLEMENT HERETO. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public(1)	Agents' Commissions(2)	Proceeds to Company(2)(3)
Per Note	100%	.125% - .750%	99.875% - 99.250%
Total	$850,000,000	$1,062,500 - $6,375,000	$848,937,500 - $843,625,000

(1) Unless otherwise indicated in the applicable Pricing Supplement, each Note will be issued at 100% of its principal amount.

(2) The Company will pay a commission to J.P. Morgan Securities Inc., PaineWebber Incorporated and First Chicago Capital Markets, Inc. (each, together with any additional or successor agents named in the applicable Pricing Supplement, an "Agent"), in the form of a discount, ranging from .125% to .750% of the price to public of any Note sold through any of them as Agent, depending upon the maturity of such Note. The Company also may sell the Notes to an Agent, as principal, and at prices set forth in the applicable Pricing Supplement, for resale by such Agent at such prices as will be determined by such Agent at the time of such resale. None of the proceeds from a resale of Notes will be received by the Company. The Company has agreed to indemnify each of the Agents against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Plan of Distribution".

(3) Before deduction of estimated expenses of $450,000 payable by the Company.

The Notes are being offered on a continuing basis by the Company through the Agents, who have agreed to use their best efforts to solicit purchases of such Notes, and also may be sold to an Agent or other person, as principal, for resale. The Company reserves the right to sell the Notes directly to investors on its own behalf. The Notes may be sold at the price to the public set forth above to dealers who later resell such Notes to investors. Such dealers may be deemed to be "underwriters" within the meaning of the Securities Act of 1933, as amended. There can be no assurance that the Notes offered hereby will be sold or that there will be a secondary market for the Notes. The Company reserves the right to withdraw, cancel or modify the offer made hereby without notice. The Company or the Agent that solicits any order may reject such order in whole or in part. See "Plan of Distribution".

J.P. Morgan & Co.

PaineWebber Incorporated

First Chicago Capital Markets, Inc.

July 1, 1997

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE NOTES. SPECIFICALLY, THE AGENTS MAY OVERALLOT IN CONNECTION WITH THE OFFERING, AND MAY BID FOR, AND PURCHASE, THE NOTES IN THE OPEN MARKET. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "PLAN OF DISTRIBUTION".

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Prospectus or any supplement hereto, in connection with the offer contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or the Agents. This Prospectus and any supplement hereto do not constitute an offer to sell, or solicitation of an offer to buy, the Notes in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus or any supplement hereto nor any sale made thereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or thereof, or that the information contained or incorporated by reference herein or therein is correct as of any time subsequent to the date hereof or thereof.

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AVAILABLE INFORMATION

The Company and its parent, Florida Progress Corporation, are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). Reports, proxy statements and other information filed by the Company and its parent can be inspected and copied at the SEC's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549, and the following Regional Offices of the SEC: Seven World Trade Center, 13th Floor, New York, New York 10048; and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and copies of such material can be obtained from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The SEC maintains a web site at http://www.sec.gov containing reports, proxy and information statements and other information regarding registrants, including the Company, that file electronically with the SEC. In addition, reports, proxy material and other information concerning the Company's parent may be inspected at the New York Stock Exchange, 20 Broad Street, New York, New York 10005 and at The Pacific Stock Exchange, 301 Pine Street, San Francisco, California 94104.

This Prospectus constitutes a part of Registration Statements on Form S-3 (together with all amendments and exhibits, referred to collectively as the "Registration Statement") filed by the Company with the SEC under the Securities Act of 1933, as amended. This Prospectus does not contain all of the information included in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. Reference is made to the Registration Statement for further information with respect to the Company and the Notes offered hereby.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents heretofore filed by the Company with the SEC (File No. 1-3274) are incorporated herein by reference:

1. Annual Report on Form 10-K for the year ended December 31, 1996, as filed with the SEC on March 27, 1997, as amended by Form 10-K/A-1, as filed with the SEC on May 16, 1997.

2. Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, as filed with the SEC on May 15, 1997.

3. Current Reports on Form 8-K dated January 7, January 23, January 29, February 20, March 28, April 15, May 12, May 27, June 19 and June 25, 1997, as filed with the SEC on January 16, January 28, January 29, February 24, April 4, April 21, May 12, May 28, June 23 and June 30, 1997, respectively.

All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of the offering of the Notes offered hereby shall be deemed to be incorporated by reference in this Prospectus from the date of filing of such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein (or in the accompanying Pricing Supplement) or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person, including any beneficial owner, to whom a copy of this Prospectus has been delivered, on the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Prospectus by reference, other than exhibits to such documents, unless such exhibits are specifically incorporated by reference. Requests for such copies should be directed to: Florida Progress Corporation, Investor Services Department, P.O. Box 14042, St. Petersburg, Florida 33733, or telephone (813) 866-4247 or toll-free (800) 937-2640.

THE COMPANY

Florida Power Corporation, a wholly owned subsidiary of Florida Progress Corporation, was incorporated in Florida in 1899 and has its principal executive office at 3201 34th Street South, St. Petersburg, Florida 33711, telephone number (813) 866-5151. The Company is an operating public utility engaged in the generation, purchase, transmission, distribution and sale of electricity primarily within the State of Florida. The Company's service area, with a population of about 4.5 million, comprises approximately 20,000 square miles in west central Florida and includes the densely populated areas around Orlando, as well as the cities of St. Petersburg and Clearwater. During the twelve months ended December 31, 1996, the Company served an average of approximately 1,290,000 customers. The Company has a system generating capacity of 7,341 megawatts, and its energy mix (on a megawatt hour basis) for the twelve months ended December 31, 1996, was approximately 43% coal, 16% oil, 3% gas, 6% nuclear and 32% purchased power.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the Company's ratio of earnings to fixed charges for the periods indicated:

Year Ended December 31,				
1996	1995	1994	1993	1992
4.80	4.41	3.90	3.83	3.84

For purposes of computing the ratio of earnings to fixed charges, earnings consist of net income plus income taxes and fixed charges. Fixed charges represent gross interest expense including amortization of debt expense, discount or premium.

USE OF PROCEEDS

Except as may otherwise be set forth in the applicable Pricing Supplement, the net proceeds from the sale of the Notes offered hereby will be used for the repayment of short-term debt and/or for other general corporate purposes. At March 31, 1997, the Company had $255.9 million of short-term debt outstanding with a weighted average interest rate of 5.44%.

DESCRIPTION OF NOTES

The Notes will be issued under an indenture dated as of August 15, 1992 (the "Indenture") between the Company and The First National Bank of Chicago, successor trustee (the "Trustee"). The form of the Indenture is filed as an exhibit to the Registration Statement of which this Prospectus forms a part and is incorporated herein by this reference. The Indenture is subject to and governed by the Trust Indenture Act of 1939, as amended (the "TIA"). The following description of certain of the terms of the Notes will apply unless otherwise set forth in the applicable Pricing Supplement. The statements made under this heading relating to the Notes and the Indenture are summaries of the provisions thereof and do not purport to be complete and are subject to, and qualified in their entirety by, reference to the Indenture, including the definitions of certain terms therein. Unless otherwise indicated, parenthetical references below are to the Indenture.

General

The Notes will be offered on a continuing basis and each Note will mature from 9 months to 30 years from its date of issue. The Notes offered hereby will be limited to U.S. $850,000,000 aggregate amount or the equivalent in one or more foreign currencies, currency units or composite currencies (together with the U.S. dollar, each a "currency").

The Notes will be unsecured and will rank equally with all other unsecured and unsubordinated indebtedness of the Company. Substantially all of the Company's assets are subject to a first and prior lien in favor of holders of the Company's First Mortgage Bonds (the "Bonds"), of which approximately $835 million aggregate principal amount were outstanding on December 31, 1996. Under the terms of the indenture of mortgage relating to the Bonds, additional Bonds of any series may be issued from time to time upon the satisfaction of certain conditions. As of December 31, 1996, under the indenture of mortgage, the bondable value of property additions was approximately $3.0 billion, permitting the issuance of approximately $1.8 billion of additional Bonds; and approximately another

$181.4 million of Bonds could be issued in respect of Bonds previously authenticated which have been canceled or delivered for cancellation.

The Indenture provides that, in addition to the Notes offered hereby, additional debt securities (including both interest bearing and original issue discount securities in both bearer form and certificated or book-entry registered form) may be issued thereunder, without limitation as to the aggregate principal amount. (Section 301). All or a portion of such additional debt securities may also be designated as Medium-Term Notes, Series B, which together with the $850,000,000 principal amount of Medium-Term Notes, Series B offered hereby, and the $30,700,000 principal amount of Medium-Term Notes, Series B issued in April 1993, shall constitute one series of securities established by the Company pursuant to the Indenture. All securities issued under the Indenture, including the Notes offered hereby, are herein collectively referred to as the "Securities". The Indenture does not limit the amount of other debt, secured or unsecured, that may be issued by the Company.

No service charge will be made for any transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. (Section 305).

The applicable Pricing Supplement for each Note will state the following: (i) the designation of such Note, (ii) the principal amount of such Note; (iii) the date on which such Note will be issued; (iv) the Stated Maturity of such Note; (v) the rate per annum at which such Note will bear interest (or the method of calculation of such interest); (vi) the offering price of such Note; (vii) the redemption or sinking fund provisions, if any, of such Note; and (viii) additional terms, if any, applicable to such Note.

Unless otherwise specified in the applicable Pricing Supplement, each Note will bear interest at a fixed annual rate (a "Fixed Rate Note") and be denominated in U.S. dollars in denominations of $1,000 or any integral multiple thereof. Unless otherwise specified in the applicable Pricing Supplement, the Notes will initially be represented by one or more global securities registered in the name of a nominee of the Depositary and the denomination of any Note issued in global form will not exceed $200,000,000 without the approval of the Depositary. See "Book-Entry System".

Unless otherwise specified in the applicable Pricing Supplement, interest on each Note will be payable on each Interest Payment Date and at Maturity. Any interest other than at Maturity will be payable to the person in whose name a Note (or any Predecessor Note) is registered at the close of business on the Regular Record Date next preceding the Interest Payment Date, subject to certain exceptions; provided, however, that if a Note is issued between a Regular Record Date and the Interest Payment Date pertaining thereto, the initial interest payment will be made on the Interest Payment Date following the next succeeding Regular Record Date to the holder on such Regular Record Date. Interest payable at Maturity will be paid to the person to whom the principal of the Note is paid.

Fixed Rate Notes

Each Fixed Rate Note will mature on any day from 9 months to 30 years from the date of issue selected by the initial purchaser and agreed to by the Company. Unless otherwise specified in the applicable Pricing Supplement, each Fixed Rate Note will bear interest on the principal amount thereof from its date of issue at the annual rate stated in the applicable Pricing Supplement until the principal thereof is paid or duly made available for payment. Unless otherwise specified in the applicable Pricing Supplement, the "Interest Payment Dates" for Fixed Rate Notes will be on February 1 and August 1 of each year and the "Regular Record Dates" for Fixed Rate Notes will be the January 15 and July 15, respectively, immediately preceding an Interest Payment Date. Unless otherwise specified in the applicable Pricing Supplement, interest on Fixed Rate Notes will accrue from and including the date of issue or from and including the next preceding Interest Payment Date to which interest has been duly paid or provided for, as the case may be, to but excluding the next succeeding Interest Payment Date or the date of Maturity, as the case may be. Any payment of principal, premium or interest required to be made on a Fixed Rate Note on a day that is not a Business Day need not be made on such day, but may be made on the next succeeding Business Day with the same force and effect as if made on such day and no interest shall accrue as a result of such delayed payment. Unless otherwise specified in the applicable Pricing Supplement, interest on Fixed Rate Notes will be computed and paid on the basis of a 360-day year of twelve 30-day months.

Floating Rate Notes

The Company may from time to time offer Notes that bear a floating rate of interest, which may include interest rates based on rates for negotiable certificates of deposit, commercial paper or federal funds or on LIBOR, prime or base lending rates or Treasury bill rates. The applicable Pricing Supplement for such a Note will set forth the particular

terms of such Note, including the interest rate basis, the Interest Payment Dates, the Regular Record Dates and the other terms of such Note.

Other Notes

The Company may from time to time offer Notes denominated or payable in a currency other than U.S. dollars. In addition, the Company may from time to time offer Notes the principal amount of which payable on the maturity date or the interest thereon may be determined (i) by reference to the rate of exchange between one or more currencies, (ii) by reference to other indices or (iii) in such other manner as is specified in the applicable Pricing Supplement.

An investment in foreign currency Notes or currency indexed Notes entails significant risks that are not associated with investments in instruments denominated or payable in U.S. dollars and the extent and nature of such risks change continuously. Such Notes are not an appropriate investment for prospective purchasers who are unsophisticated with respect to foreign currency matters. These risks vary depending upon the currency or currencies involved and will be more fully described in the applicable Pricing Supplement.

Book-Entry System

Except as described below, the Notes will be issued in whole or in part in the form of one or more global securities (each a "Global Note") that will be deposited with, or on behalf of, The Depository Trust Company, New York, New York ("DTC") or such other depositary as is designated by the Company (DTC or such other depositary, the "Depositary"), and registered in the name of a nominee of the Depositary.

Upon issuance, all Notes having the same terms, including, but not limited to, the same Interest Payment Dates, rates of interest, Stated Maturity and sinking fund or redemption provisions, if any, will be represented by one or more Global Notes. Notes will not be exchangeable for Notes in certificated form and, except under the circumstances described below, will not otherwise be issuable in certificated form.

So long as the Depositary for a Global Note, or its nominee, is the registered owner of such Global Note, the Depositary or its nominee, as the case may be, will be considered the sole holder of the Notes represented by such Global Note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a Global Note will not be entitled to have Notes represented by such Global Note registered in their names, will not receive or be entitled to receive physical delivery of Notes in certificated form and will not be considered the owners or holders thereof under the Indenture. The laws of some states require that certain purchasers of securities take physical delivery of such securities in certificated form. Such laws may impair the ability to transfer beneficial interests in a Global Note.

If the Depositary is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by the Company within 90 days, the Company will issue individual Notes in certificated form in exchange for such Global Notes. In addition, the Company may at any time and in its sole discretion determine not to have any Notes represented by one or more Global Notes and, in such event, will issue individual Notes in certificated form in exchange for the Global Notes representing the corresponding Notes. In any such instance, an owner of a beneficial interest in a Note represented by a Global Note will be entitled to physical delivery of individual Notes in certificated form equal in principal amount to the principal amount of Notes so owned and to have such Notes in certificated form registered in its name. Individual Notes in certificated form so issued will be issued as registered Notes in denominations, unless otherwise specified by the Company, of $1,000 and integral multiples thereof.

The following is based solely on information furnished by DTC:

Unless otherwise specified in the applicable Pricing Supplement, DTC will act as securities depository for the Notes. The Notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Note certificate will be issued for each issue of the Notes, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $200 million, one certificate will be issued with respect to each $200 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue, unless otherwise approved by DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency"

registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the SEC.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. A Beneficial Owner will not receive written confirmation from DTC of its purchase, but such Beneficial Owner is expected to receive a written confirmation providing details of the transaction, as well as periodic statements of its holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

If the Notes are redeemable, redemption notices shall be sent to Cede & Co. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Notes. Under its usual procedures, DTC mails a proxy (an "Omnibus Proxy") to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified on a list attached to the Omnibus Proxy).

Principal, interest and any premium payments on the Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the paying agent with respect to the Notes (the "Paying Agent") or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and any premium to DTC is the responsibility of the Company or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to any series of Notes at any time by giving reasonable notice to the Company or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for such Notes are required to be printed and delivered.

The Company may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) for any series of Notes. In that event, Note certificates will be printed and delivered for such Notes.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources (including DTC) that the Company believes to be reliable, but neither the Company, any Agent nor any underwriter takes any responsibility for the accuracy thereof.

The Agents and any underwriters of the Notes may be Direct Participants in DTC.

None of the Company, the Trustee or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in a Global Note, or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Events of Default

The Indenture provides, with respect to any series of Securities outstanding thereunder, that the following will constitute Events of Default: (i) default in the payment of any interest upon any Security of that series or of any related coupon and the continuance of such default for 30 days; (ii) default in the payment of the principal of or any premium on any Security of that series when due, whether at maturity, by acceleration, upon redemption or otherwise; (iii) default in the performance, or breach, of any covenant or agreement of the Company in the Indenture with respect to any Security of that series, and the continuance of such default or breach for a period of 90 days after written notice as provided in the Indenture; (iv) default resulting from the failure of the Company to pay when due (including any applicable grace period) the principal of or interest on, or default resulting in the acceleration of the indebtedness under, any evidence of indebtedness for money borrowed by the Company (including Securities of any other series) or any instrument under which there may be issued or by which there may be secured or evidenced any indebtedness of the Company, involving an interest or principal payment or an amount accelerated in excess of $10,000,000, and such default has not been cured, such indebtedness has not been discharged or such acceleration has not been rescinded or annulled within 90 days after written notice as provided in the Indenture; (v) certain events of bankruptcy, insolvency or reorganization relating to the Company; and (vi) any other Event of Default provided under any applicable supplemental indenture or Board Resolution with respect to the Securities of that series. (Section 501). The Company is required to file with the Trustee, annually, an officers' certificate as to the Company's compliance with all conditions and covenants under the Indenture. (Section 1004). The Indenture provides that the Trustee may withhold notice to the holders of any series of Securities of any default (except payment defaults on any Security of that series) if it considers it in the interest of the holders of the Securities of that series to do so. (Section 601).

If any Event of Default with respect to the Securities of a particular series shall occur and be continuing, then the Trustee or the holders of not less than 25% in principal amount of the Securities of that series then Outstanding may declare the principal of and interest on the Securities of that series then Outstanding to be due and payable immediately. (Section 502).

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default with respect to the Securities of a particular series shall occur and be continuing the Trustee shall be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders of the Securities of a particular series, unless such holders have offered to the Trustee reasonable security or indemnity against the expenses and liabilities which might be incurred by it in compliance with such request or direction. (Sections 315 of the TIA and 602 of the Indenture). Subject to such provisions for the indemnification of the Trustee, the holders of a majority in principal amount of the Securities of a particular series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee under the Indenture, or exercising any trust or power conferred on the Trustee with respect to the Securities of that series. (Section 512).

The holders of a majority in principal amount of the Securities of any series then Outstanding may on behalf of the holders of all the Securities of that series waive any past default and its consequences with respect to the Securities of that series, except a default (i) in the payment of the principal of, or interest (or premium, if any) on any of the Securities of that series, or (ii) in respect of a covenant or provision that cannot be modified or amended without the consent of the holder of each Security of that series then Outstanding affected thereby. (Section 513).

Modification or Waiver

Modification and amendment of the Indenture may be made by the Company and the Trustee with the consent of the holders of a majority in principal amount of all Outstanding Securities of any series (such modification and amendment shall not, however, affect the rights of the holders of any other series of Securities issued under the Indenture); provided that no such modification or amendment shall, without the consent of the holder of each Outstanding Security of such series affected thereby, among other things: (i) change the Stated Maturity of the principal of or any installment of interest on any such Security; (ii) reduce the principal amount or the rate of interest on or any premium payable upon the redemption of any such Security; or (iii) reduce the above-stated percentage of holders of such Outstanding Securities necessary to modify or amend the Indenture or to consent to any waiver thereunder. (Section 902). Modification and amendment of the Indenture may be made by the Company and the Trustee without the consent of the holders of the Securities to, among other things, (i) add to the covenants and Events of Default of the Company for the benefit of such holders or (ii) make certain other modifications, generally of a ministerial nature. (Section 901).

Defeasance and Covenant Defeasance

Unless otherwise specified in the applicable Pricing Supplement, the Company may elect either (a) to defease and be discharged from any and all obligations with respect to the Notes (except for the obligations with respect to transfer or exchange of the Notes, to replace temporary or mutilated, destroyed, lost or stolen Notes, to maintain an office or agency in respect of such Notes and to hold moneys for payment in trust) ("defeasance") (Section 1402) or (b) to be released from its obligations with respect to any covenant, and any omission to comply with such obligations shall not constitute a default or an Event of Default with respect to such Notes ("covenant defeasance") (Section 1403), in either case upon the irrevocable deposit by or on behalf of the Company with the Trustee (or other qualifying trustee), in trust, of an amount, in cash or Government Obligations (as defined) which through the payment of principal and interest in accordance with their terms will provide money in an amount sufficient to pay the principal of (and premium, if any) and interest, if any, on such Notes, and any mandatory sinking fund or analogous payments thereon, on the scheduled due dates therefor. (Section 1404).

Such a trust may only be established if, among other things, the Company has delivered to the Trustee an Opinion of Counsel to the effect that the holders of such Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred, and such Opinion of Counsel, in the case of defeasance under clause (a) above, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable United States federal income tax law occurring after the date of the Indenture. (Section 1404).

The applicable Pricing Supplement may further describe the provisions, if any, permitting such defeasance or covenant defeasance, including any modifications to the provisions described above with respect to any particular series of Notes.

Resignation or Removal of Trustee

The Trustee may resign or be removed with respect to one or more series of Securities and a successor Trustee may be appointed to act with respect to such series. So long as no Event of Default or event which, after notice or lapse of time, or both, would become an Event of Default has occurred and is continuing, if the Company has delivered to the Trustee a resolution of its Board of Directors appointing a successor trustee and such successor has accepted such appointment in accordance with the terms of the Indenture, the Trustee will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the Indenture. (Section 608).

In the event that two or more persons are acting as Trustee with respect to different series of Securities issued under the Indenture, each such Trustee shall be a Trustee of a trust under such Indenture separate and apart from the trust administered by any other such Trustee (Section 609), and any action described herein to be taken by the "Trustee" may then be taken by each such Trustee with respect to, and only with respect to, the one or more series of Securities for which it is Trustee.

Concerning the Trustee

The Trustee is one of a number of banks with which the Company and Progress Capital Holdings, Inc. ("PCH"), a subsidiary of Florida Progress Corporation, maintain ordinary banking relationships and from which the Company and PCH have obtained credit facilities and lines of credit. First Chicago Trust Company of New York, an affiliate of the Trustee, is trustee under the Indenture dated January 1, 1944, as supplemented, pursuant to which the Company issues its Bonds. First Chicago Capital Markets, Inc., one of the Agents, also is an affiliate of the Trustee.

PLAN OF DISTRIBUTION

The Notes are offered on a continuing basis by the Company through the Agents, who have agreed to use their best efforts to solicit purchases of the Notes. The Company may also sell Notes directly to investors on its own behalf or to an Agent as principal and may appoint additional agents to solicit and receive offers to purchase the Notes. Unless otherwise agreed by the Company and the Agents, the Company will have the sole right to accept offers to purchase Notes and may reject any proposed purchase of Notes in whole or in part. Each Agent will have the right, in its discretion reasonably exercised, to reject any proposed purchase of Notes in whole or in part. The Company will pay each Agent a commission, in the form of a discount, ranging from .125% to .750% of the price to the public of any Note sold through such Agent, depending on the maturity of such Note.

In addition, the Agents may offer the Notes they have purchased as principal to other dealers. The Agents may sell Notes to any dealer at a discount and, unless otherwise specified in the applicable Pricing Supplement, such discount allowed to any dealer will not be in excess of 66⅔% of the discount to be received by such Agent from the Company.

Unless otherwise indicated in the applicable Pricing Supplement, any Note sold to an Agent as principal will be purchased by such Agent at a price equal to 100% of the principal amount thereof less a percentage equal to the commission applicable to an agency sale of a Note of identical maturity, and may be resold by the Agent to investors and other purchasers from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale or may be resold to certain dealers as described above. After the initial public offering of Notes to be resold to investors and other purchasers on a fixed public offering price basis, the public offering price, concession and discount may be changed.

Unless otherwise specified in the applicable Pricing Supplement, payment of the purchase price of the Notes acquired through the Agents acting as agents is required to be made in funds immediately available in New York, New York.

The Agents may be deemed to be "underwriters" within the meaning of the Securities Act of 1933, as amended (the "Securities Act"). The Company has agreed to indemnify the Agents against certain liabilities, including liabilities under the Securities Act.

In connection with the offering of the Notes, the Agents may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Agents may overallot in connection with the offering of the Notes, creating a short position. In addition, the Agents may bid for and purchase Notes in the open market to cover short positions or to stabilize the price of the Notes. Finally, the Agents may reclaim selling concessions allowed for distributing the Notes in the offering of the Notes, if the Agents repurchase previously distributed Notes in covering transactions, stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Notes above independent market levels. The Agents are not required to engage in any of these activities, and may end any of them at any time.

LEGAL MATTERS

Certain matters relating to the legality of the Notes will be passed upon for the Company by Kenneth E. Armstrong, Esq., Vice President and General Counsel of Florida Progress Corporation, acting as counsel for the Company, and for the Agents by Jones, Day, Reavis & Pogue, Chicago, Illinois, except that matters of Florida law will be passed upon only by Kenneth E. Armstrong, Esq. Jones, Day, Reavis & Pogue has from time to time and continues to represent the Company in connection with certain limited matters.

EXPERTS

The financial statements and schedules as of December 31, 1996 and 1995, and for each of the years in the three-year period ended December 31, 1996, included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, have been incorporated by reference herein and in the Registration Statement in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The statements made herein and in the documents incorporated herein by reference that relate to matters of law or express legal conclusions are made on the authority of Kenneth E. Armstrong, Esq., Vice President and General Counsel of Florida Progress Corporation, as an expert, and are included herein upon the authority of such counsel.

EXPERTS

The financial statements and schedules as of December 31, 1996 and 1995, and for each of the years in the three-year period ended December 31, 1996, included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996, have been incorporated by reference herein and in the Registration Statement in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The statements made herein and in the documents incorporated herein by reference that relate to matters of law or express legal conclusions are made on the authority of Kenneth E. Armstrong, Esq., Vice President and General Counsel of Florida Progress Corporation, as an expert, and are included herein upon the authority of such counsel.

No person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this Prospectus Supplement or the Prospectus and, if given or made, such other information and representations must not be relied upon as having been authorized by the Company or any underwriter. Neither the delivery of this Prospectus Supplement or the Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date. This Prospectus Supplement and the Prospectus do not constitute an offer to sell or a solicitation of an offer to buy any securities other than the registered securities to which they relate. This Prospectus Supplement and the Prospectus do not constitute an offer to sell or a solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful.

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PROSPECTUS SUPPLEMENT

$150,000,000

Florida Power Corporation

6¾% Notes

Due February 1, 2028

PROSPECTUS SUPPLEMENT

PaineWebber Incorporated

First Chicago Capital Markets, Inc.

J.P. Morgan & Co.

February 10, 1998

EXHIBIT (b)-1

Opinion of Kenneth E. Armstrong

Doc. No. 16

Florida Power
CORPORATION

Kenneth E. Armstrong
Vice President and General Counsel

February 13, 1998

PaineWebber Incorporated
First Chicago Capital Markets, Inc.
J.P. Morgan Securities Inc.
c/o PaineWebber Incorporated
1285 Avenue of the Americas
New York, NY 10019

RE: Florida Power Corporation
$150,000,000 6-3/4% Medium-Term Notes, Series B,
due February 1, 2028 (the "Notes")

Ladies and Gentlemen:

I am Vice President and General Counsel of Florida Power Corporation (the "Company"). As counsel to the Company in connection with the issuance of its Medium-Term Notes, Series B, I have delivered to PaineWebber Incorporated, J.P. Morgan Securities Inc. and First Chicago Capital Markets, Inc. an opinion dated July 1, 1997 pursuant to Section 7(c) of the Amended and Restated Distribution Agreement dated as of April 23, 1996 (the "Distribution Agreement") between the Company and you, as agents. This is to advise you that the addressees of this letter may rely upon such opinion as if it were dated the date hereof, except that all references therein to the "Registration Statement" and "Prospectus" shall be deemed to mean the Registration Statement and Prospectus as amended and supplemented to the date hereof.

In connection with the delivery of this letter, I have examined the Prospectus Supplement dated February 10, 1998 relating to the above-referenced Notes.

This letter is delivered to you pursuant to Section 7(c) of the Distribution Agreement, and pursuant to the Terms Agreement dated February 10, 1998 relating to the Notes.

Very truly yours,

Kenneth E. Armstrong
Vice President and General Counsel

P:/Power.MTN/PricDocs.98

Doc. No. 29

Florida Power
CORPORATION

Kenneth E. Armstrong
Vice President and General Counsel

July 1, 1997

J.P. Morgan Securities Inc.
New York, New York

PaineWebber Incorporated
New York, New York

First Chicago Capital Markets, Inc.
Chicago, Illinois

Re: $850,000,000 Florida Power Corporation Medium-Term Notes, Series B

Ladies and Gentlemen:

This opinion is being rendered to you pursuant to Section 7(c) of the Amended and Restated Distribution Agreement dated April 23, 1996 (the "Distribution Agreement") between Florida Power Corporation (the "Company") and J.P. Morgan Securities Inc., PaineWebber Incorporated and First Chicago Capital Markets, Inc., in connection with the possible issuance and sale by the Company of up to $850,000,000 Medium-Term Notes, Series B (the "Notes") pursuant to an Indenture dated as of August 15, 1992 (the "Indenture") between the Company and The First National Bank of Chicago, as successor trustee (the "Trustee").

I am Vice President and General Counsel of the Company. I and members of the legal department of Florida Progress Corporation, the Company's parent, have been designated by the Company's Board of Directors to act as counsel to the Company in connection with the issuance and sale of the Notes. We are generally familiar with the Company's business, properties and corporate proceedings, including proceedings authorizing the execution and delivery of the Distribution Agreement and the Indenture and the issuance of the Notes. We have examined copies of the Registration Statements on Form S-3 (Nos. 33-50908, 333-02549 and 333-29897) relating to the Notes as filed with the Securities and Exchange Commission on August 17, 1992, April 16, 1996 and June 24, 1997, respectively, and the related Prospectus dated July 1, 1997, in each case including the documents incorporated therein by reference; the Indenture; the Distribution Agreement; a Company Order dated July 1, 1997 from the Company to the Trustee pursuant to Section 303 of the Indenture (the "Company Order"); an Officers' Certificate dated July 1, 1997 pursuant to Sections 301 and 303 of the Indenture; the forms of certificates representing fixed rate and floating rate Notes attached as exhibits to the Company Order; the Company's Amended Articles of Incorporation, as amended, certified by the Secretary of State of Florida; a copy of the Company's Bylaws, as amended to date, certified by the Assistant

3201 34th Street South (33711) · P.O. Box 14042 (33733) · St. Petersburg, Florida · (813) 866-5153 · FAX (813) 866-4931
A Florida Progress Company

Secretary of the Company; copies of resolutions adopted by the Board of Directors of the Company on July 18, 1991, July 16, 1992, February 7, 1996 and June 16, 1997, certified by the Assistant Secretary of the Company to be true and correct copies thereof (the "Resolutions"); and such other documents and records as I have deemed appropriate.

I express no opinion as to the laws of any jurisdiction other than the State of Florida and the Federal laws of the United States of America. In that regard, I note that the Indenture and the Distribution Agreement each provide that they shall be governed by, and construed in accordance with, the laws of the State of New York.

Capitalized terms used herein and not otherwise defined shall have the meanings as set forth in the Distribution Agreement.

On the basis of and subject to the foregoing, it is my opinion that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Florida.

2. The Company has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus.

3. To the best of my knowledge, the Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify and be in good standing would not have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company.

4. The Distribution Agreement has been duly and validly authorized, executed and delivered by the Company.

5. The Indenture has been duly and validly authorized, executed and delivered by the Company and (assuming the Indenture has been duly authorized, executed and delivered by the Trustee) constitutes a legal, valid and binding agreement of the Company, enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting enforcement of creditors' rights generally, or by general principles of equity, and except further as enforcement thereof may be limited by (A) requirements that a claim with respect to any Notes denominated other than in U.S. dollars (or a foreign currency or foreign currency unit judgment in respect of such claim) be converted into United States dollars at a rate of exchange prevailing on a date determined pursuant to applicable law or (B) governmental authority to limit, delay or prohibit the making of payments in foreign currency or currency units or payments outside the United States.

6. The Notes are in due and proper form, have been duly authorized for issuance, offer and sale pursuant to the Distribution Agreement and, when issued, authenticated and delivered pursuant to the provisions of the Distribution Agreement and the Indenture against payment of the consideration therefor, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting enforcement of creditors' rights generally or by general principles of equity, and except further as enforcement thereof may be limited by (A) requirements that a claim with respect to any Notes denominated other than in U.S. dollars (or a foreign currency or foreign currency unit judgment in respect of such claim) be converted into United States dollars at a rate of exchange prevailing on a date determined pursuant to applicable law or (B) governmental authority to limit, delay or prohibit the making of payments in foreign currency or currency units or payments outside the United States, and each holder of Notes will be entitled to the benefits of the Indenture.

7. The statements in the Prospectus under the caption "Description of Notes," insofar as they purport to summarize certain provisions of documents specifically referred to therein, are accurate summaries of such provisions.

8. The Indenture is qualified under the 1939 Act.

9. The Registration Statement is effective under the 1933 Act and, to the best of my knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued under the 1933 Act or proceedings therefor initiated or threatened by the SEC.

10. At the time the Registration Statement became effective, the Registration Statement complied as to form in all material respects with the requirements of the 1933 Act, the 1939 Act and the regulations under each of those Acts.

11. To the best of my knowledge, there are no legal or governmental proceedings pending or threatened which are required to be disclosed in the Prospectus, other than those disclosed therein, and all pending legal or governmental proceedings to which the Company is a party or of which any of the Company's property is the subject which are not described in the Registration Statement, including ordinary routine litigation incidental to the business of the Company, are, considered in the aggregate, not material.

12. To the best of my knowledge, the Company is not in violation of its Amended Articles of Incorporation or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note or lease to which it is a party or by which it or any of them or their properties may be bound. The execution and delivery of the Distribution Agreement or of the Indenture, or the consummation by the Company of the transactions contemplated by the Distribution Agreement and the Notes and the incurrence of the obligations therein contemplated

will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to, any contract, indenture, mortgage, loan agreement, note, lease or other instrument known to me and to which the Company is a party or by which the Company is or may be bound or to which any of the Company's property or assets is subject, or any law, administrative regulation or administrative or court decree known to me to be applicable to the Company of any court or governmental agency, authority or body or any arbitrator having jurisdiction over the Company; nor will such action result in any violation of the provisions of the Amended Articles of Incorporation or by-laws of the Company.

13. To the best of my knowledge, there are no contracts, indentures, mortgages, loan agreements, notes, leases or other instruments or documents required to be described or referred to in the Registration Statement or to be filed as exhibits thereto other than those described or referred to therein or filed or incorporated by reference as exhibits thereto, the descriptions thereof or references thereto are correct, and no default exists in the due performance or observance or any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other instrument so described, referred to, filed or incorporated by reference.

14. No consent, approval, authorization, order or decree of any court or governmental agency or body including the SEC, except for the Florida Public Service Commission (whose approval has been obtained for sales of Notes made during the year in which this opinion is delivered), is required for the consummation by the Company of the transactions contemplated by the Distribution Agreement, except such as may be required under (a) the 1933 Act, the 1939 Act, or the 1933 Act Regulations (all of which have been obtained and are currently in effect), or (b) state securities laws.

15. Each document filed pursuant to the 1934 Act and incorporated by reference in the Prospectus complied when filed as to form in all material respects with the 1934 Act and the 1934 Act Regulations.

16. Except as otherwise described in the Prospectus, the Company owns in fee all of its properties, plants and material fixed units described or referred to in the Prospectus, except that the titles to certain of the properties are subject to easements, leases, contracts, covenants and similar encumbrances and minor defects of the nature common to properties of the size and character of those of the Company, none of which is of the character as to materially interfere with the use of such properties or the operation of the Company's business. The properties of the Company are subject to liens for current taxes which it is the practice of the Company to pay regularly as and when due. The Company has easements for rights-of-way adequate for the operations and maintenance of its transmission and distribution lines which are not constructed upon public highways.

17. Except as otherwise set forth in the Prospectus, the Company has such valid franchises, operating rights, licenses, permits, consents, approvals, authorizations and/or orders of governmental bodies, political subdivisions or regulatory authorities, free from burdensome restrictions, as are necessary for the acquisition, construction, ownership, maintenance and operation of the properties now owned by it and the conduct of business now carried on by it as described in the Registration Statement and Prospectus, and the Company is not in default or violation of any thereof and is carrying on its business in accordance therewith and, to the best of my knowledge, with all applicable federal, state and other laws and regulations.

I have participated in the preparation of the Registration Statement and the Prospectus, and have either participated in the preparation of or have reviewed the documents incorporated by reference therein. Although I have not undertaken to determine independently and cannot assure you as to the accuracy or completeness of the statements contained in the Registration Statement or Prospectus, on the basis of my participation and review, no facts have come to my attention to lead me to believe that the Registration Statement (except for the financial statements and other financial or statistical data included or incorporated by reference therein or omitted therefrom, as to which I express no opinion), at the time it became effective, and at the date hereof, contained or contains an untrue statement of a material fact or omits or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading or that the Prospectus, as amended or supplemented at the date hereof (except for the financial statements and other financial or statistical data included or incorporated by reference therein or omitted therefrom, as to which I express no opinion), contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This opinion may be relied upon by you and your counsel, Jones, Day, Reavis & Pogue, and by The First National Bank of Chicago, in connection with the Distribution Agreement and the Indenture and the transactions contemplated thereby, but may not be used, circulated, quoted or otherwise relied upon by any other person or for any other purpose without my prior written consent.

Very truly yours,

Kenneth E. Armstrong

Kenneth E. Armstrong
Vice President and General Counsel

EXHIBIT (c)-2

Annual Report on Form 10-K for year ended December 31, 1998

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1998

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 No.	Exact name of each Registrant as specified in its charter, state of incorporation, address of principal executive offices, telephone	I.R.S. Employer Identification Number
1-8349	**FLORIDA PROGRESS CORPORATION** A Florida Corporation One Progress Plaza St. Petersburg, Florida 33701 Telephone (727) 824-6400	59-2147112
1-3274	**FLORIDA POWER CORPORATION** A Florida Corporation One Progress Plaza St. Petersburg, Florida 33701 Telephone (727) 820-5151	59-0247770

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Florida Progress Corporation:	
Common Stock without par value and Preferred Stock Purchase Rights	New York Stock Exchange Pacific Stock Exchange
Florida Power Corporation: None	

Securities registered pursuant to Section 12(g) of the Act:

Florida Progress Corporation: None

Florida Power Corporation: Cumulative Preferred Stock, par value $100 per share

Indicate by check mark whether the registrants (1) have 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 registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. YES X . NO .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of each registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

(continued)

The aggregate market value of the voting stock held by non-affiliates of Florida Progress Corporation as of December 31, 1998 was $4,288,659,140 (determined by subtracting the number of shares held by directors and executive officers of Florida Progress Corporation from the total number of shares outstanding, then multiplying the difference times the closing sale price from the New York Stock Exchange Composite Transactions).

The aggregate market value of the voting stock held by non-affiliates of Florida Power Corporation as of February 28, 1999 was $-0-. As of February 28, 1999, there were issued and outstanding 100 shares of Florida Power Corporation's common stock, without par value, all of which were held, beneficially and of record, by Florida Progress Corporation.

The number of shares of Florida Progress Corporation common stock without par value outstanding as of December 31, 1998 was 97,336,826.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for Florida Progress Corporation dated March 11, 1999, relating to the 1999 Annual Meeting of Shareholders, are incorporated by reference in Part III hereof.

This combined Form 10-K represents separate filings by Florida Progress Corporation and Florida Power Corporation. Florida Power Corporation makes no representations as to the information relating to Florida Progress Corporation's diversified operations.

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GLOSSARY

When used herein, the following terms will have the meanings indicated:

TERM	MEANING
1935 Act	Public Utility Holding Company Act of 1935
ABC	ABC Rail Products Corporation
AOC	Administrative Order on Consent
AST	Advanced Separation Technologies, Incorporated
Btu	British thermal units
CAAA	Clean Air Act Amendments of 1990
Calgon	Calgon Carbon Corporation
CERCLA or Superfund	Comprehensive Environmental Response Compensation and Liability Act
Commissioner	Insurance Commissioner of the State of Oklahoma
CR3 or the nuclear plant	Florida Power's nuclear generating plant, Crystal River Unit No. 3
Dade	Metropolitan Dade County
DOE	United States Department of Energy
Echelon	Echelon International Corporation
Electric Fuels	Electric Fuels Corporation
EMF	electromagnetic fields, or electric and magnetic fields
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FDEP	Florida Department of Environmental Protection
FERC	Federal Energy Regulatory Commission
Financial Statements	Florida Progress' Consolidated Financial Statements and Florida Power's Financial Statements, for the year ended December 31, 1998 contained under Item 8 herein
Florida Power or the utility	Florida Power Corporation
Florida Progress	Florida Progress Corporation
FOCAS	FOCAS, Inc.
FPSC	Florida Public Service Commission
FRCC	Florida Reliability Coordinating Council
Georgia Power	Georgia Power Company
KV	kilovolts
KVA	kilovolt amperes
KWH	kilowatt hours
Lake	NCP Lake Power, Inc.
Louisville	Louisville Scrap Material Co., Inc.
LTIP	Florida Progress Long-Term Incentive Plan
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MEMCO	MEMCO Barge Line, Inc.
MICP	Management Incentive Compensation Plan
Mid-Continent	Mid-Continent Life Insurance Company
Montenay	Montenay Power Corporation
MW	megawatts
NEIL	Nuclear Electric Insurance Limited
NERC	North American Electric Reliability Council
NRC	United States Nuclear Regulatory Commission
PCBs	polychlorinated biphenyls
Progress Capital	Progress Capital Holdings, Inc.
Progress Credit	Progress Credit Corporation
Progress Rail	Progress Rail Services Corporation

Proxy Statement	The definitive proxy statement dated March 11, 1999, relating to Florida Progress' 1999 Annual Meeting of Shareholders
PRP	potentially responsible party, as defined in CERCLA
PURPA	Public Utility Regulatory Policies Act of 1978
QFs	qualifying facilities
Retirement Plan	Florida Progress Corporation Retirement Plan for Exempt and Nonexempt Employees
RI/FS	Remedial Investigation and Feasibility Study
Sanford site	gasification plant site, Sanford, Florida
SEC	United States Securities and Exchange Commission
Seminole	Seminole Electric Cooperative, Inc.
SERP	Florida Progress Corporation Supplemental Executive Retirement Plan
SNF	spent nuclear fuel
Title VI	Title VI, Acid Rain Control
TRI	Toxic Release Inventory

PART I

ITEM 1. BUSINESS

FLORIDA PROGRESS

Florida Progress Corporation ("Florida Progress", which term includes consolidated subsidiaries unless otherwise indicated), is a diversified electric utility holding company. Florida Progress' revenues for the year ended December 31, 1998, were $3.6 billion and assets at year-end were $6.2 billion. Its principal executive offices are located at One Progress Plaza, St. Petersburg, Florida 33701, telephone number (727) 824-6400. The Florida Progress home page on the Internet's World Wide Web is located at http://www.fpc.com. Florida Progress was incorporated in Florida on January 21, 1982.

Florida Progress defines its principal business segments as utility and diversified operations. Florida Power Corporation ("Florida Power" or "the utility"), Florida Progress' largest subsidiary, is the utility segment and encompasses all regulated public utility operations. (See Item 1 "Business - Utility Operations - Florida Power".) Progress Capital Holdings, Inc. ("Progress Capital") is the downstream holding company for Florida Progress' diversified subsidiaries which consolidates the financing of non-utility operations. The diversified operations segment includes Electric Fuels Corporation ("Electric Fuels"), an energy and transportation company. The primary segments of Electric Fuels are: Energy and Related Services, Rail Services, and Inland Marine Transportation. (See Item 1 "Business-Diversified Operations.") For information concerning the revenues, operating profit and assets attributable to Florida Progress' business segments, see Note 8 to Florida Progress' consolidated financial statements and Florida Power's financial statements for the year ended December 31, 1998, contained herein under Item 8 (the "Financial Statements"). Cash from operations has been the primary source of working capital for Florida Progress. (See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") under the heading "Liquidity and Capital Resources.")

Florida Progress is a public utility holding company under the Public Utility Holding Company Act of 1935 ("1935 Act"). Florida Progress is exempt from registration with the United States Securities and Exchange Commission ("SEC") under the 1935 Act and attendant regulation because its utility operations are primarily intrastate.

UTILITY OPERATIONS - FLORIDA POWER

Florida Power was incorporated in Florida in 1899, and is an operating public utility engaged in the generation, purchase, transmission, distribution and sale of electricity. Florida Power has a system generating capacity of 7,727 megawatts ("MW"). In 1998, the utility accounted for 73% of Florida Progress' consolidated revenues, 80% of its assets and 89% of its net income.

Florida Power provided electric service during 1998 to an average of 1.3 million customers in west central Florida. The service area covers approximately 20,000 square miles and includes the densely populated areas around Orlando, as well as the cities of St. Petersburg and Clearwater. Of Florida Power's 1998 electric revenues billed, approximately 55% were derived from residential sales, 23% from commercial sales, 8% from industrial sales, 8% from wholesale sales and 6% from

other retail sales. Important industries in the territory include phosphate and rock mining and processing, electronics design and manufacturing, and citrus and other food processing. Other important commercial activities are tourism, health care, construction and agriculture.

COMPETITION

For a general discussion of Florida Power and competition, see Item 7 "MD&A" under the headings "Industry Restructuring" and "Industry Restructuring - Florida Progress' Strategic Initiatives".

In March 1999, the Florida Public Service Commission ("FPSC") approved the petition by Duke Energy to build a merchant plant in New Smyrna Beach, Florida. The unit will have the capability to produce approximately 500 MW of power. The output will be sold in the wholesale power market. (See Item 3 "Legal Proceedings", paragraph 11.)

FUEL AND PURCHASED POWER

GENERAL: Florida Power's consumption of various types of fuel depends on several factors, the most important of which are the demand for electricity by Florida Power's customers, the availability of various generating units, the availability and cost of fuel, and the requirements of federal and state regulatory agencies. Florida Power's energy mix for the last three years is presented in the following table:

ENERGY MIX PERCENTAGES

Fuel Type	1998	1997	1996
Coal	38%	45%	43%
Oil	20%	18%	16%
Nuclear*	15%	0%	6%
Gas	6%	6%	3%
Purchased Power	21%	31%	32%

* See "NUCLEAR" below for information regarding an extended outage at Florida Power's nuclear generating plant beginning in September 1996 and continuing until February 1998.

Florida Power is generally permitted to pass the cost of recoverable fuel and purchased power to its customers through fuel adjustment clauses. In June 1997, Florida Power reached an agreement with all parties who intervened, which was approved by the FPSC, regarding costs related to its extended nuclear outage. This agreement resulted in charges to Florida Power's 1997 results. (See Note 9 to the Financial Statements.)

The future prices for and availability of various fuels discussed in this report cannot be predicted with complete certainty. However, Florida Power believes that its fuel supply contracts, as described below, will be adequate to meet its fuel supply needs.

Florida Power's average fuel costs per million British thermal units ("Btu") for each year of the five-year period ended December 31, 1998, were as follows:

AVERAGE FUEL COST
(per million Btu)

	1998	1997	1996	1995	1994
Coal	$1.89	$1.91	$1.91	$1.93	$1.96
Oil	2.18	2.75	2.80	2.70	2.39
Nuclear	.46	--	.50	.49	.55
Gas	3.22	2.87	2.78	1.98	2.46
Weighted Average	1.81	2.24	2.04	1.69	1.75

OIL AND GAS: Oil is purchased under contracts and in the spot market from several suppliers. The cost of Florida Power's oil is determined by world market conditions. Management believes that Florida Power has access to an adequate supply of oil for the reasonably foreseeable future. Florida Power's natural gas supply is purchased under firm contracts and in the spot market from numerous suppliers and is delivered under firm, released firm and interruptible transportation contracts. Florida Power believes that existing contracts for oil are sufficient to cover its requirements when natural gas transmission that is purchased on an interruptible basis is not available.

NUCLEAR: Florida Power has one nuclear generating plant, Crystal River Unit No. 3 ("CR3" or "the nuclear plant"). After completing a record performance in 1995 by achieving a capacity factor of 100%, CR3 was shut down for much of 1996 and all of 1997. Beginning in February 1996, the plant underwent a scheduled refueling outage that lasted until May 1996, when the plant returned to service. In September 1996, an oil pressure problem in the main turbine forced the plant to shut down until repairs could be made. After the repairs were completed in October, the plant remained down while certain backup safety system design issues were addressed. CR3 returned on-line in February 1998 and achieved a capacity factor of 100% for the remaining portion of 1998. For more information regarding the outage, see Item 7 "MD&A - Operating Results" and Note 9 to the Financial Statements.

Nuclear fuel is processed through four distinct stages. Stage I and Stage II involve the mining and milling of the natural uranium ore to produce a concentrate and the conversion of this uranium concentrate into uranium hexafluoride. Stage III and Stage IV entails the enrichment of the uranium hexafluoride, and the fabrication of the enriched uranium hexafluoride into usable fuel assemblies. Florida Power has contracts in place which provide for a supply of enriched uranium and fuel fabrication through 2004.

It will be necessary for Florida Power to enter into future fuel contracts to cover the differences between the total unit lifetime requirements of CR3 and the requirements covered by existing contracts. Although no assurances can be given as to the future availability or costs of such contracts, Florida Power expects that future contract commitments will be obtained at the appropriate time.

Spent nuclear fuel ("SNF") is stored at CR3 pending disposal under a contract with the United States Department of Energy ("DOE"). (See Note 4 to the Financial Statements.) At the present time, Florida Power has facilities on site for the temporary storage of SNF generated through the year 2011. Florida Power will expand the capacity of its facilities on site in 2000 to allow for the

temporary storage of SNF generated through the end of the license in 2016.

Florida Power and 15 other utilities are involved in litigation against the United States challenging certain retroactive assessments imposed by the federal government on domestic nuclear power companies to fund the decommissioning and decontamination of the government's uranium enrichment facilities. (See Item 5 "Legal Proceedings", paragraph 4.)

COAL: Florida Power anticipates a requirement of approximately 5.0 million to 5.5 million tons of coal in 1999. Most of the coal is expected to be supplied from the Appalachian coal fields of the United States. Approximately two-thirds of the coal is expected to be delivered by rail and the remainder by barge. The coal is supplied by Electric Fuels pursuant to contracts between Florida Power and Electric Fuels which expire in 2002 and 2004. (See Note 11 to the Financial Statements.)

For 1999, Electric Fuels has long-term contracts with various sources for approximately 40% of the coal requirements of Florida Power's coal units. These long-term contracts have price adjustment provisions. Electric Fuels expects to acquire the remainder in the spot market and under short-term contracts. Electric Fuels does not anticipate any problems obtaining the remaining Florida Power requirements for 1999 through short-term contracts and purchases in the spot market. (See Note 11 to the Financial Statements.)

PURCHASED POWER: Florida Power, along with other Florida utilities, buys and sells economy power through the Florida energy brokering system. In addition, Florida Power has long-term contracts for the purchase of approximately 460 MW of purchased power with other utilities, including a contract with The Southern Company for approximately 400 MW. Also, Florida Power has entered into purchased power contracts with certain qualifying facilities ("QFs") for approximately 871 MW of capacity. Facilities representing approximately 831 MW of the 871 MW have come on line and are currently operating. The capacity currently available from QFs represents about 9% of Florida Power's total system capacity. The purchased power component was reduced in 1997 primarily through the purchase of the Tiger Bay Cogeneration Facility. (See Item 2 "Properties - Utility Operations", Item 7 "MD&A - Fuel and Purchased Power" and Note 9 to the Financial Statements.)

REGULATORY MATTERS AND FRANCHISES

Florida Power is subject to the jurisdiction of the FPSC with respect to retail rates, customer service, planning, construction of facilities, accounting, issuance of securities and other matters. In addition, Florida Power is subject to regulation by the Federal Energy Regulatory Commission ("FERC") with respect to transmission and sales of wholesale power, accounting and certain other matters. The underlying concept of utility ratemaking is to set rates at a level that allows the utility to collect revenues equal to its cost of providing service plus a reasonable rate of return on its equity. Increased competition, as a result of industry restructuring, may affect the ratemaking process. (See Item 7 "MD&A - Industry Restructuring".)

The FPSC oversees the retail sales of the state's investor-owned utilities. The FPSC authorizes retail "base rates" that are designed to provide a utility with the opportunity to earn a specific rate of return on its "rate base", or average investment in utility plant. These rates are intended to cover all reasonable and prudent expenses of utility operations and to provide investors with a fair rate of return. The FPSC generally allows utilities to recover fuel, purchased power and conservation costs through an adjustment charge on monthly electric bills. In June 1997, a settlement agreement pertaining to the extended nuclear

outage, with all parties who intervened, was approved by the FPSC. The parties to the agreement agreed not to seek or support any increase or reduction in Florida Power's base rates or the authorized range of its return on equity during a four year period beginning in mid-1997. For additional information on this agreement, see Note 9 to the Financial Statements. In other regulatory matters, beginning in 1995, the FPSC ordered Florida Power to conduct a three-year test of revenue decoupling for its residential customers. This test ended December 31, 1997. (See Item 7 "MD&A - Utility Revenues and Sales" and Note 1 to the Financial Statements.) In December 1998, Florida Power received approval from the FPSC to defer non-fuel revenues towards the development of a plan that would allow customers to realize benefits earlier than if they are used to accelerate the amortization of the Tiger Bay regulatory asset. (See Note 9 to the Financial Statements.)

Florida Power is interconnected with 22 municipal and 9 rural electric cooperative systems. Major wholesale power sales customers include Seminole Electric Cooperative, Inc. ("Seminole"), Florida Municipal Power Agency and Reedy Creek Utilities District. During 1998, about 8% of Florida Power's electric revenues were from wholesale customers whose rates are subject to the jurisdiction of the FERC. For further information with respect to rates, see Note 9 to the Financial Statements.

Florida Power's CR3 nuclear plant is subject to regulation by the United States Nuclear Regulatory Commission ("NRC"). The NRC's jurisdiction encompasses broad supervisory and regulatory powers over the construction and operation of nuclear reactors, including matters of health and safety, antitrust considerations and environmental impact. Florida Power currently has a 90.4% ownership interest in CR3. The purchase of the ownership interest of the city of Tallahassee (1.3%) is currently awaiting regulatory approval from the FPSC, FERC, and NRC. It is anticipated the purchase will be complete in the third quarter of 1999. There is no capital expenditure related to this purchase. (See Note 4 to the Financial Statements.)

By virtue of state and municipal legislation, Florida Power holds franchises with varying expiration dates in nearly all municipalities in which it distributes electric energy. Approximately 40% of total utility revenues in 1998 is covered under the terms of 111 franchise agreements with various municipalities. The general effect of these franchises is to grant Florida Power the right to enter upon and use streets, alleys and other public places for erecting and maintaining poles, wires and other apparatus for the sale and distribution of electric energy. All but one of the existing franchises cover a 30-year period from the date granted, the maximum allowed by Florida law. The one exception is a franchise that covers a 10-year period from the date granted, and expires in 2005. Of the 111 franchises, 5 expire during 2000, 23 expire before December 31, 2001, 32 expire between January 1, 2002 and December 31, 2012, and 51 expire between January 1, 2013 and December 31, 2028. For additional information on franchises, see Item 7 "MD&A - Industry Restructuring".

ENVIRONMENTAL MATTERS

Florida Power is subject to federal, state and local regulations dealing with air and water quality and other environmental matters. Beginning July 1, 1999, seven new industries, including the electric utility industry, will submit for the first time, chemical release data to the United States Environmental Protection Agency ("EPA") as part of its Toxic Release Inventory ("TRI") reporting requirement. This process requires electric utilities that burn coal or oil for power generation to identify and report releases of more than 650 designated chemicals and chemical compounds, to the environment. Based on the

reporting criteria, Florida Power estimates that it will be required to report on approximately 18 to 20 compounds. Four facilities are currently subject to the reporting criteria. The total estimated cost to Florida Power of reporting under TRI rules is estimated to be approximately $350,000 in the first year and $250,000 each subsequent year.

AIR: All of Florida Power's air emission sources meet the air quality standards currently set by the Florida Department of Environmental Protection ("FDEP") and/or the EPA.

The Clean Air Act Amendments of 1990 ("CAAA"), under Title IV, Acid Rain Control ("Title IV"), set a permanent cap on emissions of sulfur dioxide. The cap is to be implemented in two phases. Phase I limitations became effective in 1995. Florida Power does not have any Phase I units and is not affected. Phase II, which begins in 2000 will impose an annual cap on sulfur dioxide emissions. Florida Power expects to be able to meet its emission limitations without significant capital investments. Florida Power will use a combination of lower emitting fuels, such as natural gas, low sulfur coal and oil, along with limited use of allowance credits to meet its annual emission obligations.

Also in Phase II, emissions of nitrogen oxides from coal fired power plants are limited. Florida Power is already meeting federal limits on three of its four coal units. To meet Phase II limitations on the fourth unit, Florida Power is planning to make burner modifications to lower emissions. The capital cost of this project is approximately $5 million, of which the majority of costs were incurred prior to 1999. The project is scheduled for completion in 1999.

Under Title III of the CAAA, the EPA is studying the emission of hazardous air pollutants and, where appropriate, promulgating emission limitations for specific source categories. Depending on the results of these studies and the EPA's determination of the need for additional limitations, Florida Power could be required to incur additional capital expenditures and operating expenses. Under Title V of the CAAA, Florida Power is required to pay annual operating fees based on the previous year's emissions. For 1998, these fees totaled approximately $790,000. It is anticipated that the costs for 1999 will be a similar amount.

In addition to the Title IV projects discussed above, Florida Power's construction program includes approximately $4 million of planned environmental expenditures for air quality improvement projects for the two-year period ending December 31, 2000.

WATER: To help meet the future electricity needs of its customers, Florida Power has built a new power plant complex in Polk County, Florida, named the Hines Energy Complex. (See Item 2, "Properties - Utility Operations - Planned Generation".) Approximately $28.4 million was spent through December 31, 1998 on environmental projects related to site development at the Hines Energy Complex, mainly for water resource related facilities. Florida Power's construction program includes approximately $1.4 million of environmental expenditures for water resource projects at other Florida Power facilities for the two-year period ending December 31, 2000.

WASTE MATERIALS: Florida Power is nearing completion of its program to reduce electrical equipment utilizing polychlorinated biphenyls ("PCB"). All regulatory compliance dates have been met. All PCB transformers (i.e. those having greater than 500 ppm PCB) have been removed from Florida Power's electric generating plants, except for one small plant. Removal of PCB transformers from this final

plant will be delayed until Florida Power decides whether and for how long the plant will remain in operation.

STORAGE TANK PROGRAM: The regulation of underground and aboveground storage tanks has expanded to affect virtually every Florida Power pollutant storage tank with a capacity of 100 gallons or greater, including vehicular fuel tanks, bulk fuel storage tanks, mineral acid tanks, hazardous material tanks and compression vessels. The FDEP's storage tank regulations require the replacement or upgrading of tanks that are not protected from corrosion, and the installation of release detection and secondary containment systems. These requirements must be met by the end of 1999. Florida Power expects the annual operating expense to be immaterial and construction expenditures through 1999 related to compliance with these regulations to be approximately $300,000.

As of January 1, 1999, there no longer exists any state funded petroleum cleanup programs for new contaminations. However, Florida Power believes that for the majority of past storage tank contamination cleanup expenditures it will qualify under one of two programs. Under one program, Florida Power is required to pay a deductible and the State of Florida will pay for the remaining portion of the cleanup. Under the second program, Florida Power would be responsible for a Contamination Assessment and 25% of the total remediation, with the state of Florida funding the remaining 75% of the cleanup.

ELECTROMAGNETIC FIELDS: The potential adverse effect of electromagnetic fields, or electric and magnetic fields ("EMF"), upon human health continues to be an important issue in the siting, construction and operation of electric transmission and distribution systems. EMF from a variety of sources, including transmission and distribution lines, has been the subject of many studies and much public discussion in recent years. The National EMF Research and Public Information Dissemination Program has completed an in depth research program.

This program was co-funded by federal and private utilities, including Florida Power. The findings, to be presented to the U.S. Congress in 1999, could have a major impact on the EMF issue.

Because of its exclusive jurisdiction to regulate EMF associated with electric transmission and distribution lines and substation facilities in Florida, the Florida Department of Environmental Protection ("FDEP") has adopted rules that establish certain EMF limits for new transmission lines and substations. The rules also require an annual review of the state of the scientific research into the potential adverse effects of EMF upon human health. The staff of the FDEP provides an annual progress report to the Environmental Regulation Commission. In February 1998, based on its review of the scientific research, the staff recommended that no revision of the current EMF standards be made at that time. The 1999 report has not yet been released. The Environmental Regulation Commission adopted the staff's recommendation and made no revision to EMF standards.

Florida Power believes that compliance with these EMF rules, which at present essentially maintain the status quo with respect to regulated EMF exposure levels, will not have a material adverse effect on the cost of constructing or maintaining new transmission lines or substations. However, there always is a potential for lawsuits brought by plaintiffs alleging damages caused by EMF.

Florida Power's management monitors developments in research concerning the potential health effects of EMF, EMF mitigation technologies and procedures, and significant actions by principal federal and Florida agencies related to EMF.

OTHER ENVIRONMENTAL MATTERS: Florida Power has received notices from the EPA that it is or could be a potentially responsible party ("PRP") under the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA" or "Superfund") and the Superfund Amendment and Reauthorization Act ("SARA") and may be liable, together with others, for the costs of cleaning up several contaminated sites identified by the state and federal agencies. In addition to these designated sites, there are other sites where Florida Progress affiliates may be responsible for additional environmental cleanup. For further information concerning certain environmental matters relating to Florida Power, see paragraphs 5 and 7 under Item 3 "Legal Proceedings" and Note 11 to the Financial Statements.

EMPLOYEES

As of December 31, 1998, Florida Power had 4,740 full-time employees. The International Brotherhood of Electrical Workers represents approximately 2,016 of these full-time employees. The current union contract was ratified in May 1997 and expires in December 1999.

DIVERSIFIED OPERATIONS

Florida Progress' diversified operations are owned directly or indirectly through Progress Capital, a Florida corporation and wholly owned subsidiary of Florida Progress. Progress Capital holds the capital stock of, and provides funding for, Florida Progress' non-utility subsidiaries. Its primary subsidiary is Electric Fuels. Formed in 1976, Electric Fuels is an energy and transportation company with operations organized into three business units. Electric Fuels' energy and related services business unit supplies coal to Florida Power's Crystal River Energy Complex and other utility and industrial customers. Electric Fuels' inland marine transportation business unit, MEMCO Barge Line, Inc. ("MEMCO"), transports coal and dry-bulk cargoes primarily along the Mississippi and Ohio rivers. The rail services business unit, led by Progress Rail Services Corporation ("Progress Rail"), is one of the largest integrated processors and suppliers of railroad materials in the country. With operations in 20 states, Progress Rail offers a full range of railcar parts, maintenance-of-way equipment, rail and other track material, railcar repair facilities, railcar scrapping and metal recycling as well as railcar sales and leasing.

In November 1998, Florida Progress formed a new subsidiary, Progress Telecommunications Corporation. This subsidiary was formed to sell wholesale fiber-optic-based capacity service in Florida to long-distance carriers, Internet service providers, and other telecommunications companies, as well as large industrial, commercial and government entities. Progress Telecommunications will also sell wireless structure attachments to wireless communication companies and government entities.

As of December 31, 1998, Progress Capital and its subsidiaries had 4,385 full-time employees. (For additional information with respect to Progress Capital and its subsidiaries, see Item 7 "MD&A - Operating Results - Diversified Operations"), Note 8 to the Financial Statements and paragraph 10 of Item 3 "Legal Proceedings.")

COMPETITION

Florida Progress' non-utility subsidiaries compete in their respective marketplaces in terms of price, quality of service, location and other factors. Electric Fuels competes in several distinct markets: its coal operations compete

in the eastern United States utility and industrial coal markets; its marine transportation and barge operations compete in the coal, grain and bulk products transportation markets on the Ohio and lower Mississippi rivers; its marine equipment repair business competes in the inland river and gulf coast repair markets; and its rail operations compete in the railcar repair, parts and associated services markets in the eastern United States, in the midwest and west. Factors contributing to Electric Fuels' success in these markets include a competitive cost structure, strategic locations and, in the case of its marine transportation operations, a modern fleet. There are, however, numerous competitors in each of these markets, although no one competitor is dominant in any industry. The business of Electric Fuels and its subsidiaries, taken as a whole, is not subject to significant seasonal fluctuation. For further information with respect to Florida Progress' non-utility subsidiaries and competition, see Item 7 "MD&A - Diversified Operations".

ENVIRONMENTAL MATTERS

Electric Fuels is subject to federal, state and local regulations which govern air and water quality, waste disposal and other environmental matters. The coal mining business is affected primarily by the Clean Water Act, the Clean Air Act and the Surface Mining Control and Reclamation Act of 1977. The transportation and the railcar and marine repair businesses are primarily affected by the Resource Conservation and Recovery Act, the Emergency Planning and Community Right-To-Know Act and the Clean Water Act.

The Environmental Services Department of Electric Fuels reviews existing and emerging environmental regulations, disseminates applicable environmental information throughout the organization and conducts site specific environmental compliance audits. Transactional environmental assessments are performed on new acquisitions to determine the potential environmental liabilities associated with the facilities being considered. Compliance with environmental laws and regulations has not had a material effect on Electric Fuels' capital expenditures, earnings or competitive position, and Electric Fuels does not anticipate making any material capital expenditures for environmental facilities through the end of 2000.

For further information concerning certain environmental matters relating to Florida Progress' diversified operations, see Note 11 to the Financial Statements.

EXECUTIVE OFFICERS

Roy A. Anderson, Senior Vice President, Energy Supply of Florida Power, Age 50.

Mr. Anderson became Senior Vice President, Nuclear Operations, effective January 20, 1997, and now serves as the Senior Vice President of Energy Supply. From April 1, 1997 to April 17, 1998, he served as Chief Nuclear Officer. Prior to joining Florida Power, Mr. Anderson was employed by Carolina Power and Light, where he held numerous executive officer positions since 1993 in the areas of nuclear operations, fossil generation, and distribution and customer service. From 1987 to 1993, he was employed by Boston Edison Company, where he served as Plant Manager, Vice President and ultimately as Senior Vice President, Nuclear Operations.

Kenneth E. Armstrong, Vice President and General Counsel of Florida Progress and Florida Power, Age 51.

Mr. Armstrong has served as General Counsel of Florida Progress since July 1990 and as Vice President since April 1992. In April 1995, he became Vice President and General Counsel of Florida Power. In addition to these positions, Mr. Armstrong served as Assistant Secretary of Florida Progress from April 1992 to April 1993 and as Secretary from April 1993 to April 1996. He also served as Assistant Secretary of Florida Power from 1987 until April 1993 and as Secretary from April 1993 until April 1996.

Janice B. Case, Senior Vice President, Energy Solutions℠ of Florida Power, Age 46.

Mrs. Case was named Senior Vice President, Energy Solutions℠ effective June 1, 1997, after serving as Vice President since 1996. From October 1990 until July 1996, she served as Vice President, Suncoast Florida Region of Florida Power.

Michael B. Foley, Jr., Senior Vice President, Energy Delivery of Florida Power, Age 55.

Since July 1996, Mr. Foley's principal occupation has been as shown above. Mr. Foley served as Vice President in that position since February 1995. From October 1988 until February 1995, Mr. Foley served as Director of System Planning of Florida Power.

Jeffrey R. Heinicka, Senior Vice President and Chief Financial Officer of Florida Power, Age 44.

Since March 15, 1999, Mr. Heinicka's principal occupation has been as shown above. From March 1994 to March 1999, Mr. Heinicka was Chief Financial Officer of both Florida Progress and Florida Power. From December 1990 to March 1994, Mr. Heinicka served as Vice President and Treasurer of Florida Progress. Mr. Heinicka also served as Vice President and Treasurer of Florida Power from April 1993 to March 1994, a position he held concurrently with his Vice President and Treasurer position at Florida Progress.

Richard D. Keller, Group Vice President, Energy and Transportation of Florida Progress, and President and Chief Executive Officer, Electric Fuels, Age 45.

Since May 1990, Mr. Keller's principal occupation has been as shown above. He has served as President and Chief Executive Officer of Electric Fuels since February 1988.

William G. Kelley, Vice President, Human Resources of Florida Progress and Florida Power, Age 51.

Mr. Kelley was appointed Vice President, Human Resources of Florida Progress and Florida Power, effective October 27, 1997. From 1992 to 1997, he was employed by Goulds Pumps,Inc., an international pump company, as Vice President of Human Resources. From 1989 to 1992 he served as Director of Human Resources for The Quaker Oats Company and headed the human resources function of the European Headquarters in the United Kingdom of its Fisher Price Division.

Richard Korpan, Chairman, President and Chief Executive Officer of Florida Progress, and Chairman of the Board of Florida Power, Age 57.

Mr. Korpan was appointed Chairman of the Board of Florida Progress, effective July 1, 1998. He has held the position of President since 1991, and became Chief Executive Officer of Florida Progress in June 1997. Since April 1996 he has also served as Chairman of the Board of Florida Power, and until June 1, 1997, as Chief Executive Officer of Florida Power. He joined Florida Progress in 1989 as Executive Vice President and Chief Financial Officer. He is a director of SunTrust Bank of Tampa Bay and a member of the Business Roundtable.

Edward W. Moneypenny, Senior Vice President and Chief Financial Officer of Florida Progress, Age 57.

Edward W. Moneypenny became Senior Vice President and Chief Financial Officer of Florida Progress, effective March 15, 1999. Prior to joining Florida Progress, Mr. Moneypenny was employed by Oryx Energy Company, an independent oil and natural gas exploration company, where he held numerous executive officer and chief financial positions since 1988. He served as a member of Oryx's board of directors from 1994 until February 1999.

Joseph H. Richardson, Group Vice President, Utility Group of Florida Progress and President and Chief Executive Officer of Florida Power, Age 49.

Since 1996, Mr. Richardson's principal occupation has been as shown above. Effective June 1, 1997, he was appointed Chief Executive Officer, in addition to President, of Florida Power. From April 1995 to April 1996, he served as Senior Vice President, Energy Distribution of Florida Power. From October 1993 to April 1995, he served as Senior Vice President, Legal and Administrative Services, and General Counsel of Florida Power. From August 1991 through April 1995, Mr. Richardson also held the position of Senior Vice President of Florida Progress. He is a director of Echelon.

Dr. Jack Critchfiled retired as Chairman of the Board of Florida Progress effective July 1, 1998.

There are no family relationships between any director or any executive officer of Florida Progress or Florida Power. The executive officers serve at the pleasure of their respective Boards of Directors. Each executive officer is appointed annually.

ITEM 2. PROPERTIES

Florida Progress believes that its physical properties and those of its subsidiaries are adequate to carry on its and their businesses as currently conducted. Florida Progress and its subsidiaries maintain property insurance against loss or damage by fire or other perils to the extent that such property

is usually insured. (See Note 11 to the Financial Statements.) Substantially all of Florida Power's utility plant is pledged as collateral for Florida Power's First Mortgage Bonds. Certain river barges and tug/barge units owned or operated by Electric Fuels are subject to liens in favor of certain lenders.

UTILITY OPERATIONS

GENERATION: As of December 31, 1998, the total net winter generating capacity of Florida Power's generating facilities, including CR3, was 7,727 MW. This capacity was generated by 13 steam units with a capacity of 4,661 MW and 45 combustion turbine units with a capacity of 3,066 MW. Florida Power's ability to use its generating units may be adversely impacted by various governmental regulations affecting nuclear operations and other aspects of Florida Power's business. (See "Regulatory Matters and Franchises" and "Environmental Matters" under Item 1 "Business - Utility Operations - Florida Power.") Operation of these generating units may also be substantially curtailed by unanticipated equipment failures or interruption of fuel supplies. Florida Power expects to have sufficient system capacity, access to purchased power and demand-side management capabilities to meet anticipated future demand. (See Item 2 "Planned Generation and Energy Sales" below.)

Florida Power's generating plants (all located in Florida) and their capacities at December 31, 1998, were as follows:

Plants	Primary/ Alternate Fuel	Location (County)	Steam MW	Combustion Turbine MW	Winter Net Maximum Dependable Capacity MW
Crystal River:		Citrus			
Unit #1	Coal		373	-	373
Unit #2	Coal		469	-	469
Unit #3	Uranium		755*	-	755
Unit #4	Coal		717	-	717
Unit #5	Coal		717	-	717
			3,031		3,031
Anclote:		Pasco			
Unit #1	Oil		517	-	517
Unit #2	Oil/Gas		517	-	517
Bartow	Oil/Gas	Pinellas	449	217	666
Turner	Oil	Volusia	-	200	200
Intercession City**	Oil/Gas	Osceola	-	912	912
DeBary	Oil/Gas	Volusia	-	786	786
Higgins	Gas	Pinellas	-	148	148
Bayboro	Oil	Pinellas	-	232	232
Avon Park	Oil/Gas	Highlands	-	64	64
Rio Pinar	Oil	Orange	-	18	18
Suwannee River	Gas/Oil	Suwannee	147	201	348
Tiger Bay	Gas	Polk	-	246	246
University of Fla.	Gas	Alachua	-	42	42
			4,661	3,066	7,727

* Represents 90.4% of total plant capacity. The remaining 9.6% of capacity is owned by other parties.

** Florida Power and Georgia Power Company ("Georgia Power") are co-owners of a 168-MW advanced combustion turbine located at Florida Power's Intercession City site. Georgia Power has the exclusive right to the output of this unit during the months of June through September. Florida Power has that right for the remainder of the year.

PLANNED GENERATION AND ENERGY SALES: Through a competitive bidding process, Florida Power signed a contract with the city of Bartow to supply wholesale power and energy-related services for another five years, beginning in November 1999. Current requirements for Bartow are 55 MW, which is expected to grow to over 70 MW over the life of the contract. In 1995, Florida Power agreed to sell 605 MW of year round capacity to Seminole from 1999 through 2001. While 150 MW of this transaction represents a continuation of existing business, 455 MW represents new sales to Seminole. In addition, Florida Power has agreed to sell from 150 to 300 MW to Seminole from 2000-2002. This contract was awarded to Florida Power as a result of a competitive bidding process initiated by Seminole. Additionally, Florida Power is in the final year of a three year contract to sell between 150 and 400 MW of summer-peaking capacity annually to Georgia Power. The committed capacity for 1999 is 200 MW.

In 1992, the FPSC granted Florida Power a certificate of need to build 470 MW of new generation using combined cycle technology. In September 1994, Florida Power purchased approximately 8,100 acres of mined-out phosphate land for the new power plant site. The site is located in Polk County, Florida, approximately 50 miles east of Tampa, and has been designated the Hines Energy Complex. Construction of the unit was completed in December 1998. The first power block is a nominal 500 MW combined cycle unit which is expected to be placed into commercial operation in the spring of 1999. Florida Power plans to use natural gas to fuel the unit.

Florida Power has obtained capacity on the Florida Gas Transmission Company's system for the transportation of natural gas to the Hines Energy Complex in Polk County. Florida Power began using the capacity in January 1998. This transportation will serve a portion of the plant's requirements. Florida Power also has contracted for natural gas supply and its transportation for the remaining portion of the plant's requirements.

Some of the capacity at the Hines Energy Complex will be used to meet the requirements of a wholesale contract signed in 1995, in which Florida Power agreed to sell an additional 455 MWs to Seminole, beginning in 1999(previously mentioned herein).

In February 1999, Florida Power announced that it plans to build three peaking power generation units at Florida Power's Intercession City site. The units are designed to provide electricity during periods of peak customer demand and are projected to provide a total of 300 MW of power beginning in December 2000. The new units are combustion turbine units capable of using either natural gas or oil, depending on cost and availability of those fuel sources.

In connection with the construction of new power plants in Florida, the FPSC requires each investor-owned electric utility to engage in a competitive bidding process for the construction of new generation, unless the utility demonstrates on a case-by-case basis that such a process is not in the best interests of the utility's ratepayers. See Item 3 "Legal Proceedings", Paragraph 12. The construction of peaking units does not fall under this requirement.

NUCLEAR PLANT AND NUCLEAR INSURANCE: Information regarding nuclear plant and nuclear insurance is contained in Note 4 and Note 11 to the Financial Statements.

TRANSMISSION AND DISTRIBUTION: As of December 31, 1998, Florida Power distributed electricity through 363 substations with an installed transformer capacity of 43,255,840 kilovolt amperes ("KVA"). Of this capacity, 29,399,250 KVA is located in transmission substations and 13,856,590 KVA in distribution substations. Florida Power has the second largest transmission network in Florida. Florida Power has 4,669 circuit miles of transmission lines, of which 2,646 circuit miles are operated at 500, 230, or 115 kilovolts ("KV") and the balance at 69 KV. Florida Power has 24,723 circuit miles of distribution lines which operate at various voltages ranging from 2.4 to 25 KV.

Florida Power along with 21 other in-state electric utilities and 14 non-utilities comprise the Florida Reliability Coordinating Council ("FRCC"), which was approved by the North American Electric Reliability Council ("NERC") as the tenth region of NERC. The FRCC is responsible for ensuring the reliability of the bulk power electric system in peninsular Florida.

Florida Power and five other FRCC transmission providers have established Florida Open Access Sametime Information System. This is an internet location where transmission customers may obtain transmission information and submit requests for service or resell service rights.

DIVERSIFIED OPERATIONS

Electric Fuels owns and/or operates approximately 5,000 railcars, 50 locomotives, 1,100 river barges and 27 river towboats that are used for the transportation and shipping of coal, steel and other bulk products. Through joint ventures, Electric Fuels has five oceangoing tug/barge units. An Electric Fuels subsidiary, through another joint venture, owns one third of a large bulk products terminal located on the Mississippi River south of New Orleans, which handles coal and other products. Electric Fuels provides drydocking and repair services to towboats, offshore supply vessels and barges through operations it owns near New Orleans, Louisiana.

Electric Fuels controls, either directly or through subsidiaries, coal reserves located in eastern Kentucky and southwestern Virginia. Electric Fuels owns, in fee, properties that contain estimated proven and probable coal reserves of approximately 185 million tons and controls, through mineral leases, additional estimated proven and probable coal reserves of approximately 30 million tons. The reserves controlled by Electric Fuels include substantial quantities of high quality, low sulfur coal that is appropriate for use at Florida Power's existing generating units. Electric Fuels' total production of coal during 1998 was approximately 3.0 million tons.

In connection with its coal operations, Electric Fuels subsidiaries own and operate an underground mining complex located in southeastern Kentucky and southwestern Virginia. Other Electric Fuels subsidiaries own and operate surface and underground mines, coal processing and loadout facilities and a river terminal facility in eastern Kentucky, a railcar-to-barge loading facility in West Virginia, and three bulk commodity terminals: one on the Ohio River in Cincinnati, Ohio, and two on the Kanawha River near Charleston, West Virginia. Electric Fuels and its subsidiaries employ both company and contract miners in their mining activities.

Another Electric Fuels subsidiary owns an interest in a partnership, located in eastern Kentucky, which produces synthetic fuels that qualify for Federal tax credits under Section 29 of the Internal Revenue Code.

A subsidiary of Electric Fuels has acquired oil and gas leases on 1,920 acres in Garfield County, Colorado, containing proven natural gas reserves of 37.6 billion cubic feet.

Progress Rail, an Electric Fuels subsidiary is one of the largest integrated processors of railroad materials in the United States, and is a leading supplier of new and reconditioned freight car parts, rail, rail welding and track work components, railcar repair facilities, railcar and locomotive leasing, maintenance-of-way equipment and scrap metal recycling. It has facilities in 20 states, Mexico and Canada.

Another subsidiary of Electric Fuels owns and operates a manufacturing facility at the Florida Power Energy Complex in Crystal River, Florida. The manufacturing process utilizes the fly ash generated by the burning of coal as the major raw material in the production of lightweight aggregate used in construction building blocks. Electric Fuels also operates an environmental testing laboratory in Tampa, Florida.

ITEM 3. LEGAL PROCEEDINGS

Purchased Power Contracts with Qualifying Facilities

Florida Power has interpreted the pricing provision in its QF contracts to allow it to pay an as-available energy price rather than a higher firm energy price when the avoided unit upon which the contract is based would not have been operated. Two QFs have suits pending against Florida Power over the level of payments made by Florida Power under the contracts, as discussed in paragraphs 1 and 2 below:

1. Metropolitan Dade County and Montenay Power Corp. v. Florida Power Corporation, Circuit Court of the Eleventh Circuit for Dade County, Florida, Case No. 96-09598-CA-30

   Metropolitan Dade County and Montenay Power Corp. v. Florida Power Corporation, U.S. District Court, Southern District, Miami Division, Case No. 96-0594-C.V.-LENNARD

   In re: Petition for Declaratory Statement That Energy Payments Are Limited to Analysis of Avoided Unit's Contractually Specified Characterlstics, Florida Public Service Commission, Docket No. 980283-EQ.

On February 13, 1996, Metropolitan Dade County ("Dade") and Montenay Power Corp. ("Montenay") filed a complaint in the above-referenced state court seeking a declaratory judgment that their interpretation of the energy pricing provision in their QF contract is correct, and damages in excess of $1.3 million for breach of that contract. No trial date has as yet been set in the State Court action.

On May 14, 1996, Dade and Montenay filed suit against Florida Power in the above-referenced federal district court based on essentially the same facts as presented in the state court case, but alleging violations of federal antitrust laws and demanding unspecified treble damages. In March 1997, the plaintiffs

amended the federal court case to include Florida Progress and Electric Fuels. In June 1998, the judge granted the defendants' motion for Summary Judgement and dismissed the case. Dade and Montenay filed a Notice of Appeal with the 11th Circuit Court of Appeals in October 1998.

On February 23, 1998, Florida Power filed a petition with the FPSC for a Declaratory Statement that the previous FPSC - approved negotiated contract between the parties limits energy payments thereunder to the avoided costs based upon an analysis of a hypothetical unit having the characteristics specified in the contract. In October 1998, the FPSC denied the Florida Power petition for declaratory statement. In January 1999, Florida Power filed a Notice of Appeal of the FPSC denial with the Florida Supreme Court. (See Note 11 to the Financial Statements.)

2. NCP Lake Power, Inc. v. Florida Power Corporation, Florida Circuit Court, Fifth Judicial Circuit for Lake County, Case No. 94-2354-CA-01

   In re: Petition for Declaratory Statement Regarding the Negotiated Contract for Purchase of Firm Capacity and Energy between Florida Power Corporation and Lake Cogen, LTD., Florida Public Service Commission, Docket No. 980509-EQ.

On October 21, 1994, NCP Lake Power, Inc. ("Lake"), a general partner of Lake Cogen, Ltd., filed the above-referenced suit against Florida Power asserting breach of its QF contract and requesting a declaratory judgment. A bench trial in the case concluded in December 1998, but the court has not yet ruled.

On April 9, 1998, Florida Power filed a petition with the FPSC for a Declaratory Statement that the contract between the parties limits energy payments thereunder to the avoided costs based upon an analysis of a hypothetical unit having the characteristics specified in the contract. In October 1998, the FPSC denied the petition. In January 1999, Florida Power filed a Notice of Appeal of this FPSC order with the Florida Supreme Court. (See Note 11 to the Financial Statements.)

3. Wanda L. Adams, et al. v. Florida Power Corporation and Florida Progress Corporation, U.S. District Court, Middle District of Florida, Ocala Division, Case No. 95-123-C.V.-OC-10.

On October 13, 1995, Florida Power and Florida Progress were served with a multi-party lawsuit involving 17 former Florida Power employees. The plaintiffs generally alleged discrimination in violation of the Age Discrimination and Employment Act and wrongful interference with pension rights in violation of the Employee Retirement Income Security Act as a result of their involuntary terminations during Florida Power's reduction in force. While no dollar amount is specified, each Plaintiff seeks back pay, reinstatement or front pay through their projected dates of normal retirement, costs and attorney's fees. The Plaintiffs subsequently filed motions adding 39 additional plaintiffs.

In November 1995, Florida Power filed its answer, a motion to dismiss Florida Progress, and a counterclaim against five of the plaintiffs who signed releases, promising, among other things, not to sue Florida Power with respect to matters involving their employment or termination. The counterclaim sought enforcement of the agreement, dismissal of plaintiffs' complaints, and an award of attorneys fees and costs of litigation.

In October 1996, a joint stipulation to provisionally certify the case as a class action pursuant to the Age Discrimination in Employment Act was approved.

By May 28, 1997, the final day for individuals to "opt into" this action, 61 additional former employees elected to do so, for a total of 117 plaintiffs.

In June 1998, the judge issued an order on several pending motions. The motion to dismiss Florida Progress was denied, but all the ERISA claims were dismissed and the state age claims of 5 plaintiffs were dismissed. The Motion to Dismiss 4 plaintiffs' federal age claims based on Statute of Limitations violations was granted.

In October 1998, Florida Power filed a motion for summary judgement on its counterclaim and on the state law claims of 69 plaintiffs, who are similarly situated to the 5 plaintiffs who have had their state claims dismissed. In December 1998, Florida Power and the plaintiff's engaged in informal settlement discussions, which were terminated on December 22, 1998. However, plaintiffs have filed a motion to enforce a purported $11 million settlement agreement. Florida Power denies that such an agreement exists and has filed responsive pleadings to that effect.(See Note 11 to the Financial Statements.)

4. **Florida Power Corporation v. United States, U.S. Court of Federal Claims, Civil Action No. 96-702C. Consolidated Edison Co., et al v. United States, United States District Court, Southern District of New York, Case No. 98-CIV-4115**

On November 1, 1996, Florida Power filed suit against the U.S. Government in the U.S. Federal Court of Claims alleging breach of contract and illegal taking of property without just compensation. The suit arises out of several contracts under which the government provided uranium enrichment services at fixed prices. After Florida Power paid for all services provided under the contracts, the government, through federal legislation enacted in 1992, imposed a retroactive price increase in order to fund the decontamination and decommissioning of the government's gaseous diffusion uranium enrichment facilities. The government is collecting this increase through an annual "special assessment" levied upon all utilities that had enrichment services contracts with the government. Collection of the special assessments began in 1992 and is scheduled to continue for a fifteen-year period.

To date, Florida Power has paid more than $11.0 million in special assessments, and if continued throughout the anticipated fifteen-year life, the special assessments would increase the cost of Florida Power's contracts by more than $23 million. Florida Power seeks an order declaring that all such special assessments are unlawful, and an injunction prohibiting the government from collecting future special assessments, and damages of approximately $11.0 million, plus interest.

In February 1999, the court granted Florida Power's motion to stay, pending resolution of the Consolidated Edison case, sited below.

In June 1998, Florida Power, Consolidated Edison Co. and 15 other utilities filed a declaratory judgement action against the United States in the Southern District Court of New York, challenging the constitutionality of the $2.25 billion retroactive assessment imposed by the federal government on domestic nuclear power companies to fund the decommissioning and decontamination of the government's uranium enrichment facilities.

5. **Sanford Gasification Plant Site, Sanford, Florida ("Sanford Site")**

The Sanford Site is a former manufactured gas site located in the city of Sanford, Florida. Sanford Gas Company, which merged into Florida Power in 1944, operated the plant until 1946 when it was sold to South Atlantic Gas Company (later Atlanta Gas Company). The plant was conveyed three more times, being purchased by the current owner, Florida Public Utilities, in 1965.

In June 1996, the EPA completed an Expanded Site Investigation/Remedial Investigation at the site. In July 1997, the EPA sent a general and special notice letter which advised Florida Power and other PRPs of their potential liability for cleanup. The investigation concluded that the release or threatened release of contaminants includes the site itself and down gradient contamination of an unnamed tributary used for storm water drainage. Water flows from the tributary into Cloud Branch Creek and ultimately Lake Monroe.

Florida Power, Florida Power and Light Company, Atlanta Gas Company, Florida Public Utilities Company and the City of Sanford executed an Administrative Order on Consent ("AOC") and a Site Participation Agreement with EPA. By signing the AOC, the PRPs agreed, jointly and severally, to perform the Remedial Investigation and Feasibility Study ("RI/FS") at the Sanford site. By executing the Site Participation Agreement, the PRPs agreed to an allocation of costs for a RI/FS for up to $1.5 million. Florida Power's share is approximately 39.7% of these costs.

In September 1998, the EPA formally approved the PRP RI/FS Work Plan. The RI field work was completed in January 1999. The EPA is expected to review the final Treatability Study report and provide further guidance to the PRPs by August 1999. Additional contributions for subsequent cleanup costs will be negotiated among the PRPs as the scope of clean-up efforts become more defined. (See Note 11 to the Financial Statements.)

6. **State of Oklahoma, ex rel. John P. Crawford, Insurance Commissioner v. Mid-Continent Life Insurance Company, District Court of Oklahoma County, State of Oklahoma, Case No. CJ-97-2518-62**

State of Oklahoma, ex rel, John P. Crawford, Insurance Commissioner as Receiver for Mid-Continent Life Insurance Company v. Florida Progress Corporation, a Florida corporation, Jack Barron Critchfield, George Ruppel, Thomas Steven Krzesinski, Richard Korpan, Richard Donald Keller, James Lacy Harlan, Gerald William McRae, Thomas Richard Dlouhy, Andrew Joseph Beal and Robert Terry Stuart, Jr., District Court of Oklahoma County, State of Oklahoma, Case No. CJ-97-2518-62 (part of the same case noted above).

Michael Farrimond, Pamela S. Farrimond, Angela Fry, Jowhna Hill, and Barbara Hodges, for themselves and all others similarly situated v. Florida Progress Corporation, a Florida corporation, Jack Barron Critchfield, George Ruppel, Thomas Steven Krzesinski, Richard Korpan, Richard Donald Keller, James Lacy Harlan, Gerald William McRae, Thomas Richard Dlouhy, Andrew Joseph Beal and Robert Terry Stuart, Jr., District Court of Oklahoma County, State of Oklahoma, Case No. CJ-99-130-65

On April 14, 1997, the Insurance Commissioner of the State of Oklahoma ("Commissioner") received approval from the Oklahoma County District Court to temporarily seize control of the operations of Mid-Continent Life Insurance Company ("Mid-Continent"). On May 23, 1997, the District Court of Oklahoma County granted the application of the Commissioner to place Mid-Continent into receivership and ordered the Commissioner to develop a plan of rehabilitation for Mid-Continent. Inconsistently, the court ruled that premiums could be raised

on Mid-Continent policies. Both parties appealed to the Oklahoma Supreme Court, but these appeals were withdrawn in February 1999.

On December 22, 1997, the Commissioner filed with the court a petition for damages against Florida Progress and certain former Mid-Continent directors and officers of Florida Progress, alleging alter ego, negligence, breach of fiduciary duty, misappropriation of funds, unjust enrichment, ultra vires, violation of Oklahoma statutory insurance law, violation of Oklahoma statutory corporate law, and seeking equitable relief. On April 17, 1998, the court granted motions to dismiss the individual defendants, leaving Florida Progress as the sole remaining defendant in the lawsuit. This lawsuit has been stayed by agreement of the parties and is expected to be resolved in the context of the rehabilitation plan.

A new Commissioner was elected in November 1998 and has stated his intention to work with Florida Progress and others to develop a plan to rehabilitate Mid-Continent rather than pursue litigation against Florida Progress. Florida Progress is working with the new Commissioner to develop a viable plan to rehabilitate Mid-Continent, which would include a sale of that company.

On January 19, 1999, five Mid-Continent policyholders filed a purported class action against Mid-Continent and the same defendants named in the former case filed by Commissioner Crawford. The complaint contains substantially the same factual allegations as the December 22, 1997 case. Defendants have filed a motion to transfer the case to the receivership court and will seek to have it resolved in the context of the rehabilitation plan.

Florida Progress intends to vigorously defend itself and other defendants against outstanding charges and cooperate with the receiver to gain the court's approval of a rehabilitation plan that serves its best interests and those of the policy holders. (See Item 7 MD&A, "Diversified Operations - Mid-Continent Life Insurance Company" and Note 11 to the Financial Statements.)

7. **Peak Oil Company, Missouri Electric Works, 62nd Street, AKO Bayside, Bluff Electric and Holloway Superfund Sites.**

Florida Power has been notified by the EPA that it is or could be a PRP with respect to each of the above Superfund sites. Based upon the information presently available, Florida Power has no reason to believe that its total liability for the cleanup of these sites will be material or that it will be required to pay a significantly disproportionate share of those costs. However, these matters are being reported because liability for cleanup of certain sites is technically joint and several, and because the extent to which Florida Power may ultimately have to participate in those cleanup costs is not presently determinable.

8. **Calgon Carbon Corporation v. Potomac Capital Investment Corporation, Potomac Electric Power Company, Progress Capital Holdings, Inc., and Florida Progress Corporation, United States District Court for the Western District of Pennsylvania, Civil Action No. 98-0072.**

Calgon Carbon Corporation ("Calgon") filed a complaint on January 12, 1998, asserting securities fraud, breach of contract and other claims in connection with the sale to it by two of the defendants in December 1996 of their interests in Advanced Separation Technologies, Incorporated ("AST"), a corporation engaged in the business of designing and assembling proprietary separation equipment. Prior to closing, Progress Capital, a wholly owned subsidiary of Florida Progress, owned 80 percent of the outstanding stock of AST and Potomac Capital Investment Corporation (an entity unaffiliated with PCH or Florida Progress)

owned 20 percent. Calgon paid PCH an aggregate of approximately $57.5 million (producing net proceeds of approximately $56 million after certain fees and expenses) in respect of PCH's share of AST's stock. Calgon claims that AST's assets and revenues were overstated and liabilities and expenses were understated for 1996. Calgon also alleges undisclosed facts relating to accounting methodology, poor products, manufacturing and quality control problems and undisclosed warranty claims. Calgon seeks damages, punitive damages and the right to rescind the purchase. The defendants have filed a motion to dismiss all claims, which is pending.

9. **FOCAS, Inc. v. Florida Power Corporation, U.S. District Court, Northern District of Georgia, Atlanta Division, Case No. CV-822-CC**

Florida Power entered into a contract with FOCAS, Inc. ("FOCAS") for the supply of fiberoptic cable. A portion of the cable was found to be defective, and was replaced. FOCAS invoiced Florida Power for the defective cable in the amount of approximately $2 million. While discussions proceeded regarding the matter, FOCAS sued Florida Power alleging breach of contract, unjust enrichment and fraudulent inducement, and requesting up to approximately $76 million in damages, representing, among other things, Florida Power's alleged profits over the estimated fifteen year life of the cable. Florida Power filed its Answer on December 12, 1998, generally denying the allegations.

10. **ABC Rail Products Corporation v. Progress Rail Services Corporation and Louisville Scrap Material Co., Inc., U.S. District Court, Northern District of Illinois, Eastern Division, Civ. Action No. 98C3663.**

On June 12, 1998, ABC Rail Products Corporation ("ABC") brought an action against Progress Rail and Louisville Scrap Material Co., Inc. ("Louisville") seeking injunctive and declaratory relief and treble damages based on alleged violations of federal and state antitrust statutes as well as damages under other state law claims. The complaint sought to enjoin Progress Rail's acquisition of certain assets and business of Louisville and several affiliated corporations known as the Blue Industrial Group. The parties subsequently agreed on the terms of settlement, and the case was dismissed. This concludes this matter for reporting purposes.

11. **In Re: Joint Petition for Determination of Need for an Electrical Power Plant in Volusia County by the Utilities Commission, City of New Smyrna Beach, and Duke Energy New Smyrna Beach Power Company Ltd., L.L.P. Public Service Commission, Docket No. 981042-EM.**

On August 28, 1998, Duke Energy New Smyrna Beach Power Company and the Utilities Commission of New Smyrna Beach filed a petition with the FPSC seeking a determination of need to build a 514 MW combined cycle electric power plant with an in-service date of November 1, 2001. In September 1998, Florida Power filed a Motion to Intervene and a Motion to Dismiss in that action. Florida Power believed that granting the petition would profoundly restructure Florida's statutorily mandated approach to planning and siting generating capacity by contradicting a long standing FPSC interpretation of the Florida Power Plant Siting Act that has been affirmed by the Florida Supreme Court. Florida Power also believed that granting the petition would raise a host of significant related policy issues that are beyond the scope of this proceeding. On March 4, 1999, the FPSC voted to grant the Duke petition. Florida Power intends to appeal this decision.

12. **In Re: Petition of Florida Power Corporation for Waiver of Rule 25-22.082 F.A.C. Selection of Generating Capacity, Florida Public Service Commission, Docket No. 98-1360-EI.**

On October 20, 1998, Florida Power filed a Petition with the FPSC seeking a waiver of the Commission rules which require an electric utility to solicit and evaluate bids for new generating capacity as a prerequisite to constructing a power plant with steam capacity in excess of 75 MW. This petition was filed to facilitate the start of construction of a second unit at the Hines Energy Complex in Polk County. On January 19, 1999, the FPSC voted to deny the Florida Power Petition. This report concludes this matter for reporting purposes.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANTS' COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

FLORIDA PROGRESS

Florida Progress' common stock is listed on the New York Stock Exchange and the Pacific Stock Exchange. The high and low price per share of Florida Progress' common stock for each quarterly period and the dividends per common share paid on shares of Florida Progress' common stock during the last two fiscal years appear in Item 8 on the "Quarterly Financial Data" table for Florida Progress at the end of the Notes to the Financial Statements, and is incorporated herein by reference.

In February 1999, Florida Progress' Board announced an increase of one cent per share in the common stock quarterly dividend, which on an annual basis would increase the dividend from $2.14 to $2.18 per share. This represents an annual dividend growth rate of 1.9%. In 1998, Florida Progress' dividend payout ratio was approximately 74% of earnings. Information concerning the Florida Progress dividend policy is set forth in Item 7 "MD&A - Liquidity and Capital Resources".

Florida Progress' Restated Articles of Incorporation do not limit the dividends that may be paid on its common stock. However, the primary source for payment of Florida Progress' dividends consists of dividends paid to it by Florida Power. Florida Power's Amended Articles of Incorporation and its Indenture dated as of January 1, 1944, under which it issues first mortgage bonds, contain provisions restricting dividends in certain circumstances. At December 31, 1998, Florida Power's ability to pay dividends was not limited by these restrictions.

Florida Progress and Progress Capital have entered into a Second Amended and Restated Guaranty and Support Agreement dated as of August 7, 1996, pursuant to which Florida Progress has unconditionally guaranteed the payment of Progress Capital's debt (as defined in the agreement).

Florida Progress did not issue any equity securities during 1998 that were not registered under the Securities Act. Progress Capital, however, has a privately-placed medium-term note program. (See Item 7 "Liquidity and Capital Resources -Diversified Operations", and Note 6 to the Financial Statements.)

The approximate number of equity security holders of Florida Progress is as follows:

Title of Class	Number of Registered Holders* as of December 31, 1998
Common Stock without par value	44,757

* The computation of registered holders includes record holders as well as individual positions in the Progress Plus Stock Plan.

FLORIDA POWER

All of Florida Power's common stock is owned by Florida Progress, and as a result there is no established public trading market for the stock. For the past three years, Florida Power has paid quarterly dividends to Florida Progress totaling the amounts shown in the Statements of Shareholder's Equity in the Financial Statements.

Florida Power's amended articles of incorporation, and its Indenture dated as of January 1, 1944, as supplemented, under which it issues first mortgage bonds, contain provisions restricting dividends in certain circumstances. At December 31, 1998, Florida Power's ability to pay dividends was not limited by these restrictions.

ITEM 6. SELECTED FINANCIAL DATA

	Annual Growth Rates (in percent) 1993-1998	1998	1997	1996	1995	1994	1993
FLORIDA PROGRESS CORPORATION							
Summary of operations (in millions)							
Utility revenues	6.2	$2,648.2	$2,448.4	$2,393.6	$2,271.7	$2,080.5	$1,957.6
Diversified revenues (continuing)	17.7	972.1	868.0	764.3	736.1	644.8	430.3
Income from continuing operations before non-recurring items	7.5	281.7	254.3	252.4	238.9	212.0	196.0
Income from continuing operations	7.5	281.7	54.3	250.7	238.9	212.0	196.0
Income (loss) from discontinued operations and change in accounting				(26.3)			0.6
Net income	7.5	281.7	54.3	224.4	238.9	212.0	196.6
Balance sheet data (in millions):							
Total assets	2.9	$6,160.8	$5,760.0	$5,348.4	$5,550.4	$5,453.1	$5,338.0
Capitalization:							
Short-term capital	14.4	$ 382.1	$ 230.0	$ 39.0	$173.7	$ 99.9	$195.2
Long-term debt	4.1	2,250.4	2,377.8	1,776.9	1,662.3	1,835.2	1,840.5
Preferred stock	(25.8)	33.5	33.5	33.5	138.5	143.5	148.5
Common stock equity	.5	1,862.0	1,776.0	1,924.2	2,078.1	1,984.4	1,820.5
Total capitalization	2.5	$4,528.0	$4,417.3	$3,773.6	$4,052.6	$4,063.0	$4,004.7
Common stock data:							
Average shares outstanding (in millions)	1.9	97.1	97.1	96.8	95.7	93.0	88.3
Earnings per share:							
Utility before non-recurring	4.4	$2.56	$2.48	$2.40	$2.27	$2.05	$2.06
Diversified continuing before non-recurring items	16.3	.34	.14	.21	.23	.23	.16
Consolidated continuing before non-recurring items	5.5	2.90	2.62	2.61	2.50	2.28	2.22
Consolidated continuing	5.5	2.90	.56	2.59	2.50	2.28	2.22
Discontinued operations and change in accounting		-	-	(.27)	-	-	.01
Consolidated	5.4	2.90	.56	2.32	2.50	2.28	2.23
Dividends per common share	1.9	2.14	2.10	2.06	2.02	1.99	1.95
Dividend payout		73.8%	375.3%	88.9%	81.0%	87.7%	87.6%
Dividend yield		4.8%	5.4%	6.4%	5.7%	6.7%	5.9%
Book value per share of common stock	(1.3)	$19.13	$18.30	$19.84	$21.55	$20.85	$20.40
Return on common equity		15.6%	2.9%	10.9%	11.8%	11.1%	11.1%
Common stock price per share:							
High		47 1/8	39 1/4	36 1/2	35 3/4	33 5/8	36 3/8
Low		37 11/16	27 3/4	31 1/2	29 3/8	24 3/4	31 1/4
Close	5.9	44 13/16	39 1/4	32 1/4	35 3/8	30	33 5/8
Price earnings ratio (year-end)		15.5	70.1	13.9	14.2	13.2	15.1
Other year-end data:							
Number of employees	3.1	9,125	7,990	7,291	7,174	7,394	7,825

[CONTINUED ON NEXT PAGE]

	Annual Growth Rates (in percent) 1993-1998	1998	1997	1996	1995	1994	1993
FLORIDA POWER CORPORATION							
Electric sales (million of KWH)							
Residential	4.3	16,526.3	15,079.8	15,481.4	14,938.0	13,863.4	13,372.6
Commercial	4.9	9,999.3	9,257.3	8,848.0	8,612.1	8,252.1	7,884.8
Industrial	5.3	4,375.4	4,187.8	4,223.7	3,864.4	3,579.6	3,380.8
Total retail sales	4.7	33,386.6	30,850.3	30,784.8	29,499.5	27,675.2	26,528.3
Total electric sales	5.4	37,251.1	33,289.9	33,492.5	32,402.6	30,014.6	28,647.8
Residential service (average annual):							
KWH sales per customer	2.4	13,972	12,993	13,560	13,282	12,597	12,420
Revenue per customer	4.1	$1,204	$1,115	$1,138	$1,114	$1,038	$983
Revenue per KWH	1.7	$0.0862	$0.0858	$0.0839	$0.0839	$0.0824	$0.0792
Financial Data:							
Operating revenues	6.2	$2,648.2	$ 2448.4	$2,393.6	$2,271.7	$2,080.5	$1,957.6
Net income after dividends on preferred stock	6.5	$248.6	$ 134.4	$ 232.6	$217.3	$190.7	$181.5
Total assets	3.0	$4,928.1	$4,900.8	$4,264.0	$4,284.9	$4,284.5	$4,259.5
Long-term debt and preferred stock subject to mandatory redemption	1.6	$1,555.1	$1,745.4	$1,296.4	$1,304.1	$1,393.8	$1,433.6
Total capitalization including short-term debt (in millions)	1.8	$3,547.6	$3,727.7	$3,180.8	$3,202.2	$3,265.4	$3,240.4
Capitalization ratios:							
Short-term capital	(6.0)	3.9%	4.9%	0.8%	1.0%	2.8%	5.3%
Long-term debt	.3	43.8%	46.8%	40.8%	39.9%	41.7%	43.1%
Preferred stock	(27.8)	0.9%	0.9%	1.1%	4.3%	4.4%	4.6%
Common stock equity	1.8	51.3%	47.4%	57.4%	54.8%	51.1%	47.0%
Ratio of earnings to fixed charges (SEC method)	.2	3.87	2.75	4.80	4.41	3.90	3.83
Embedded cost of long-term debt		6.8%	7.0%	7.2%	7.2%	7.1%	6.8%
Embedded cost of preferred stock	(7.5)	4.6%	4.6%	4.6%	6.8%	6.8%	6.8%
Operating Data:							
Net system capacity (MW)	.4	7,727	7,717	7,341	7,347	7,495	7,563
Net system peak load (MW)	3.5	8,004	8,066	8,807	7,722	6,955	6,729
Capital expenditures (in millions)	(6.2)	$310.2	$387.2	$217.3	$283.4	$319.5	$426.4
Net cash flow to capital expenditures	21.8	169%	76%	175%	125%	103%	63%
Average number of customers	2.0	1,340,853	1,314,508	1,292,075	1,271,784	1,243,891	1,214,653
Number of full-time employees	(4.0)	4,740	4,799	4,629	4,658	4,972	5,807

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

OPERATING RESULTS

Florida Progress' 1998 consolidated earnings from continuing operations were $281.7 million. This compared with $54.3 million in 1997 and $250.7 million in 1996. Florida Progress' 1998 earnings per share of $2.90 increased 10.7 percent over 1997's earnings of $2.62 per share, before nonrecurring charges. The increase reflected the customer growth in the utility's service territory and the growth of its diversified operations.

Operating results for 1997 were negatively impacted by the extended outage of Florida Power's Crystal River nuclear plant and the provision for loss on the company's investment in Mid-Continent. These two events reduced Florida Progress' 1997 earnings by $200 million, or $2.06 per share.

In 1996, Florida Progress reported an after-tax charge of $25.2 million for a provision for loss on unprofitable coal properties owned by Electric Fuels, and an after-tax gain of $23.5 million for the sale of AST.

Excluding the nonrecurring items, Florida Progress' 1997 and 1996 consolidated earnings from continuing operations were $254.3 million and $252.4 million, respectively.

Florida Power earned $248.6 million in 1998, compared with $240.9 million, before nuclear outage costs in 1997 and $232.6 million in 1996. Earnings from recurring diversified operations were $33.1 million in 1998, compared with $13.4 million in 1997 and $19.8 million in 1996.

EARNINGS PER SHARE

	1998	1997	1996
Florida Power Corporation	$2.56	$2.48	$2.40
Electric Fuels Corporation	.44	.33	.28
Mid-Continent Life Ins. Co.	-	-	.02
Other	(.10)	(.19)	(.09)
Diversified	.34	.14	.21
Continuing operations before nonrecurring items	2.90	2.62	2.61
Nuclear outage costs	-	(1.10)	-
Loss related to Mid-Continent Life Ins. Co.	-	(.96)	-
Provision for loss on coal properties	-	-	(.26)
Gain on sale of business	-	-	.24
Total continuing operations	2.90	.56	2.59
Discontinued operations	-	-	(.27)
Consolidated	$2.90	$ .56	$2.32

Florida Power's 1998 earnings per share were up 3.2 percent over 1997, before nuclear outage costs, primarily due to strong customer growth and usage growth. Demand for electricity during 1998 reached record levels as hotter-than-normal weather during much of the year resulted in record annual usage by residential and commercial customers. The benefit of the hotter-than-normal weather was offset by several items including the accelerated amortization of certain regulatory assets, additional spending for maintenance and reliability projects, and the deferral of revenues as allowed by state regulators.

Electric Fuels' earnings per share were up 33 percent over 1997. This increase was driven by improved results from all three of its business units, including an expanded barge fleet, increased coal deliveries and an increase in demand for railcar and track parts and services.

Florida Power's Crystal River nuclear plant was out of service during 1997 to address design issues related to the plant's safety systems. As a result of the outage, Florida Power's 1997 earnings were reduced by $1.10 per share. This resulted from $100 million in additional nuclear operations and maintenance expenses and $73 million of nonrecoverable replacement power costs. (See Item 7, MD&A - "Extended Nuclear Outage Costs".)

In 1997, Florida Progress recorded a provision for the loss on its investment in Mid-Continent as well as an accrual for legal fees for pending litigation. This resulted in a $.96 per share after-tax charge to 1997 earnings. (See Item 7, MD&A - "Mid-Continent Life Insurance Company".)

In 1996, Florida Progress divested Echelon, formerly Progress Credit, through a tax-free stock dividend. This resulted in a $.27 per share charge to earnings for the write-down of certain assets of Echelon and other costs. Also in 1996, Florida Progress sold its 80-percent interest in AST for $56 million and realized an after-tax gain of $.24 per share.

In 1996, Electric Fuels recorded a $.26 per share after-tax charge to earnings to establish a provision for loss on its unprofitable coal properties. The provision was necessary because management did not consider the unfavorable market conditions for low-sulfur coal to be temporary.

Florida Progress' 1998 results reflected the strong fundamentals inherent in Florida Power's growing customer base and the expanding operations of Electric Fuels. This growth should help Florida Progress achieve its aggressive five-year objective of consistent annual earnings per share growth of 5 percent or better.

The financial return on Florida Power's common equity was 13.7 percent in 1998, compared with 13 percent in 1997, before considering nonrecurring items, and 12.9 percent in 1996. Florida Power expects its average annual customer growth rate of 2 percent to continue in the near future. When combined with good cost control, Florida Power should be able to maintain an earnings growth rate of about 3 percent. Return on equity for Electric Fuels was 19.6 percent in 1998, 17.3 percent in 1997 and 14 percent in 1996, before its provision for loss on coal properties.

Industry Restructuring

The electric utility industry is undergoing changes designed to increase competition in the wholesale and retail electricity markets. The wholesale power market includes sales of electricity to utilities from other utilities and non-utility generators. The wholesale market is regulated by the FERC. The retail electricity market includes sales of electricity to end-use customers, i.e., residential, commercial and industrial customers, and is regulated by state public utility commissions.

As a result of the Public Utilities Regulatory Policies Act of 1978 ("PURPA") and the Energy Policy Act of 1992, competition in the wholesale electricity market has greatly increased, especially from non-utility generators of electricity. In 1996, FERC issued new rules on transmission service to facilitate competition in the wholesale market on a nationwide basis. The rules give greater flexibility and more choices to wholesale power customers.

The effect of these changes on the wholesale market has been significant. From 1990 through 1997, non-utility generation capacity grew in the U.S. at a rate of 54 percent, compared with utility generation capacity, which grew at a rate of 2 percent. The development of merchant plants, which is a non-utility generating plant without the benefit of a long-term contract for the sale of most of the plant's generating capacity, has contributed to the growth of capacity in this market.

In a move the company believes is contrary to existing state law, Duke Energy filed a petition with the FPSC in August 1998 to build Florida's first merchant power plant. The FPSC voted to grant the Duke petition in March 1999. Florida Power intends to contest this decision. (See Item 3 "Legal Proceedings", paragraph 11).

To date, several states have adopted legislation that would give retail customers the right to choose their electricity provider (retail choice) and essentially every other state has, in some form, considered the issue.

In 1998, Rhode Island, California and Massachusetts implemented retail competition while in a number of other states, either the legislature or the state commission developed a plan for retail competition.

In states where electricity rates are more competitive, such as in Florida, there has been less incentive to push forward legislative proposals concerning retail choice. During Florida's 1998 legislative session, a bill to restructure the industry was sponsored by one senator but was never considered by the legislative body. The FPSC monitors, through a staff committee, the restructuring activities in other states.

In addition to restructuring activity in various states, there have been several industry restructuring bills introduced in Congress. Several of the federal bills being considered would require states to implement retail choice sometime between 2000 and 2003.

In March 1998, the Department of Energy announced the Administration's "Comprehensive Electricity Competition Plan," which would require retail competition by 2003 but permit states to opt out under certain conditions.

Another issue encompassed by industry restructuring concerns franchise agreements. Most investor-owned utilities pay franchise fees to governments, including municipalities, for the right to install equipment to deliver electricity to retail customers. Industry restructuring (and other factors, such as reliability) could encourage municipalities to consider not renewing existing franchise agreements, and thus provide an opportunity for others to provide electric service to retail customers.

A major portion of Florida Power's retail business, representing approximately 40 percent of total 1998 utility revenues, is covered under the terms of 111 franchise agreements with various municipalities. Although no franchise agreements are due to expire in 1999, five are due to expire in 2000 (representing about 1 percent of total 1998 utility revenues), 23 are due to expire in 2001 (about 6.9 percent of total utility revenues), 14 are due to expire in 2002(about 4.7 percent of total utility revenues), one is due to expire in 2003(about .4 percent of total utility revenues) and four are due to expire in 2004(about 1.9 percent of total utility revenues). All of the franchise agreements that expire by 2004 contain a clause that gives the municipality the right to purchase Florida Power's distribution system within the municipality at the expiration of the franchise. Although the exercise of that right would require complex financial arrangements and otherwise might be difficult, Florida Power believes that quality service and competitive rates will continue to be important factors as franchise agreements come up for renewal.

The issue of industry restructuring has caused many companies to develop new corporate strategies. Some of these strategies include alliances, mergers with or acquisitions of other electric or gas utilities, or other types of service providers, that can offer not only the commodity but other unregulated products and services.

Many electric utility analysts expect that, once existing regulatory barriers are removed, a significant amount of consolidation will occur among the nearly 100 investor-owned electric utilities that exist today. During the last five

years, approximately 40 electric utilities have announced either mergers with or acquisitions of other electric or gas utilities. About half of these transactions have been completed; the others are either pending regulatory approval or have been withdrawn.

Industry Restructuring - Florida Progress' Strategic Initiatives

While it may be several years before retail choice exists in Florida, Florida Progress believes that retail choice will eventually exist in every state. Anticipating this change, Florida Progress has developed a corporate strategy to position itself for a more competitive marketplace.

Long term, Florida Progress is focused on establishing a national retail energy services business - which includes transportation of the commodity to the customer as well as offering nonregulated products and services. To be successful in this market, a retail services company will likely need a sizable number of customers in order to realize the economies of scale necessary to keep its costs competitive. As such, part of Florida Progress' corporate strategy includes the possibility of mergers or acquisitions that would expand its customer base.

In addition to considering mergers and acquisitions, Florida Progress has entered into two joint ventures with two other utilities, Cinergy Corp. and New Century Energies. The first joint venture, formed in September 1997 and named Cadence, is a marketing alliance aimed at providing national chain account customers with energy management and energy information systems. The other joint venture, Centrus, began operating in July 1998 and was established to develop products and services for residential and small commercial customers. In March 1999, Florida Progress and its utility partners decided to dissolve the Centrus joint venture, due in part to changing strategic viewpoints among the partners. Florida Progress remains committed, however, to its long-term objective to establish a national retail energy services business, and intends to continue developing products and services for residential and small commercial customers.

In May 1998, Florida Power formed a power marketing alliance with Dynegy to capitalize on developing wholesale energy markets in Florida and in the Southeast U.S.

Forming joint ventures and alliances can be a quicker way to achieve many of the benefits sought through mergers and acquisitions including economies of scale, scope and new market presence and skills.

An important issue encompassed by industry restructuring is the recovery of "stranded costs." Stranded costs include the generation assets of utilities whose value in a competitive marketplace would be less than their current book value as well as above-market purchased power commitments to the QFs. Thus far, all states that have passed restructuring legislation have provided for the opportunity to recover a substantial portion of stranded costs.

Assessing the amount of stranded costs for a utility requires various assumptions about future market conditions including the future price of electricity. For Florida Power, the single largest stranded cost exposure is its commitments to QFs.

Florida Power has taken a proactive approach to this industry issue. Since 1996, Florida Power has been seeking ways to address the impact of escalating payments from contracts it was obligated to sign under provisions of PURPA.

These efforts have resulted in Florida Power successfully mitigating, through buy-outs and buy-downs of these contracts, more than 20 percent of its purchased power commitments to QFs. (See Note 9 and Note 11 to the Financial Statements.)

FLORIDA POWER CORPORATION

Florida Power's operating results and capital requirements are largely influenced by its customers' demand for electricity. That annual demand for electricity is based on the number of customers and their annual usage; usage is largely influenced by weather. During 1998, Florida Power, as well as other electric utilities in Florida and in the Southeast, experienced periods of extreme demand for electricity due to hotter-than-normal summer temperatures.

In planning for its future generation needs, Florida Power develops a forecast of annual demand for electricity, including a forecast of the level and duration of peak demands during the year.

Florida Power relies, in part, upon the use of its Energy Management program during peak demands. This program enables Florida Power to reduce the amount of demand for electricity by remotely reducing energy usage of residential customers who agree to participate in the program. Florida Power utilized Energy Management last summer to a much greater degree than in the past, which resulted in a number of complaints from customers on the program. Florida Power is exploring several alternatives to add new generation that will provide greater flexibility in meeting the electricity needs of its customers.

Utility Revenues and Sales

Florida Power's operating revenues were $2.6 billion in 1998, and $2.4 billion in 1997 and in 1996.

The utility's kilowatt-hour sales were up 11.9 percent in 1998 over 1997. The increase in sales was largely due to the hotter-than-normal weather experienced from May through October. As a result of the unusually hot weather, usage by residential customers, the single-largest customer class, increased approximately 9 percent over 1997. Kilowatt-hour sales in 1997 were essentially level with 1996. Mild weather in 1997, compared with 1996, offset the increase in kilowatt-hour sales that would have been realized from normal customer growth, which is around 2 percent or more than 20,000 new customers each year.

Florida Power's wholesale kilowatt-hour sales were up 57.2 percent in 1998, compared with 1997. The primary reason for the increase was, unlike 1997, that the company's nuclear power plant was in service for most of 1998. This enabled Florida Power to sell excess generating capacity in the short-term wholesale energy market, after meeting the needs of its customers. However, the impact on earnings of these short-term bulk sales was minimal because essentially all revenues and costs associated with this activity are passed through to retail customers whose rates are adjusted accordingly.

The increase in revenues resulting from the higher demand for electricity was offset by several actions taken in 1998, including steps taken to improve the utility's overall quality of service to its customers. (See Item 7 "MD&A - Other Utility Expenses".) In addition to these costs, Florida Power deferred $10 million of non-fuel revenues for either future accelerated amortization of the Tiger Bay regulatory asset or other regulatory initiatives, as approved by the FPSC.

As indicated above, the impact of extreme weather on Florida Power's sales can be significant. However, the impact of weather on non-fuel revenues for 1997 and 1996 was minimized because of a ratemaking concept called residential revenue decoupling.

This concept was designed to eliminate the direct link between kilowatt-hour sales and non-fuel revenues. Under revenue decoupling, abnormal weather does not impact earnings from residential sales.

Over the three-year period, which ended December 31, 1997, the earnings impact of residential revenue decoupling was not material. The termination of residential revenue decoupling will likely result in Florida Power's earnings being subject to greater fluctuation due to changes in weather. (See Note 1 to the Financial Statements.)

Fuel and Purchased Power

Fuel and purchased power costs are recovered primarily through a fuel cost recovery clause established by state and federal regulators. Fluctuations in these costs have little impact year to year on net income, but might impact net income in a more competitive environment. (See Item 7 "MD&A - Extended Nuclear Outage Costs" for discussion of replacement power costs not recovered through the fuel cost recovery clause.)

Factors influencing fuel and purchased power costs include demand for electricity, fuel prices, the availability of generating plants and the amount and price of electricity purchased from QFs and other utilities.

Total fuel and purchased power expenses were $1.03 billion in 1998, less than 1 percent higher than 1997's fuel and purchased power costs. The slight increase, despite an 11.9-percent increase in total kilowatt-hours sold, was due largely to the availability of Florida Power's Crystal River nuclear plant. The lack of nuclear generation throughout 1997 forced Florida Power to replace this generation with other, higher-cost replacement power.

As previously discussed, a key factor influencing Florida Power's purchased power costs are the prices paid to QFs for electricity. Currently, Florida Power receives 831 MW of total capacity from QFs.

In 1998, Florida Power spent $204.0 million for purchased power capacity payments under all QF contracts. This represented approximately 20 percent of system fuel and purchased power expenses for the year. Costs associated with these contracts raised Florida Power's system average cost for generation in 1998 and 1997, and this trend is expected to continue based on the contracts currently in place and the escalating payment schedules associated with each contract.

Florida Power will continue its effort to mitigate the impact of escalating payments from its QF contracts.

Other Utility Expenses

The increase in revenues in 1998, as previously discussed, enabled Florida Power to take several actions to better position itself for the future. The following items largely offset the increase in revenues attributable to the hotter-than-normal weather ($ in millions):

Accelerated amortization of regulatory assets and write-off of related taxes	$21
Accelerated 1999 expenditures to enhance reliability	$17
Accelerated 1999 lump-sum pay increase	$ 7

Utility operations and maintenance expenses increased by $49 million during 1998, compared with 1997. The increase was due to the acceleration of certain expenses noted above and additional operations and maintenance costs related to the Tiger Bay plant acquired in July 1997. In addition, Florida Power wrote off $7 million of inventory deemed obsolete.

In 1997, operations and maintenance expenses, before nuclear outage costs, increased by $8.9 million over 1996. The increase was due primarily to costs associated with planned fossil plant outages and expenditures designed to improve reliability and customer service.

Changes from year to year in the amount of energy conservation costs have no significant impact on earnings because Florida Power recovers substantially all of these costs through a clause in electric rates similar to the fuel recovery clause. Florida Power does not expect the level of energy conservation costs to vary materially in the future.

Depreciation of $347.1 million for 1998 included $19 million of accelerated amortization of regulatory assets, $14 million of which was related to contract termination costs for the Tiger Bay buy-out. (See Item 7 "MD&A - Impact of Tiger Bay Buy-Out.") In 1997, Florida Power wrote off approximately $20 million related to these costs. In 1996, Florida Power amortized approximately $31 million related to two oil-fired power plants and a canceled transmission line. Excluding these and other write-offs, Florida Power's annual depreciation for 1998, 1997 and 1996 would have been $328.6 million, $305.9 million and $293.2 million, respectively.

Florida Power's interest expense in 1998 increased over 1997 primarily due to higher debt balances resulting from the July 1997 Tiger Bay transaction. The higher debt balances from the Tiger Bay transaction, as well as additional costs associated with the 1997 extended nuclear outage, also resulted in increased 1997 interest expense, compared with 1996.

Extended Nuclear Outage Costs

In September 1996, Florida Power's Crystal River nuclear plant was taken out of service to fix an oil pressure problem in the main turbine. When the repairs were completed in October 1996, Florida Power decided to keep the plant shut down to address certain backup safety system design issues.

The NRC had been critical of the plant's overall performance in 1996, and in January 1997 placed the nuclear plant on its "Watch List" as a plant whose operations would be monitored closely until Florida Power demonstrated a period of improved performance.

The nuclear plant was returned to service in February 1998 after being out of service about 16 months. In July 1998, the NRC removed the plant from its "Watch List," citing the unit's improved physical condition, more effective management oversight and improved operator training.

Florida Power's operating results for 1997 were significantly impacted by the costs associated with the extended outage. These costs included $100 million in additional operations and maintenance expenses and approximately $173 million in replacement power costs. Capital expenditures related to the outage were $42 million in 1997. (See Note 9 to the Financial Statements.)

Impact of Tiger Bay Buy-Out

In July 1997, Florida Power bought out the purchased power contracts related to a 220-megawatt cogeneration facility (Tiger Bay). In addition to buying out the purchased power contracts, Florida Power acquired the facility. Costs associated with the termination of the purchased power contracts and the acquisition of the facility totaled $445 million.

The FPSC-approved purchase allowed Florida Power to record a regulatory asset of approximately $350 million for contract termination costs and add $75 million to its electric plant.

Florida Power continues to collect from customers an amount equal to what it would have been allowed to recover for capacity and energy payments made in accordance with the original Tiger Bay purchased power contract. Based on these payments, Florida Power is projected to recover enough revenues by the year 2008 to fully amortize the regulatory asset and related interest charges. The regulatory asset balance as of December 31, 1998, was $321 million and reflected normal amortization of $13.2 million and $4.4 million in 1998 and 1997, respectively, and accelerated amortization of $14 million in 1998. (See Note 9 to the Financial Statements.)

DIVERSIFIED OPERATIONS

Overview

In 1998, Electric Fuels earned $42.3 million, or $.44 per share, compared with $32.1 million, or $.33 per share, in 1997 and $27.1 million, or $.28 per share, in 1996. Electric Fuels' operations include Rail Services, Inland Marine Transportation and Energy and Related Services.

In 1997, Florida Progress established a provision for loss on its $87 million investment in Mid-Continent and accrued for litigation costs. (See Item 7 "MD&A - Mid-Continent Life Insurance Company") In 1996, Florida Progress made two restructuring decisions that had a significant impact on earnings from diversified operations. The spin-off of Echelon resulted in a $26.3 million after-tax charge to earnings while the sale of AST contributed an after-tax gain of $23.5 million. Another item that affected 1996 diversified earnings was the provision for loss on unprofitable coal properties owned by Electric Fuels. This resulted in an after-tax charge of $25.2 million.

The diversified operations of Electric Fuels can be more volatile when compared to the operations of an electric utility. Factors that can influence its

operating results include weather conditions that affect barge transportation along the Mississippi and Ohio rivers, and economic conditions that affect the supply and demand for the various products and services offered by the three business units.

Electric Fuels Corporation

The expansion of Electric Fuels is one of Florida Progress' key strategic objectives. Double-digit earnings growth of Electric Fuels would enable Florida Progress to achieve its five-year objective of consistent annual earnings per share growth of 5 percent or better.

Over the last five years Electric Fuels has grown significantly:

	1998	1997	1996	1995	1994	Five-Year Growth Rate
			(In millions)			
Revenues	$1,234	$1,037	$ 881	$ 844	$ 784	16.3%
Earnings	$42.3	$32.1	$27.1*	$24.0	$ 22.6	23.2%

*Before provision for loss on coal properties

The growth of Electric Fuels has come from growth in its Rail Services business unit, expansion of its Inland Marine Transportation fleet and improved operations in its Energy and Related Services group.

During 1998, Progress Rail completed approximately $200 million in acquisitions across its various business segments. This level of activity was substantially higher than previous years. During 1997 and 1996, Progress Rail's acquisitions totaled $71 million.

Today, Progress Rail is one of the largest integrated suppliers of rail services in the United States, with locations in 20 states, Mexico and Canada. Earnings from the Rail Services unit were $15.9 million, $13.3 million and $9.7 million in 1998, 1997 and 1996, respectively. The growth in earnings has come mostly from acquisitions and internal expansion.

In 1998, this group was negatively impacted by substantial declines in scrap steel prices during the second half of the year. However, the earnings improvement from increased demand for its railcar and track parts and services, sales of railcars from its lease portfolio and increases resulting from its 1997 acquisitions more than offset the effects of the lower scrap steel prices.

Expansion of MEMCO, Electric Fuels' Inland Marine Transportation unit, has been achieved primarily through the purchase of river barges. Since 1992, MEMCO's fleet of barges, which haul coal, agricultural products and other dry bulk products along the Ohio and lower Mississippi rivers, has nearly tripled. During 1998, MEMCO acquired approximately 200 new barges and two new towboats, raising its fleet to 1,100 barges and 27 towboats. During 1999, MEMCO plans to acquire approximately 100 more barges and one new towboat.

Further expansion of the barge fleet after 1999 depends largely on the future demand for barge capacity and MEMCO's ability to secure additional long-term contracts. MEMCO's objective is to achieve and maintain approximately 70 percent of its barge capacity under long-term contracts typically ranging from three to five years. The remaining capacity is used to take advantage of new market opportunities as they arise.

Earnings from the Inland Marine Transportation unit were $10.3 million in 1998, compared with $5.9 million in 1997. The increase was due to the expanded fleet and the negative impact high-water conditions in March 1997 had on 1997's results. The March floods temporarily disrupted barge traffic and terminal services and kept 1997 earnings below 1996 earnings of $7.1 million.

Electric Fuels' Energy and Related Services business unit includes coal mining, river terminal services and off-shore marine transportation. Annual sales of coal average about 12 million tons, of which 5 to 6 million tons are sold to

Florida Power and the rest is sold to unaffiliated customers.

Earnings from this unit were $20.4 million in 1998, compared with $16.8 million in 1997. The increase was due to improved productivity, higher coal deliveries and an increase in river terminal services. In September 1997, Electric Fuels bought out its 50-percent partner in a coal mining joint venture and now recognizes 100 percent of the sales and earnings from that property. In the first half of 1998, Electric Fuels completed the expansion of its Ceredo River terminal in West Virginia, increasing its capacity by 33 percent.

In 1996, the earnings from this unit were $12.7 million, before a provision for loss on unprofitable coal properties. In December 1996, Electric Fuels established a provision for loss on certain coal properties after it determined that depressed market conditions for low-sulfur coal were not temporary. The impact of the write-down was a one-time after-tax charge to earnings of $25.2 million.

Mid-Continent Life Insurance Company

In 1997, Florida Progress recorded a provision for a loss on its investment in Mid-Continent and accrued for estimated legal expenses, reducing 1997 earnings by $.96 per share. This action was prompted by Mid-Continent being placed in receivership in the spring of 1997 and subsequent events in 1997. The receivership was based on Oklahoma Insurance Commissioner John Crawford's contention that Mid-Continent's policy reserves were understated and that it could not raise premiums to address the issue. Although the Oklahoma District Court granted the Commissioner's request to place Mid-Continent in receivership, the court ruled that premiums could be raised. Mid-Continent had planned to raise premiums and eliminate policyholder dividends in order to avoid a projected reserve shortfall in 2020. After placing the company in receivership, Commissioner Crawford's principal action towards rehabilitation was to file a lawsuit seeking to use the assets of Florida Progress for the benefit of policyholder and creditor claims. Commissioner Crawford was defeated in his bid for re-election in November 1998 and new Commissioner, Carroll Fisher, has stated his intention to work with Florida Progress and others to develop a plan to rehabilitate Mid-Continent rather than pursue litigation against Florida Progress. Although Florida Progress hasn't had access to recent Mid-Continent data, its estimate of the present value of the projected deficiency, after applying Mid-Continent's statutory surplus, is in the range of $100 million, rather than the $348 million alleged by former Commissioner Crawford. Florida Progress is working with Commissioner Fisher to develop a viable plan to rehabilitate Mid-Continent, which would include the sale of that company. (See Note 11 to the Financial Statements.)

Year 2000

Florida Progress is in the process of addressing Year 2000 (Y2K) issues and establishing procedures to mitigate its risks. Y2K issues exist because, historically, many computer systems have used two digits to represent a year. With the change of the century, a two-digit year may present calculation or sequencing errors in computer software and embedded technology.

The Florida Progress Y2K effort is overseen by the Vice President, Information Technology of Florida Power, who provides status reports to Florida Progress' board of directors and outside regulatory agencies and other entities such as the FPSC, the NRC and the NERC.

Florida Progress has taken a comprehensive approach in developing its Y2K plans. Resources have been dedicated to reviewing systems throughout all areas of the company, with an emphasis on testing of systems, to the extent possible. Florida Progress expects that preparations for Y2K issues, including contingency plans, will be completed by the end of the third quarter of 1999 for Florida Power and during the fourth quarter of 1999 for Electric Fuels.

All areas of Florida Progress are involved in identifying and addressing software, infrastructure and embedded technology issues.

The Information Technology (IT) focus is on application and operating software, data storage capabilities and technology infrastructure (workstations, servers, voice and data networks, and communications equipment).

Embedded systems are internal components used to control, monitor or assist the operation of equipment, machinery and plants including process controls used for energy production and delivery. They are integral parts of systems, and in many cases their presence is not obvious.

Florida Progress' methodology for identification and remediation of Y2K issues is a five-step process, which includes:

1.) Awareness - The communication of Y2K issues and their importance throughout Florida Power and Electric Fuels.
2.) Inventory - The itemized tabulation of all Y2K-suspect software, infrastructure and embedded systems.
3.) Assessment and prioritization - Performing an evaluation of all technology components, obtaining compliance information through analysis and certifications from suppliers, product vendors, and other third parties, to the extent possible, with which Florida Progress conducts business, reviewing interfaces and categorizing whether identified issues are mission critical.
4.) Remediation and verification - Correcting or upgrading systems and components, and where possible, end-to-end integration testing.
5.) Contingency planning - Establishing contingency plans for all key operating functions.

The following chart represents an estimate of the current status of Florida Progress' Y2K progress and planned completion dates for each phase as of December 31, 1998:

	Florida Power		Electric Fuels	
	Percent Complete (12/31/98)	Planned Completion Date	Percent Complete (12/31/98)	Planned Completion Date
Awareness -	*	*	*	*
Inventory -	98%	Jan. 1999	70%	Mar. 1999
Assessment and prioritization -	75%	Mar. 1999	50%	Jun. 1999
Remediation and verification -	40%	Sep. 1999	30%	Sep. 1999
Contingency planning -	20%	Sep. 1999	10%	Dec. 1999

* To continue through duration of project.

Florida Progress has given the highest priority to addressing mission critical processes for Y2K readiness. At Florida Power, these include systems and processes that support the monitoring and control of the electric grid, maintain generating facility control, output and safety, facilitate security and telecommunications capabilities, and provide critical customer service functions.

While the diversified operations of Electric Fuels have some of the same technology-related issues as Florida Power, the risk is substantially less due to the fact that its operations are less reliant upon integrated technology-driven processes.

Florida Progress is in the process of developing corporate-wide contingency plans. The objective of contingency planning is to minimize the duration and extent of any material impacts resulting from a Y2K-induced problem.

Due to the speculative nature of contingency planning, Florida Progress cannot ensure the extent to which such plans will in fact mitigate the risk of material impacts on Florida Progress' operations due to Y2K issues.

Florida Progress is in the process of identifying and assessing third-party vulnerabilities. Highest vulnerabilities from third-party vendors for Florida Power exist in the fuel supply and telecommunications industries. Florida Power has begun a program of working with these vendors to try to determine potential risks and Y2K readiness. Also, Florida Power is working with industry groups such as the FRCC, Nuclear Energy Institute/Nuclear Utility Software Management Group, and Electric Power Research Institute to ensure the safety and reliability of power generation and the integrity of the transmission grid. In addition, Florida Power has initiated and participated in utility sharing strategy sessions to identify issues with third parties. Florida Power has also begun to request status information from significant vendors to determine potential third-party Y2K risks.

Florida Progress' current estimate of the total costs of addressing Y2K issues, including expenses to remedy both embedded systems and computer information systems, is between $15 million and $25 million. No Florida Progress systems

have been replaced on an accelerated basis due to the Y2K issue. As of December 31, 1998, Florida Progress has incurred a total of approximately $6 million of internal and external costs related to Y2K. Currently, the company does not separately track internal costs related to this issue. Florida Progress has expensed all Y2K costs as incurred.

In the electric utility industry, there are many computers and software programs that are susceptible to Y2K issues, as well as a multitude of individual computer chips within equipment that may have Y2K implications. Computers and computer chips are used in power plants that generate electricity, in systems that handle billing and customer information, and in many other common devices such as telephones, security systems and building elevators. While the potential effects could be widespread and the exact nature of those effects is unknown, Florida Progress does not expect the potential effect to be severe. Florida Progress is making every effort to remediate issues and provide contingency plans for the possibility of any disruption that could occur.

Nevertheless, achieving Y2K readiness is subject to various risks and uncertainties, many of which are described above. It is difficult to provide a detailed, meaningful description of the most reasonably likely worst case Y2K scenarios. Florida Progress is not able to predict all of the factors that could cause actual results to differ materially from its current expectations as to its Y2K readiness.

If Florida Progress, or third parties with whom it has significant business relationships, fail to achieve Y2K readiness with respect to critical systems, there could be a material adverse impact on Florida Progress' financial position, results of operations and cash flows. However, based on the milestones that have been achieved to date and the planned completion of the Y2K project, Florida Progress is confident that it is taking the necessary steps to minimize the impact of Y2K.

Other

Florida Progress adopted several new accounting standards during 1998. (See Note 1 to the Financial Statements.)

Florida Power and a former subsidiary of Florida Progress have been notified by the EPA that each is or may be a potentially responsible party for the cleanup costs of several contaminated sites. (See Note 11 to the Financial Statements.)

Florida Progress has off-balance sheet risk related to debt of unconsolidated partnerships. (See Note 11 to the Financial Statements.)

Florida Progress is involved in other litigation. (See Note 11 to the Financial Statements.)

Even though the inflation rate has been relatively low during the last three years, inflation continues to affect Florida Progress by reducing the purchasing power of the dollar and increasing the cost of replacing assets used in the business. This has a negative effect on Florida Power because regulators generally do not consider this economic loss when setting utility rates. However, such losses are partly offset by the economic gains that result from the repayment of long-term debt with inflated dollars.

LIQUIDITY AND CAPITAL RESOURCES

Cash from operations has been the primary source of capital for Florida Progress. Cash from operations in 1998 increased $435.3 million over 1997. The significant increase was due largely to the absence of costs associated with the 1997 extended nuclear outage and tax benefits received in 1998 related to the 1997 Tiger Bay transaction.

Other sources of capital over the last three years include debt financing, proceeds from the sale and leaseback of equipment, proceeds from the sale of properties and businesses, and the issuance of common stock.

Florida Progress' capital requirements are primarily influenced by Florida Power's construction program and the expansion activities of Electric Fuels. Florida Power's construction program is not expected to require any significant increase in equity or debt over the next several years.

The expansion activities of Electric Fuels will be financed with internally generated funds, debt and equity contributions.

In November 1998, the Progress Plus Stock Plan and Employee Savings Plan (the Plans) began issuing new shares of common stock instead of purchasing shares in the open market. Florida Progress expects to receive about $50 million of new equity annually through the Plans.

Florida Progress also is considering issuing other equity alternatives during 1999. The funds from these sources will be used primarily to reduce debt at Progress Capital, the holding company for the diversified operations.

Florida Progress' capital structure as of December 31, 1998, was 41.1 percent common equity, 58.1 percent debt and .8 percent preferred stock. Total debt at Florida Power was reduced by $233 million in 1998. This decrease was offset by an increase of $257 million at Progress Capital. Listed below are the credit ratings for Florida Power and Progress Capital as of December 31, 1998:

CREDIT RATINGS

	Standard & Poor's	Moody's	Duff & Phelps
Florida Power Corporation			
First mortgage bonds	AA-	Aa3	AA-
Medium-term notes	A+	A1	A+
Commercial paper	A-1+	P-1	D-1+
Progress Capital Holdings, Inc.			
Medium-term notes	A	A2	
Commercial paper	A-1	P-1	

Florida Power Corporation

Florida Power's construction expenditures in 1998 totaled about $310 million. This was primarily for distribution lines related to the utility's growing customer base and the construction of a new 500-megawatt power plant that is planned for commercial operation in the first quarter of 1999. Florida Power's three-year construction program totals approximately $1 billion for the 1999-2001 forecast period. It includes planned expenditures of $323 million, $342 million and $300 million for 1999 through 2001. Florida Power expects these

construction expenditures will be financed primarily with internally generated funds.

In 1998, Florida Power redeemed $250 million of first mortgage bonds. The redemption of these bonds was principally funded through the issuance of $150 million of 30-year medium-term notes bearing an interest rate of 6 3/4 percent and commercial paper.

In July 1997, Florida Power issued $450 million of medium-term notes primarily to finance the buy-out of purchased power contracts associated with the 220-megawatt Tiger Bay cogeneration facility. (See "MD&A - Impact of Tiger Bay Buy-Out".)

Amendments to the Clean Air Act in 1990 require electric utilities to reduce sulfur dioxide emissions. Florida Power is meeting these requirements with minimal capital expenditures.

In addition to funding its construction commitments with cash from operations, Florida Power accesses the capital markets through the issuance of commercial paper and medium-term notes.

Florida Power's interim financing needs are funded primarily through its commercial paper program. The utility has a $200-million, 364-day revolving bank credit facility and a $200-million, five-year facility, which are used to back up commercial paper. (See Note 6 to the Financial Statements.)

Florida Power's medium-term note program provides for the issuance of either fixed or floating interest rate notes, with maturities that may range from nine months to 30 years. Florida Power has available for issuance $250 million of medium-term notes.

In 1998, debt levels decreased at Florida Power largely due to the improved operating results stemming from hotter-than-normal weather, which increased funds from operations.

In 1997, debt levels increased over 1996 at Florida Power largely due to the costs associated with the extended nuclear outage and the buy-out of purchased power contracts with the Tiger Bay plant.

Florida Power's embedded cost of long-term debt was 6.8 percent as of December 31, 1998, and 7 percent as of December 31, 1997.

Diversified Operations

Progress Capital provides short- and long-term financing facilities for Florida Progress' diversified operations and, with the benefit of a guaranty and support agreement with Florida Progress, helps to lower the cost of capital of the diversified businesses. Progress Capital funds diversified operations primarily through the issuance of commercial paper and medium-term notes. (See Note 6 to the Financial Statements.)

Progress Capital has a medium-term note program for the issuance of either fixed or floating interest rate notes, with maturities that may range from nine months to 30 years.

In 1998 and 1997, Progress Capital issued $115 million and $35 million of medium-term notes, respectively, with maturities ranging from two to 10 years, leaving $185 million of medium-term notes available for issuance. The proceeds

were primarily used to repay maturing medium-term notes and for other corporate purposes.

In 1998, MEMCO entered into a $200-million synthetic lease financing for approximately $175 million in barges and $25 million in towboats. The lease financing was accomplished through a sale and leaseback, and involved the issuance of $126 million of secured notes and $74 million in equipment trust certificates by a special purpose Delaware trust. The notes and certificates bear a weighted average interest rate of 6.8 percent with a final maturity in 2014. MEMCO's payment obligations under the operating lease are guaranteed by Progress Capital. (See Note 11 to the Financial Statements.)

Progress Capital has two revolving bank credit facilities: a 364-day, $100-million facility and a five-year, $300-million facility. These facilities are used to back up commercial paper. (See Note 6 in Notes to the Financial Statements.) Progress Capital also has uncommitted bank bid facilities that authorize it to borrow and re-borrow, and have outstanding at any time, up to $300 million. As of December 31, 1998, $150 million was outstanding. The facilities were established to temporarily supplement commercial paper borrowings.

In 1998, total diversified capital expenditures were $217 million, including approximately $92 million for the purchase of barges and towboats and $125 million for property additions at Electric Fuels' diversified operations.

In 1997, diversified capital expenditures were about $120 million, primarily for the purchase of barges.

In 1999, diversified capital expenditures are expected to be approximately $155 million, most of which is for Electric Fuels. The Inland Marine Transportation unit plans to add approximately 100 new barges and one towboat in 1999 as it continues to take advantage of market opportunities to expand its business.

Electric Fuels' Rail Services unit is expected to continue to grow by expanding geographically. These expenditures are expected to be funded through cash generated internally, through Progress Capital from outside financing sources, and through equity contributions from Florida Progress.

Dividend Policy and Earnings Outlook

Florida Progress evaluates its dividend policy on an annual basis to ensure that the dividend payout and dividend rate are appropriate given the business plan, projected earnings growth and outlook for the electric utility industry. Florida Progress' business plan forecasts sustained earnings per share growth, a key factor in determining dividend policy.

FORWARD-LOOKING STATEMENTS

In this report, Florida Progress has stated an aggressive five-year objective of consistent annual earnings per share growth of 5 percent or better, and established goals to build a national retail energy services business in the utilities sector, and continue to support the growth at Electric Fuels. Florida Progress has made various estimates regarding its Y2K preparedness, projected that retail choice eventually will exist in every state, and indicated its assessment that the lawsuits related to Mid-Continent are without merit. Florida Power has indicated that it expects to have sufficient system capacity to meet anticipated future demand.

These statements, and any other statements contained in this report that are not historical facts, are forward-looking statements that are based on a series of projections and estimates regarding the economy, the electric utility industry and the company's other businesses in general, actions of regulatory bodies and courts, and on key factors which impact the company directly. The projections and estimates relate to the pricing of services, the actions of courts and regulatory bodies, the success of new products and services, and the effects of competition.

Key factors that have a direct bearing on the company's ability to attain these projections include continued annual growth in customers; economic and weather conditions affecting the demand for and supply of not only electricity but also Electric Fuels' barge, rail and other services; successful cost containment efforts; and the efficient operation and/or construction of Florida Power's existing and planned generating units. Also, in developing its forward-looking statements, the company has made certain assumptions relating to productivity improvements and the favorable outcome of various commercial, legal and regulatory proceedings, and the lack of disruption to its markets.

If the company's projections and estimates regarding the economy, the electric utility industry and key factors differ materially from what actually occurs, or if various proceedings have unfavorable outcomes, the company's actual results could vary significantly from the performance projected.

Market Risks

Interest rate risk

Florida Progress is exposed to changes in interest rates primarily as a result of its borrowing activities.

A hypothetical 54 basis point increase in interest rates (10 percent of Florida Progress' weighted average interest rate) affecting its variable rate debt ($739.7 million as of December 31, 1998) would have an immaterial effect on Florida Progress' pre-tax earnings over the next fiscal year. A hypothetical 10-percent decrease in interest rates would also have an immaterial effect on the estimated fair value of Florida Progress' long-term debt as of December 31, 1998.

Commodity price risk

Currently at Florida Power, commodity price risk due to changes in market conditions for fuel and purchased power are recovered through the fuel cost recovery clause, with no effect on earnings.

Electric Fuels is exposed to commodity price risk through coal sales, the scrap steel market and fuel for its marine transportation business. A 10-percent change in the market price of those commodities would have an immaterial effect on the earnings of Florida Progress.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For discussion of interest rate risk and commodity risk, see "MD&A - Market Risks".

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

AUDITORS' REPORT

To the Shareholders of Florida Progress Corporation and Florida Power Corporation:

We have audited the accompanying consolidated balance sheets of Florida Progress Corporation and subsidiaries, and of Florida Power Corporation, as of December 31, 1998 and 1997, and the related consolidated statements of income, cash flows, and common equity and comprehensive income for each of the years in the three-year period ended December 31, 1998. In connection with our audits of the financial statements, we also have audited the financial statement schedules listed in Item 14 therein. These financial statements and financial statement schedules are the responsibility of the respective managements of Florida Progress Corporation and Florida Power Corporation. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Progress Corporation and subsidiaries, and Florida Power Corporation, as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/KPMG LLP

KPMG LLP
St. Petersburg, Florida

January 25, 1999

FLORIDA PROGRESS CORPORATION
Consolidated Statements of Income
For the years ended December 31, 1998, 1997 and 1996
(In millions, except per share amounts)

	1998	1997	1996
REVENUES:			
Electric utility	$2,648.2	$2,448.4	$2,393.6
Diversified	972.1	868.0	764.3
	3,620.3	3,316.4	3,157.9
EXPENSES:			
Electric utility:			
Fuel	595.7	458.1	409.7
Purchased power	433.8	490.6	531.6
Energy conservation cost	79.6	67.0	62.6
Operation and maintenance	471.6	422.3	413.4
Extended nuclear outage - O&M and replacement power costs	5.1	173.3	-
Depreciation	347.1	325.9	324.2
Taxes other than income taxes	203.6	193.6	183.6
	2,136.5	2,130.8	1,925.1
Diversified:			
Cost of sales	827.2	753.9	642.9
Provision for loss on coal properties	-	-	40.9
Loss related to life insurance subsidiary	-	97.6	-
Other	56.3	60.4	66.6
	883.5	911.9	750.4
INCOME FROM OPERATIONS	600.3	273.7	482.4
INTEREST EXPENSE AND OTHER:			
Interest expense	187.1	158.7	135.9
Allowance for funds used during construction	(16.9)	(9.7)	(7.5)
(Gain) on sale of business	-	-	(44.2)
Other expense (income), net	(.2)	4.0	1.6
	170.0	153.0	85.8
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	430.3	120.7	396.6
Income taxes	148.6	66.4	145.9
INCOME FROM CONTINUING OPERATIONS	281.7	54.3	250.7
DISCONTINUED OPERATIONS, NET OF INCOME TAXES	-	-	(26.3)
NET INCOME	$ 281.7	$ 54.3	$ 224.4
AVERAGE SHARES OF COMMON STOCK OUTSTANDING	97.1	97.1	96.8
EARNINGS PER AVERAGE COMMON SHARE:			
Continuing operations	$ 2.90	$ .56	$ 2.59
Discontinued operations	-	-	(.27)
	$ 2.90	$ .56	$ 2.32

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

FLORIDA PROGRESS CORPORATION
Consolidated Balance Sheets
December 31, 1998 and 1997
(Dollars in millions)

	1998	1997
ASSETS		
PROPERTY, PLANT AND EQUIPMENT:		
Electric utility plant in service and held for future use	$6,307.8	$6,166.8
Less: Accumulated depreciation	2,716.0	2,511.0
Accumulated decommissioning for nuclear plant	254.8	223.7
Accumulated dismantlement for fossil plants	130.7	128.5
	3,206.3	3,303.6
Construction work in progress	378.3	279.4
Nuclear fuel, net of amortization of $377.2 in 1998 and $356.7 in 1997	45.9	66.5
Net electric utility plant	3,630.5	3,649.5
Other property, net of depreciation of $234.6 in 1998 and $219.3 in 1997	560.1	437.7
	4,190.6	4,087.2
CURRENT ASSETS:		
Cash and equivalents	2.5	3.1
Accounts receivable, net	413.4	373.7
Inventories, primarily at average cost:		
Fuel	69.8	77.6
Utility materials and supplies	83.3	91.9
Diversified materials	137.0	126.8
Underrecovered utility fuel costs	-	34.5
Income taxes receivable	23.4	16.8
Deferred income taxes	55.9	5.8
Prepayments and other	68.8	45.1
	854.1	775.3
DEFERRED CHARGES AND OTHER ASSETS:		
Costs deferred pursuant to regulation:		
Deferred purchase power contract termination costs	321.0	348.2
Other	113.6	126.4
Investments in nuclear decommissioning fund	332.1	266.7
Goodwill	139.8	55.2
Joint ventures and partnerships	71.5	54.6
Other	138.1	46.4
	1,116.1	897.5
	$6,160.8	$5,760.0

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

FLORIDA PROGRESS CORPORATION
Consolidated Balance Sheets
December 31, 1998 and 1997
(Dollars in millions)

	1998	1997
CAPITAL AND LIABILITIES		
COMMON STOCK EQUITY:		
Common stock without par value, 250,000,000 shares authorized, 97,336,826 shares outstanding in 1998 and 97,062,954 in 1997	$1,221.1	$1,209.0
Retained earnings	640.9	567.0
	1,862.0	1,776.0
CUMULATIVE PREFERRED STOCK OF FLORIDA POWER:		
Without sinking funds	33.5	33.5
LONG-TERM DEBT	2,250.4	2,377.8
TOTAL CAPITAL	4,145.9	4,187.3
CURRENT LIABILITIES:		
Accounts payable	297.9	253.2
Customers' deposits	104.1	97.1
Taxes payable	10.1	12.0
Accrued interest	70.4	56.8
Overrecovered utility fuel costs	22.2	-
Other	85.8	74.8
	590.5	493.9
Notes payable	236.2	214.8
Current portion of long-term debt	145.9	15.2
	972.6	723.9
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	595.4	471.2
Unamortized investment tax credits	77.8	85.7
Other postretirement benefit costs	116.1	107.4
Other	253.0	184.5
	1,042.3	848.8
COMMITMENTS AND CONTINGENCIES (Note 11)		
	$6,160.8	$5,760.0

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

FLORIDA PROGRESS CORPORATION
Consolidated Statements of Cash Flows
For the years ended December 31, 1998, 1997 and 1996
(In millions)

	1998	1997	1996
OPERATING ACTIVITIES:			
Income from continuing operations	$ 281.7	$ 54.3	$250.7
Adjustments for noncash items:			
Depreciation and amortization	424.6	364.2	366.7
Extended nuclear outage - replacement power cost	-	73.3	-
Provision for loss on investment in life insurance subsidiary	-	86.9	-
(Gain) on sale of business	-	-	(44.2)
Provision for loss on coal properties	-	-	40.9
Deferred income taxes and investment tax credits, net	44.8	(30.7)	(56.6)
Increase in accrued post-employment benefit costs	8.7	8.6	15.5
Changes in working capital, net of effects from acquisition or sale of businesses:			
Accounts receivable	(2.5)	(108.3)	35.4
Inventories	51.1	2.2	(10.9)
Overrecovery (underrecovery) of fuel cost	51.7	(33.1)	(82.3)
Accounts payable	17.8	58.3	21.6
Taxes payable	(8.2)	(47.1)	21.0
Other	3.1	1.2	(13.5)
Other operating activities	5.1	12.8	26.6
Cash provided by continuing operations	877.9	442.6	570.9
Cash used by discontinued operations	-	-	(8.9)
	877.9	442.6	562.0
INVESTING ACTIVITIES:			
Property additions (including allowance for borrowed funds used during construction)	(543.3)	(513.6)	(264.0)
Acquisition of businesses	(206.6)	(32.7)	(53.8)
Cogeneration facility acquisition and contract termination costs	-	(445.0)	-
Proceeds from sales of properties and businesses	40.6	24.3	61.1
Proceeds from sale and leaseback	153.0	-	-
Investing activities of discontinued operations	-	-	56.5
Other investing activities	(129.3)	(63.7)	(107.4)
	(685.6)	(1,030.7)	(307.6)
FINANCING ACTIVITIES:			
Issuance of long-term debt	259.1	482.8	178.0
Repayment of long-term debt	(275.1)	(34.9)	(190.4)
Increase (decrease) in commercial paper with long-term support	-	130.6	(15.3)
Redemption of preferred stock	-	-	(106.4)
Sale of common stock	12.7	-	18.5
Dividends paid on common stock	(207.8)	(203.8)	(199.5)
Increase in short-term debt	21.4	210.8	4.1
Financing activities of discontinued operations	-	-	61.5
Other financing activities	(3.2)	.5	(4.0)
	(192.9)	586.0	(253.5)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(.6)	(2.1)	.9
Beginning cash and equivalents	3.1	5.2	4.3
ENDING CASH AND EQUIVALENTS	$ 2.5	$ 3.1	$ 5.2
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest (net of amount capitalized)	$ 159.7	$142.7	$128.7
Income taxes (net of refunds)	$ 110.4	$141.7	$189.3

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

FLORIDA PROGRESS CORPORATION
Consolidated Statements of Common Equity and Comprehensive Income
For the years ended December 31, 1998, 1997 and 1996
(Dollars in millions, except per share amounts)

	Total	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income
Balance, December 31, 1995	$2,078.1	$1,187.6	$ 888.4	$ 2.1
Net income	224.4		224.4	
Common stock issued - 586,555 shares	20.7	20.7		
Echelon International stock dividend	(194.5)		(194.5)	
Cash dividends on common stock ($2.06 per share)	(199.5)		(199.5)	
Unrealized gain on marketable securities	(2.7)			(2.7)
Preferred stock redeemed - 1,050,000 shares	(2.3)		(2.3)	
Balance December 31, 1996	1,924.2	1,208.3	716.5	(.6)
Net income	54.3		54.3	
Common stock issued - 55,772 shares	.7	.7		
Cash dividends on common stock ($2.10 per share)	(203.8)		(203.8)	
Reversal of unrealized loss on marketable securities due to deconsolidation	.6			.6
Balance, December 31, 1997	1,776.0	1,209.0	567.0	-
Net income	281.7		281.7	
Common stock issued - 273,872 shares	12.1	12.1		
Cash dividends on common stock ($2.14 per share)	(207.8)		(207.8)	
Balance, December 31, 1998	$1,862.0	$1,221.1	$640.9	$ -

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

FLORIDA POWER CORPORATION
Statements of Income
For the years ended December 31, 1998, 1997 and 1996
(In millions)

	1998	1997	1996
OPERATING REVENUES:	$2,648.2	$2,448.4	$2,393.6
OPERATING EXPENSES:			
Operation:			
Fuel used in generation	595.7	458.1	409.7
Purchased power	433.8	490.6	531.6
Energy Conservation Cost Recovery	79.6	67.0	62.6
Operations and maintenance	471.6	422.3	413.4
Extended nuclear outage - O&M and replacement fuel costs	5.1	173.3	-
Depreciation	347.1	325.9	324.2
Taxes other than income taxes	203.6	193.6	183.6
Income taxes	140.3	69.9	135.8
	2,276.8	2,200.7	2,060.9
OPERATING INCOME	371.4	247.7	332.7
OTHER INCOME AND DEDUCTIONS:			
Allowance for equity funds used During construction	7.5	5.4	4.6
Miscellaneous other expense, net	(1.7)	(4.2)	(3.4)
	5.8	1.2	1.2
INTEREST CHARGES			
Interest on long-term debt	115.6	102.4	86.6
Other interest expense	20.9	14.9	11.8
	136.5	117.3	98.4
Allowance for borrowed funds used during construction	(9.4)	(4.3)	(2.9)
	127.1	113.0	95.5
NET INCOME	250.1	135.9	238.4
DIVIDENDS ON PREFERRED STOCK	1.5	1.5	5.8
NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK	$248.6	$134.4	$232.6

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

FLORIDA POWER CORPORATION
Balance Sheets
For the years ended December 31, 1998, and 1997
(Dollars in millions)

	1998	1997
ASSETS		
PROPERTY, PLANT AND EQUIPMENT:		
Electric utility plant in service and held for future use	$6,307.8	$6,166.8
Less - Accumulated depreciation	2,716.0	2,511.0
Accumulated decommissioning for nuclear plant	254.8	223.7
Accumulated dismantlement for fossil plants	130.7	128.5
	3,206.3	3,303.6
Construction work in progress	378.3	279.4
Nuclear fuel, net of amortization of $377.2 in 1998 and $356.7 in 1997	45.9	66.5
	3,630.5	3,649.5
Other property, net	11.5	33.2
	3,642.0	3,682.7
CURRENT ASSETS:		
Accounts receivable, less reserve of $3.8 in 1998 and $3.2 in 1997	206.0	243.9
Inventories at average cost:		
Fuel	48.4	44.0
Materials and supplies	83.3	91.9
Underrecovered utility fuel cost	-	34.5
Income tax receivable	16.0	13.5
Deferred income taxes	56.0	5.8
Prepaid and other	53.5	32.2
	463.2	465.8
DEFERRED CHARGES AND OTHER ASSETS:		
Costs deferred pursuant to regulation:		
Deferred purchased power contract termination costs	321.0	348.2
Other	113.6	126.4
Nuclear plant decommissioning fund	332.1	266.7
Other	56.2	11.0
	822.9	752.3
	$4,928.1	$4,900.8

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

FLORIDA POWER CORPORATION
Balance Sheets
For the years ended December 31, 1998, and 1997
(Dollars in millions)

	1998	1997
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Common stock	$1,004.4	$1,004.4
Retained earnings	815.7	763.1
	1,820.1	1,767.5
CUMULATIVE PREFERRED STOCK:		
Without sinking funds	33.5	33.5
LONG-TERM DEBT	1,555.1	1,745.4
TOTAL CAPITAL	3,408.7	3,546.4
CURRENT LIABILITIES:		
Accounts payable	173.0	161.9
Accounts payable to associated companies	27.2	26.5
Customers' deposits	104.1	97.1
Accrued other taxes	6.3	7.9
Accrued interest	55.8	45.7
Overrecovered utility fuel cost	22.2	-
Other	51.8	59.2
	440.4	398.3
Notes payable	47.3	179.8
Current portion of long-term debt	91.6	1.5
	579.3	579.6
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	563.2	451.3
Unamortized investment tax credits	77.2	85.1
Other postretirement benefit costs	112.9	104.7
Other	186.8	133.7
	940.1	774.8
	$4,928.1	$4,900.8

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

FLORIDA POWER CORPORATION
Statements of Cash Flows
For the years ended December 31, 1998, 1997 and 1996
(In millions)

	1998	1997	1996
OPERATING ACTIVITIES:			
Net income after dividends on preferred stock	$ 248.6	$ 134.4	$ 232.6
Adjustments for noncash items:			
Depreciation and amortization	382.7	333.8	341.1
Extended nuclear outage - Replacement power costs	-	73.3	-
Deferred income taxes and investment tax credits, net	36.5	(15.2)	(32.8)
Increase in accrued other postretirement benefit costs	8.2	8.3	14.9
Allowance for equity funds used during construction	(7.5)	(5.4)	(4.6)
Changes in working capital:			
Accounts receivable	37.9	(69.2)	16.2
Inventories	4.2	6.7	(.5)
Overrecovery (underrecovery) of fuel cost	51.7	(33.1)	(82.3)
Accounts payable	11.1	46.4	25.7
Accounts payable to associated companies	.7	5.3	(3.5)
Taxes payable	(4.2)	(26.0)	(.8)
Other	(11.6)	12.3	(12.1)
Other operating activities	20.7	(38.8)	3.8
	779.0	432.8	497.7
INVESTING ACTIVITIES:			
Construction expenditures	(310.2)	(387.2)	(217.3)
Allowance for borrowed funds used during construction	(9.4)	(4.3)	(2.9)
Additions to non-utility property	(6.4)	(3.5)	(2.7)
Acquisition cogeneration facility and Payment of contract termination costs	-	(445.0)	-
Proceeds from sale of properties	12.2	19.7	5.5
Other investing activities	(62.6)	(22.2)	(27.6)
	(376.4)	(842.5)	(245.0)
FINANCING ACTIVITIES:			
Issuance of long-term debt	144.1	447.7	-
Repayment of long-term debt	(259.3)	(21.3)	(47.3)
Increase in commercial paper with Long term support	-	-	54.8
Redemption of preferred stock	-	-	(106.3)
Dividends paid on common stock	(154.9)	(192.4)	(171.3)
Equity contributions from parent	-	-	12.5
Increase (decrease) in short-term debt	(132.5)	175.7	4.1
	(402.6)	409.7	(253.5)
NET INCREASE IN CASH AND EQUIVALENTS	-	-	(.8)
Beginning cash and equivalents	-	-	.8
ENDING CASH AND EQUIVALENTS	$ -	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest (net of amount capitalized)	$ 112.6	$ 98.9	$ 90.7
Income taxes (net of refunds)	107.3	108.4	166.9
Non-Cash Investing Activities:			
Property Dividend to Parent	$ 41.1	$ -	$ -

The accompanying notes are an integral part of these financial statements

FLORIDA POWER CORPORATION
Statements of Common Equity and Comprehensive Income
For the years ended December 31, 1998, 1997 and 1996
(Dollars in millions, except share amounts)

	Total	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income
Balance, December 31, 1995	$1,754.0	$992.9	$761.1	$ -
Net income after dividends on preferred stock	232.6		232.6	
Capital contribution by parent company	12.5	12.5		
Dividends paid to parent	(171.3)		(171.3)	
Preferred stock redemption costs	(1.3)		(1.3)	
Premium on preferred stock redemption	(1.0)	(1.0)		
Preferred stock redeemed - 1,050,000 shares				
Balance, December 31, 1996	1,825.5	1,004.4	821.1	-
Net income after dividends on preferred stock	134.4		134.4	
Capital contribution by parent company				
Dividends paid to parent	(192.4)		(192.4)	
Preferred stock redemption costs				
Premium on preferred stock redemption				
Preferred stock redeemed - 1,050,000 shares				
Balance, December 31, 1997	1,767.5	1,004.4	763.1	-
Net income after dividends on preferred stock	248.6		248.6	
Dividends paid to parent	(196.0)		(196.0)	
Balance, December 31, 1998	$1,820.1	$1,004.4	$815.7	$ -

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

FLORIDA PROGRESS CORPORATION AND FLORIDA POWER CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General - Florida Progress is an exempt holding company under the Public Utility Holding Company Act of 1935. Its two primary subsidiaries are Florida Power and Electric Fuels. Florida Power is a public utility engaged in the generation, purchase, transmission, distribution and sale of electricity primarily within Florida. Electric Fuels' operations include the mining, processing and procurement of coal, marine and rail transportation, transfer and storage of coal and other bulk commodities, railcar leasing and railcar maintenance and repair.

Electric Fuels reports the results of its Rail Services, Inland Marine Transportation, and the non-Florida Power portion of its Energy and Related Services operations one month in arrears.

The consolidated financial statements include the financial results of Florida Progress and its majority-owned operations. All significant intercompany balances and transactions have been eliminated. Investments in 20%- to 50%-owned joint ventures are accounted for using the equity method.

Effective December 31, 1997, Florida Progress deconsolidated the financial statements of Mid-Continent, and the investment in Mid-Continent is accounted for under the cost method. The deconsolidation has not been reflected in the financial statements of prior periods.

Certain reclassifications have been made to prior-year amounts to conform to the current year's presentation.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This could affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. These estimates involve judgments with respect to various items including future economic factors that are difficult to predict and are beyond the control of Florida Progress. Therefore actual results could differ from these estimates.

Regulation - Florida Power is regulated by the FPSC and the FERC. The utility follows the accounting practices set forth in Financial Accounting Standard (FAS) No. 71, "Accounting for the Effects of Certain Types of Regulation." This standard allows utilities to capitalize or defer certain costs or revenues based on regulatory approval and management's ongoing assessment that it is probable these items will be recovered through the ratemaking process.

Florida Power has total regulatory assets (liabilities) at December 31, 1998 and 1997 as detailed below:

	1998	1997
	(In millions)	
Deferred purchased power contract termination costs	$321.0	$ 348.2
Replacement fuel (extended nuclear outage)	39.3	55.0
Underrecovered/(overrecovered)utility fuel costs	(22.2)	34.5
Revenue decoupling	-	21.8
Unamortized loss on reacquired debt	25.2	16.8
Other regulatory assets, net	27.7	25.2
Net regulatory assets	$391.0	$501.5

Florida Power expects to fully recover these assets and refund the liabilities through customer rates under current regulatory practice.

If Florida Power no longer applied FAS No. 71 due to competition, regulatory changes or other reasons, the utility would make certain adjustments. These adjustments could include the write-off of all or a portion of its regulatory assets and liabilities, the evaluation of utility plant, contracts and commitments and the recognition, if necessary, of any losses to reflect market conditions.

PROPERTY, PLANT AND EQUIPMENT

Electric Utility Plant - Utility plant is stated at the original cost of construction, which includes payroll and related costs such as taxes, pensions and other fringe benefits, general and administrative costs, and an allowance for funds used during construction. Substantially all of the utility plant is pledged as collateral for Florida Power's first mortgage bonds.

The allowance for funds used during construction represents the estimated cost of equity and debt for utility plant under construction. Florida Power is permitted to earn a return on these costs and recover them in the rates charged for utility services while the plant is in service. The average rate used in computing the allowance for funds was 7.8%.

The cost of nuclear fuel is amortized to expense based on the quantity of heat produced for the generation of electric energy in relation to the quantity of heat expected to be produced over the life of the nuclear fuel core.

Florida Power's annual provision for depreciation, including a provision for nuclear plant decommissioning costs and fossil plant dismantlement costs, expressed as a percentage of the average balances of depreciable utility plant, was 4.7% for 1998, 4.8% for 1997 and 4.9% for 1996.

The fossil plant dismantlement accrual has been suspended for a period of four years, effective July 1, 1997. (See Note 9 contained herein.)

Florida Power charges maintenance expense with the cost of repairs and minor renewals of property. The plant accounts are charged with the cost of renewals and replacements of property units. Accumulated depreciation is charged with the cost, less the net salvage, of property units retired.

Florida Power accrues a reserve for maintenance and refueling expenses anticipated to be incurred during scheduled nuclear plant outages.

Other Property - Other property consists primarily of railcar and recycling equipment, barges, towboats, land, mineral rights and telecommunications equipment.

Depreciation on other property is calculated principally on the straight-line method over the estimated useful lives of assets. Depletion is provided on the units-of-production method based upon the estimates of recoverable tons of clean coal.

Utility Revenues, Fuel and Purchased Power Expenses - Revenues include amounts resulting from fuel, purchased power and energy conservation cost recovery clauses, which generally are designed to permit full recovery of these costs. The adjustment factors are based on projected costs for a 12-month period. The cumulative difference between actual and billed costs is included on the balance sheet as a current regulatory asset or liability. Any difference is billed or refunded to customers during the subsequent period.

In December 1997, Florida Power ended the three-year test period for residential revenue decoupling, which was ordered by the FPSC and began in January 1995. Revenue decoupling eliminated the effect of abnormal weather from revenues and earnings. The difference between target revenues and actual revenues is included as a current asset on the balance sheet for the period ended December 31, 1997. The regulatory asset of $21.8 million at December 31, 1997, is currently being recovered from customers over a two-year period, ending in the year 2000, through the energy conservation cost recovery clause as directed by the FPSC decoupling order.

Florida Power accrues the non-fuel portion of base revenues for services rendered but unbilled.

Diversified Revenues - Revenues are recognized at the time products are shipped or as services are rendered. Leasing activities are accounted for in accordance with FAS No. 13, "Accounting for Leases."

Income Taxes - Deferred income taxes are provided on all significant temporary differences between the financial and tax basis of assets and liabilities using presently enacted tax rates.

Deferred investment tax credits, subject to regulatory accounting practices, are amortized to income over the lives of the related properties.

Accounting for Certain Investments - Florida Progress considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Florida Progress' investments in debt and equity securities are classified and accounted for as follows:

Type of Security	Accounting Treatment
Debt securities held to maturity	Amortized cost
Trading securities	Fair value with unrealized gains and losses included in earnings

Securities available for sale	Fair value with unrealized gains and losses, net of taxes, reported separately in comprehensive income

Florida Progress held only securities classified as available for sale at both December 31, 1998 and 1997. A decline in the market value of any security available for sale below cost results in a reduction in carrying amount to fair value if the decline is not considered temporary. The impairment is charged to earnings and a new cost basis for the security is established. (See Note 2 contained herein.) Dividend and interest income are recognized when earned.

Accounting for Long-Lived Assets - Long-lived assets and certain identifiable intangibles subject to the provisions of FAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. FAS No. 121 also amends FAS No. 71, "Accounting for the Effects of Certain Types of Regulation," to require that regulatory assets, which include certain deferred charges, be charged to earnings if such assets are no longer considered probable of recovery. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Acquisitions - During 1998 and 1997, subsidiaries of Electric Fuels acquired 13 and three businesses, respectively, in separate transactions. The cash paid for the 1998 and 1997 acquisitions was $206.6 million and $32.7 million, respectively. The excess of the aggregate purchase price over the fair value of net assets acquired was approximately $87.8 million and $15.6 million in 1998 and 1997, respectively. The acquisitions were accounted for under the purchase method of accounting and, accordingly, the operating results of the acquired businesses have been included in Florida Progress' consolidated financial statements since the date of acquisition. Each of the acquired companies conducted operations similar to those of the subsidiaries and has been integrated into their operations. The pro forma results of consolidated operations for 1998 and 1997, assuming the 1998 acquisitions were made at the beginning of each year, would not differ significantly from the historical results.

Goodwill - Goodwill is being amortized on a straight-line basis over the expected periods to be benefited, generally 40 years. The Company assesses the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved.

Stock-Based Compensation - Florida Progress' Long-Term Incentive Plan ("LTIP") authorizes the granting of up to 2,250,000 shares of common stock to certain executives in various forms, including stock options, stock appreciation rights,

restricted stock and performance shares. Currently, the Company has only granted performance shares, which upon achievement of performance criteria for a three-year performance cycle, can result in the award of shares of common stock of Florida Progress or cash if certain stock ownership requirements are met. Florida Progress accounts for its LTIP in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as allowed under FAS No. 123, "Accounting for Stock Based Compensation." Compensation costs for performance shares have been recognized at the fair market value of the Company's stock and are recognized over the performance cycle.

Environmental - Florida Progress accrues environmental remediation liabilities when the criteria of FAS No. 5, "Accounting for Contingencies," have been met. Environmental expenditures are expensed as incurred or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed.

Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated.

New Accounting Standards - Florida Progress adopted FAS No. 130, "Reporting Comprehensive Income," on January 1, 1998. The standard defines comprehensive income as all changes in equity of an enterprise during a period except those resulting from shareholder transactions. As the standard addresses reporting and presentation issues only, there was no impact on earnings from the adoption of this standard. Comprehensive income is included for Florida Progress in the accompanying Consolidated Statements of Common Equity and Comprehensive Income. Prior-year financial statements have been reclassified to conform to the requirements of FAS No. 130.

Florida Progress adopted FAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" for the year ended December 31, 1998. The standard requires financial and descriptive information be disclosed for segments meeting certain materiality criteria whose operating results are reviewed for decisions on resource allocation and for which discrete financial information is available. It also establishes standards for related disclosures about products and services, geographic areas and major customers. As the standard addresses reporting and disclosure issues only, there was no impact on earnings. (See Note 8 contained herein.)

Florida Progress adopted FAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" for the year ended December 31, 1998. As the standard addresses reporting and disclosure issues only, there was no impact on earnings. (See Note 7 contained herein.)

In June 1998, the Financial Accounting Standards Board issued FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair values. Florida Progress will be required to adopt this standard for financial statements issued beginning the first quarter of fiscal year 2000. Florida Progress is currently evaluating the effect the standard will have on its financial statements.

NOTE 2: FINANCIAL INSTRUMENTS

Estimated fair value amounts have been determined by Florida Progress using available market information and discounted cash-flow analysis. Judgment is required in interpreting market data to develop the estimates of fair value.

Accordingly, the estimates may be different than the amounts that Florida Progress could realize in a current market exchange.

Florida Progress' exposure to market risk for changes in interest rates relates primarily to Florida Progress' marketable securities and long-term debt obligations.

At December 31, 1998 and 1997, Florida Progress had the following financial instruments with estimated fair values and carrying amounts:

	1998		1997	
(In millions)	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
ASSETS:				
Investments for nonqualified retirement plans	$80.4	$80.4	$5.0	$5.0
Nuclear decommissioning fund	332.1	332.1	266.7	266.7
CAPITAL AND LIABILITIES:				
Long-term debt:				
Florida Power Corporation	$1,646.7	$1,740.4	$1,746.9	$1,801.1
Progress Capital Holdings	749.6	763.9	646.1	656.5

NOTE 3: INCOME TAXES

FLORIDA PROGRESS

(In millions)	1998	1997	1996
Components of income tax expense:			
Payable currently:			
Federal	$ 85.8	$ 86.6	$179.7
State	15.3	10.5	23.0
	101.1	97.1	202.7
Deferred, net:			
Federal	47.2	(22.4)	(41.9)
State	8.2	(.5)	(6.9)
	55.4	(22.9)	(48.8)
Amortization of investment tax credits, net	(7.9)	(7.8)	(8.0)
	$ 148.6	$ 66.4	$ 145.9

FLORIDA POWER

(In millions)	1998	1997	1996
Components of income tax expense:			
Payable currently:			
Federal	$ 89.2	$ 73.5	$143.6
State	15.3	11.6	24.9
	104.5	85.1	168.5
Deferred, net:			
Federal	37.7	(7.6)	(20.9)
State	6.6	.2	(4.0)
	44.3	(7.4)	(24.9)
Amortization of investment tax credits, net	(7.9)	(7.8)	(7.9)
Total income tax expense	140.9	69.9	135.7
Less: Amounts charged or (credited) to non-operating income	.7	--	(.1)
Amounts charged to operating income	$ 140.2	$ 69.9	$ 135.8

The primary differences between the statutory rates and the effective income tax rates are detailed below:

FLORIDA PROGRESS

	1998	1997	1996
Federal statutory income tax rate	35.0%	35.0%	35.0%
State income tax, net of federal income tax benefits	3.5	5.4	2.6
Amortization of investment tax credits	(1.8)	(6.4)	(2.0)
Other income tax credits	(1.9)	(2.7)	-
Provision for loss on investment in life insurance subsidiary	-	24.9	-
Preferred dividends	.1	-	-
Other	(.4)	(1.8)	.6
Effective income tax rates	34.5%	54.4%	36.2%

FLORIDA POWER

	1998	1997	1996
Federal statutory income tax rate	35.0%	35.0%	35.0%
State income tax, net of federal income tax benefits	3.6	3.7	3.6
Amortization of investment tax credits	(2.0)	(3.8)	(2.2)
Other	(.4)	(.9)	-
Effective income tax rates	36.2%	34.0%	36.4%

The following summarizes the components of deferred tax liabilities and assets at December 31, 1998 and 1997:

FLORIDA PROGRESS

(In millions)	1998	1997
Deferred tax liabilities:		
Difference in tax basis of property, plant and equipment	$624.5	$539.0
Investment in partnerships	19.2	19.7
Deferred book expenses	23.4	34.1
Other	47.2	29.7
Total deferred tax liabilities	$ 714.3	$ 622.5
Deferred tax assets:		
Loss reserves not currently deductible	$ 18.0	$ 17.0
Accrued book expenses	108.7	110.8
Unbilled revenues	17.6	17.6
Other	30.5	11.7
Total deferred tax assets	$ 174.8	$ 157.1

At December 31, 1998 and 1997, Florida Progress had net noncurrent deferred tax liabilities of $595.4 million and $471.2 million and net current deferred tax assets of $55.9 million and $5.8 million, respectively. Florida Progress believes it is more likely than not that the results of future operations will generate sufficient taxable income to allow for the utilization of deferred tax assets.

FLORIDA POWER

(In millions)	1998	1997
Deferred tax liabilities:		
Difference in tax basis of property, plant and equipment	$ 575.1	$ 506.3
Deferred book expenses	23.3	34.1
Under recovery of fuel	3.8	2.8
Carrying value of securities over cost	22.0	15.0
Other	10.5	1.5
Total deferred tax liabilities	$ 634.7	$ 559.7
Deferred tax assets:		
Accrued book expenses	$ 90.2	$ 95.0
Unbilled revenues	17.6	17.6
Regulatory liability for deferred income taxes	-	1.6
Other	19.7	-
Total deferred tax assets	$ 127.5	$ 114.2

At December 31, 1998 and 1997, Florida Power had net noncurrent deferred tax liabilities of $563.1 million and $451.3 million and net current deferred tax assets of $55.9 million and $5.8 million, respectively. Florida Power expects the results of future operations will generate sufficient taxable income to allow the utilization of deferred tax assets.

NOTE 4: NUCLEAR OPERATIONS

Florida Power's Crystal River nuclear plant began an extended outage in September 1996, which caused Florida Power to incur $100 million in additional operation and maintenance expenses in 1997. The plant was placed on the NRC's "Watch List," as a plant whose operations will be closely monitored until the plant demonstrates a period of improved performance. In January 1998, the NRC granted Florida Power permission to restart the plant. On February 15, 1998, the plant returned to service. On July 29, 1998, the NRC removed CR3 from the "Watch List." Earlier in July 1998, the NRC gave CR3 an overall report of good performance and improvements in all areas assessed for the agency's Systematic Assessment of Licensee Performance (SALP) ratings. CR3 has produced more than 100% of its rated capacity since its restart in February 1998. (See Note 9 contained herein.)

Jointly Owned Plant - The following information relates to Florida Power's 90.4% proportionate share of the nuclear plant at December 31, 1998 and 1997:

(In millions)	1998	1997
Utility plant in service	$708.9	$673.8
Construction work in progress	44.2	49.3
Unamortized nuclear fuel	45.9	66.5
Accumulated depreciation	368.7	341.0
Accumulated decommissioning	254.8	223.7

Net capital additions for Florida Power were $30.0 million in 1998 and $64.7 million in 1997. Depreciation expense, exclusive of nuclear decommissioning, was $32.8 million in 1998 and $29 million in 1997. Each co-owner provides for its own financing of their investment. Florida Power's share of the asset balances and operating costs is included in the appropriate consolidated financial statements. Amounts exclude any allocation of costs related to common facilities.

Decommissioning Costs - Florida Power's nuclear plant depreciation expenses include a provision for future decommissioning costs, which are recoverable through rates charged to customers. Florida Power is placing amounts collected in an externally managed trust fund. The recovery from customers, plus income earned on the trust fund, is intended to be sufficient to cover Florida Power's share of the future dismantlement, removal and land restoration costs. Florida Power has a license to operate the nuclear unit through December 3, 2016, and contemplates decommissioning beginning at that time.

In November 1995, the FPSC approved the current site-specific study that estimates total future decommissioning costs at approximately $2 billion, which corresponds to $464.8 million in 1998 dollars. Florida Power's share of the total annual decommissioning expense is $21.7 million.

Florida Power is required to file a new site-specific study with the FPSC at least every five years, which will incorporate current cost factors, technology and radiological criteria.

Fuel Disposal Costs - Florida Power has entered into a contract with the U.S. Department of Energy for the transportation and disposal of SNF. Disposal costs for nuclear fuel consumed are being collected from customers through the fuel adjustment clause at a rate of $.001 per net nuclear kilowatt-hour sold and are paid to the DOE quarterly. Florida Power currently is storing SNF on-site and has sufficient storage capacity in place for fuel consumed through the year 2011.

NOTE 5 PREFERRED AND PREFERENCE STOCK AND SHAREHOLDER RIGHTS

The authorized capital stock of Florida Progress includes 10 million shares of preferred stock, without par value, including 2 million shares designated as Series A Junior Participating Preferred Stock. No shares of Florida Progress' preferred stock are issued and outstanding. However, under Florida Progress' Shareholder Rights Agreement, each share of common stock has associated with it approximately two-thirds of one right to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock, subject to adjustment, which is exercisable in the event of certain attempted business combinations. If exercised, the rights would cause substantial dilution of ownership, thus adversely affecting any attempt to acquire the Company on terms not approved by the Company's Board of Directors. The rights have no voting or dividend rights and expire in December 2001, unless redeemed earlier by the Company.

The authorized capital stock of Florida Power includes three classes of preferred stock: 4 million shares of Cumulative Preferred Stock, $100 par value; 5 million shares of Cumulative Preferred Stock, without par value; and 1 million shares of Preference Stock, $100 par value. No shares of Florida Power's Cumulative Preferred Stock, without par value, or Preference Stock are issued and outstanding. A total of 334,967 shares of Cumulative Preferred Stock, $100 par value, were issued and outstanding at December 31, 1998 and 1997. Florida Power redeemed 1,050,000 shares of its Cumulative Preferred Stock in 1996 for $106.4 million

Cumulative Preferred Stock for Florida Power is detailed below:

Dividend Rate	Current Redemption Price	Shares Outstanding	Outstanding at December 31, 1998 & 1997 (In millions)
4.00%	$104.25	39,980	$ 4.0
4.40%	$102.00	75,000	7.5
4.58%	$101.00	99,990	10.0
4.60%	$103.25	39,997	4.0
4.75%	$102.00	80,000	8.0
		334,967	$33.5

All Cumulative Preferred Stock series are without sinking funds and are not subject to mandatory redemption.

NOTE 6 DEBT

Florida Progress' long-term debt at December 31, 1998 and 1997, is scheduled to mature as follows:

	Interest Rate(a)	1998	1997
Florida Power Corporation (In millions)			
First mortgage bonds, maturing 1999-2023	6.88%	$585.0	$835.0
Pollution control revenue bonds, maturing 2014-2027	6.59%	240.9	240.9
Medium-term notes, maturing 1999-2028	6.63%	624.5	476.0
Commercial paper, supported by revolver maturing November 30, 2003	5.25%	200.0	200.0
Discount, net of premium, being amortized over term of bonds		(3.7)	(5.0)
		1,646.7	1,746.9

Progress Capital Holdings:			
Medium-term notes, maturing 1999-2008	6.63%	444.0	339.0
Commercial paper, supported by revolver maturing November 30, 2003	5.38%	300.0	300.0
Other debt, maturing 1999-2006	6.13%	5.6	7.1
		2,396.3	2393.0
Less: Current portion of long-term debt		145.9	15.2
		$2,250.4	$2,377.8

(a)Weighted average interest rate at December 31, 1998.

Florida Progress' consolidated subsidiaries have lines of credit totaling $800 million, which are used to support commercial paper. The lines of credit were not drawn on as of December 31, 1998. Interest rate options under the lines of credit arrangements vary from subprime or money market rates to the prime rate. Banks providing lines of credit are compensated through fees. Commitment fees on lines of credit vary between .06 and .10 of 1%.

The lines of credit consist of four revolving bank credit facilities, two each for Florida Power and Progress Capital. The Florida Power facilities consist of $200 million with a 364-day term and $200 million with a five-year term. The Progress Capital facilities consist of $100 million with a 364-day term and $300 million with a five-year term. In 1998, both 364-day facilities were extended to November 1999. In addition, both five-year facilities were extended to November 2003. Based on the duration of the underlying backup credit facilities, $500 million of outstanding commercial paper at December 31, 1998, and December 31, 1997, are classified as long-term debt. Additionally, as of December 31, 1998, Florida Power and Progress Capital had an additional $47.3 million and $38.9 million, respectively, of outstanding commercial paper classified as short-term debt.

Progress Capital has uncommitted bank bid facilities authorizing it to borrow and re-borrow, and have outstanding at any time, up to $300 million. As of December 31, 1998, $150 million was outstanding under these bid facilities.

Florida Power has a public medium-term note program providing for the issuance of either fixed or floating interest rate notes. These notes have maturities ranging from nine months to 30 years. A balance of $250 million is available for issuance.

In March 1998, Florida Power redeemed all of its $150 million principal amount of first mortgage bonds, 8 5/8% series due November 2021 at a redemption price of 105.17% of the principal amount thereof. Substantially all of this redemption was funded from the net proceeds of $150 million of medium-term notes issued in February 1998, which bear an interest rate of 6 ¼% and mature in February 2028. Florida Power also redeemed in November 1998, an additional $100 million of first mortgage bonds. The entire $50 million principal of the 7 3/8% series was redeemed at a price of 100.93%, and the entire $50 million principal of the 7 ¼% series was redeemed at a price of 100.86%. Both issues were due in 2002. The redemption was funded from internally generated funds and commercial paper.

Florida Power has registered $370 million of first mortgage bonds, which are unissued and available for issuance.

Progress Capital has a private medium-term note program providing for the issuance of either fixed or floating interest rate notes, with maturities ranging from nine months to 30 years. A balance of $185 million is available for issuance under this program.

The combined aggregate maturities of long-term debt for 1999 through 2003 are $145.9 million, $147.6 million, $183 million, $32.2 million and $775.4 million, respectively.

Florida Progress and Progress Capital entered into an amended guaranty and support agreement in 1996, pursuant to which Florida Progress has unconditionally guaranteed the payment of Progress Capital's debt.

NOTE 7 RETIREMENT BENEFIT PLANS

Pension Benefits - Florida Progress and some of its subsidiaries have a noncontributory defined benefit pension plan (Retirement Plan) covering most employees. Florida Progress also has two supplementary defined benefit pension plans that provide benefits to higher-level employees. Effective January 1, 1998, the Retirement Plan was split into two separate plans, one covering eligible bargaining unit employees and the other covering all other eligible employees. Plan assets were allocated to each plan in accordance with applicable law.

Other Postretirement Benefits - Florida Progress and some of its subsidiaries also provide certain health care and life insurance benefits for retired employees when they reach retirement age while working for Florida Progress.

Shown below are the components of the net pension expense and net postretirement benefit expense calculations for 1998, 1997 and 1996:

	Pension Benefits			Other Postretirement Benefits		
(In millions)	1998	1997	1996	1998	1997	1996
Service cost	$ 22.3	$ 18.7	$ 18.3	$ 3.5	$ 3.2	$ 5.3
Interest cost	37.7	34.9	32.3	10.5	10.4	12.4
Expected return on plan assets	(68.5)	(58.4)	(52.0)	(.3)	(.4)	(.3)
Net amortization and deferral	(12.5)	(6.5)	(6.5)	3.2	3.4	6.1
Net cost/(benefit) recognized	$(21.0)	$(11.3)	$ (7.9)	$16.9	$16.6	$23.5

The following weighted average actuarial assumptions at December 31 were used in the calculation of the year-end funded status:

	Pension Benefits			Other Postretirement Benefits		
	1998	1997	1996	1998	1997	1996
Discount rate	7.00%	7.25%	7.50%	7.00%	7.25%	7.50%
Expected long-term rate of return	9.00%	9.00%	9.00%	5.00%	5.00%	5.00%
Rate of compensation increase:						
Bargaining unit employees	3.50%	4.50%	4.50%	3.50%	4.50%	4.50%
Nonbargaining unit employees	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Nonqualified plans	4.00%	4.00%	4.00%	N/A	N/A	N/A

The following summarizes the change in the benefit obligation and plan assets for both the pension plan and postretirement benefit plan for 1998 and 1997:

	Pension Benefits		Other Benefits	
(In millions)	1998	1997	1998	1997
Change in benefit obligation				
Benefit obligation at beginning of year	$523.9	$472.0	$ 153.2	$ 182.6
Service cost	22.3	18.7	3.5	3.2
Interest cost	37.7	34.9	10.5	10.4
Plan amendment	-	9.5	-	(36.1)
Actuarial (gain)/loss	16.1	12.6	1.2	(.3)
Benefits paid	(25.8)	(23.8)	(6.9)	(6.6)
Benefit obligation at end of year	574.2	523.9	161.5	153.2
Change in plan assets				
Fair value of plan assets at beginning of year	769.0	655.0	6.4	4.7
Return on plan assets (net of expenses)	140.2	136.6	.4	.4
Employer contributions	-	-	1.3	1.3
Benefits paid	(24.2)	(22.6)	-	-
Fair value of plan assets at end of year	885.0	769.0	8.1	6.4
Funded status	310.8	245.1	(153.4)	(146.8)
Unrecognized transition (asset) obligation	(20.5)	(25.4)	51.4	55.0
Unrecognized prior service cost	13.3	14.5	-	-
Unrecognized net actuarial (gain)/loss	(283.5)	(236.6)	(14.1)	(15.6)
Prepaid (accrued) benefit cost	$ 20.1	$ (2.4)	$(116.1)	$(107.4)

Between 1996 and 1998, Florida Progress set assets aside in a rabbi trust for the purpose of providing benefits to the participants in the supplementary retirement plans. The assets of the rabbi trust are not reflected as plan assets because the assets could be subject to creditors' claims. The assets and liabilities of the supplementary defined benefit retirement plans are included in Other Assets and Other Liabilities on the accompanying Consolidated Balance Sheets.

A one-percentage point increase or decrease in the assumed health care cost trend rate would change the total service and interest cost by approximately $1 million and the postretirement benefit obligation by approximately $10 million.

Due to different retail and wholesale regulatory rate requirements, Florida Power began making quarterly contributions for the postretirement benefit plan in 1995 to an irrevocable external trust fund for wholesale ratemaking, while continuing to accrue postretirement benefit costs to an unfunded reserve for retail ratemaking. Florida Power contributed approximately $1.3 million annually in both 1998 and 1997 to the trust fund.

NOTE 8 BUSINESS SEGMENTS

Florida Progress' principal business segment is Florida Power, an electric utility engaged in the generation, purchase, transmission, distribution and sale of electricity. The other reportable business segments are Electric Fuels' Energy and Related Services, Rail Services and Inland Marine Transportation units. Energy and Related Services includes coal operations, river terminal services and off-shore marine transportation. Rail Services' operations include railcar repair, rail parts reconditioning and sales, railcar leasing and sales, providing rail and track material, and metal recycling. Inland Marine provides transportation of coal, agricultural and other dry-bulk commodities as well as fleet management services. The other category includes the parent holding company Florida Progress, which allocates a portion of its operating expenses to

business segments. This category also includes segments below the quantitative threshold required for separate disclosure.

Florida Progress' business segment information for 1998, 1997 and 1996 is summarized below. Florida Progress' significant operations are geographically located in the United States. Florida Progess' segments are based on differences in products and services, and therefore no additional disclosures are presented. Intersegment sales and transfers consist of coal sales from Electric Fuels to Florida Power. The price Electric Fuels charges Florida Power is based on market rates for coal procurement and for water borne transportation under a methodology approved by the FPSC. Rail transportation is also based on market rates plus a return allowed by the FPSC on equity utilized in transporting coal to Florida Power. The allowed rate of return is currently 12%. No single customer accounted for 10% or more of unaffiliated revenues.

(In millions)	Utility	Energy and Related Services	Rail Services	Inland Marine Transportation	Other	Eliminations	Consolidated
1998							
Revenues	$2,648.2	$173.8	$658.5	$124.6	$ 10.9	$ 4.3	$3,620.3
Intersegment revenues	-	273.9	1.3	14.0	-	(289.2)	-
Depreciation and amortization	382.7	14.4	19.4	4.5	3.6	-	424.6
Interest expense	136.5	5.8	21.3	4.4	20.8	(1.7)	187.1
Income taxes	141.0	6.3	12.3	6.3	(17.3)	-	148.6
Segment net income (loss)	248.6	20.4	15.9	10.3	(13.5)	-	281.7
Total assets	4,928.1	316.5	680.0	99.5	334.0	(197.3)	6,160.8
Property additions	326.0	32.0	91.0	93.6	.7	-	543.3
1997							
Revenues	$2,448.4	$165.6	$477.1	$105.5	$115.7	$ 4.1	$3,316.4
Intersegment revenues	-	286.0	1.3	14.2	-	(301.5)	-
Depreciation and amortization	333.8	11.7	11.2	4.3	3.2	-	364.2
Interest expense	117.3	6.5	13.9	2.5	19.1	(.6)	158.7
Income taxes	69.9	8.4	9.8	3.3	(25.0)	-	66.4
Segment net income (loss)	134.4	16.8	13.3	5.9	(116.1)	-	54.3
Total assets	4,900.8	299.2	385.3	138.9	210.4	(174.6)	5,760.0
Property additions	395.0	16.8	41.6	59.0	1.2	-	513.6
1996							
Revenues	$2,393.6	$165.6	$353.7	$ 86.4	$155.2	$ 3.4	$3,157.9
Intersegment revenues	-	273.2	.8	13.7	-	(287.7)	-
Depreciation and amortization	341.1	11.4	7.4	4.5	2.3	-	366.7
Interest expense	98.4	6.3	9.9	1.9	20.5	(1.1)	135.9
Income taxes	135.7	(9.3)	6.9	4.4	8.2	-	145.9
Segment net income (loss)	232.6	(12.5)	9.7	7.1	(12.5)	-	224.4
Total assets	4,264.0	272.4	294.2	79.0	577.2	(138.4)	5,348.4
Property additions	222.9	11.7	16.1	12.7	.6	-	264.0

In December 1996, the Energy and Related Services segment of Electric Fuels revised its assessment that low-sulfur coal market prices were depressed temporarily. Electric Fuels decided to close and dispose of its unprofitable coal operations and recorded a provision for loss of $40.9 million.

NOTE 9 RATES

Florida Power's retail rates are set by the FPSC, while its wholesale rates are governed by the FERC. Florida Power's last general rate case was approved in 1992 and allowed a 12% regulatory return on equity with an allowed range between 11% and 13%.

Tiger Bay Buy-Out - In 1997, Florida Power bought out the Tiger Bay purchased power contracts for $370 million and acquired the cogeneration facility for $75 million, for a total of $445 million. Of the $370 million of contract

termination costs, $350 million was recorded as a regulatory asset and the remaining $20 million was written off. Florida Power recorded $75 million as electric plant.

The regulatory asset is being recovered pursuant to an agreement between Florida Power and several intervening parties, which was approved by the FPSC in June 1997. The amortization of the regulatory asset is calculated using revenues collected under the fuel adjustment clause as if the purchased power agreements related to the facility were still in effect, less the actual fuel costs and the related debt interest expense. This will continue until the regulatory asset is fully amortized. Florida Power has the option to accelerate the amortization. Approximately $27.2 million and $4.4 million of amortization expense was recorded in 1998 and 1997, respectively.

In December 1998, Florida Power received approval from the FPSC to defer non-fuel revenues towards the development of a plan that would allow customers to realize the benefits earlier than if they are used to accelerate the amortization of the Tiger Bay regulatory asset. If this plan is not submitted by May 1, 1999, or not approved by the FPSC, then deferred revenues of $10.1 million plus interest will be applied towards the amortization of Tiger Bay.

Extended Nuclear Outage - In June 1997, a settlement agreement between Florida Power and all parties who intervened in Florida Power's request to recover replacement fuel and purchased power costs resulting from the extended outage of its nuclear plant was approved by the FPSC. The plant was taken off-line in September 1996 to address certain design issues related to its safety systems. In late January 1998, Florida Power notified the NRC that it had completed all of the requirements and was subsequently granted permission to restart the plant. The plant returned to service in February 1998.

Florida Power incurred approximately $174 million in 1997 and an additional $5 million in 1998 in total system replacement power costs. In accordance with the settlement agreement, Florida Power recorded a charge of approximately $73 million in 1997 and $5 million in 1998 for retail replacement power costs incurred that will not be recovered through its fuel cost recovery clause. Florida Power is currently recovering approximately $38 million through its fuel cost recovery clause, and approximately $63 million of replacement power costs were recorded as a regulatory asset in 1997. The regulatory asset is being amortized for a period of up to four years. The amortization is being recovered by the suspension of fossil plant dismantlement accruals during the amortization period.

The parties to the settlement agreement agreed not to seek or support any increase or reduction in Florida Power's base rates or the authorized range of its return on equity during the four-year amortization period. The settlement agreement also provided that for purposes of monitoring Florida Power's future earnings, the FPSC will exclude the nuclear outage costs when assessing Florida Power's regulatory return on equity. The agreement resolved all present and future disputed issues between the parties regarding the extended outage of the nuclear plant.

NOTE 10 DISCONTINUED OPERATIONS

On November 21, 1996, Florida Progress' Board of Directors declared a spin-off distribution to common shareholders of record on December 5, 1996, of the common shares of Echelon, which comprised the Company's lending, leasing and real estate operations. Common shares were distributed on the basis of one share of Echelon common stock for every 15 shares of Florida Progress' common stock.

In connection with the spin-off in 1996, Florida Progress has presented Echelon as a discontinued operation in the accompanying Consolidated Statements of Income.

Summarized income statement information relating to Echelon's results of operations (as reported in discontinued operations) for the year ended December 31 is as follows:

(In millions)	1996
Sales and revenues	$ 63.2
Loss from operations (net of income tax)	-
Provision for loss on disposition of assets (net of income tax benefits of $11.3)	(18.0)
Spin-off transaction costs (net of income tax benefits of $1.8)	(8.3)
Total discontinued operations	$(26.3)

NOTE 11 COMMITMENTS AND CONTINGENCIES

Fuel, Coal and Purchased Power Commitments - Florida Power has entered into various long-term contracts to provide the fossil and nuclear fuel requirements of its generating plants and to reserve pipeline capacity for natural gas. In most cases, such contracts contain provisions for price escalation, minimum purchase levels and other financial commitments. Estimated annual payments, based on current market prices, for Florida Power's firm commitments for fuel purchases and transportation costs, excluding delivered coal and purchased power, are $56 million, $56 million, $62 million, $63 million and $64 million for 1999 through 2003, respectively, and $499 million in total thereafter. Additional commitments will be required in the future to supply Florida Power's fuel needs.

Electric Fuels has two coal supply contracts with Florida Power, the provisions of which require Florida Power to buy and Electric Fuels to supply substantially all of the coal requirements of four of Florida Power's power plants, two through 2002 and two through 2004. In connection with these contracts, Electric Fuels has entered into several contracts with outside parties for the purchase of coal. The annual obligations for coal purchases and transportation under these contracts are $107.1 million, $61 million, $48.9 million and $22.7 million for 1999 through 2002, respectively, with no further obligations thereafter. The total cost incurred for these commitments was $117.7 million in 1998, $156.8 million in 1997 and $161.5 million in 1996.

Florida Power has long-term contracts for about 460 MW of purchased power with other utilities, including a contract with The Southern Company for approximately 400 MW of purchased power annually through 2010. This represents 4.5% of Florida Power's total current system capacity. Florida Power has an option to lower these Southern purchases to approximately 200 MW annually with a three-year notice. The purchased power from Southern is supplied by generating units with a capacity of approximately 3,500 MW and is guaranteed by Southern's entire system, totaling more than 30,000 MW.

As of December 31, 1998, Florida Power had entered into purchased power contracts with certain qualifying facilities for 871 MW of capacity with

expiration dates ranging from 2002 to 2025. The purchased power contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts. Capacity payments are subject to the qualifying facilities meeting certain contract performance obligations. In most cases, these contracts account for 100% of the generating capacity of each of the facilities. Of the 871 MW under contract, approximately 831 MW currently are available to Florida Power. All commitments have been approved by the FPSC.

The FPSC allows the capacity payments to be recovered through a capacity cost recovery clause, which is similar to, and works in conjunction with, energy payments recovered through the fuel cost recovery clause.

In 1997, through the buy-out of the Tiger Bay purchased power contracts, Florida Power reduced its long-term purchased power commitments by 20 percent. Florida Power incurred purchased power capacity costs totaling $260.1 million in 1998, $292.3 million in 1997 and $284 million in 1996. The following table shows minimum expected future capacity payments for purchased power commitments. Because the purchased power commitments have relatively long durations, the total present value of these payments using a 10% discount rate also is presented. These amounts assume that all units are brought into service as contracted and meet contract performance requirements:

Purchased Power Capacity Payments (In millions)	Utilities	Cogenerators	Total
1999	58	215	273
2000	59	223	282
2001	58	230	288
2002	32	236	268
2003	32	244	276
2004-2025	212	5,555	5,767
Total	$451	$6,703	$ 7,154
Total net present value			$ 2,577

Leases - Electric Fuels has several noncancelable operating leases, primarily for transportation equipment, with varying terms extending to 2015, and generally require Electric Fuels to pay all executory costs such as maintenance and insurance. Some rental payments include minimum rentals plus contingent rentals based on mileage. Contingent rentals were not significant. The minimum future lease payments under noncancelable operating leases, including the synthetic lease described below, are $38.7 million, $31.7 million, $27.7 million, $23.4 million and $23.4 million for 1999 through 2003, respectively, with a $227 million total obligation thereafter. The total costs incurred under these commitments were $30.9 million, $34.8 million and $33.3 million during 1998, 1997 and 1996, respectively.

On August 6, 1998, MEMCO, a wholly owned subsidiary of Electric Fuels, entered into a synthetic lease financing, accomplished via a sale and leaseback, for an aggregate of approximately $175 million in inland river barges and $25 million in towboats (vessels). As of December 31, 1998, MEMCO had sold and leased back $153 million of vessels. Acquisition and subsequent sale and leaseback of the remaining $47 million of vessels are expected to occur by June 30, 1999. The lease (charter) is an operating lease for financial reporting purposes and a secured financing for tax purposes.

The term of the noncancelable charter expires on December 30, 2012, and provides MEMCO one 18-month renewal option on the same terms and conditions. MEMCO is responsible for all executory costs, including insurance, maintenance and taxes, in addition to the charter payments. MEMCO has options to purchase the vessels throughout the term of the charter, as well as an option to purchase at the termination of the charter. Assuming MEMCO exercises no purchase options during the term of the charter, the purchase price for all vessels aggregates $141.8 million at June 30, 2014. In the event that MEMCO does not exercise its purchase option for all vessels, it will be obligated to remarket the vessels, and, at the expiration of the charter, pay a maximum residual guarantee amount of $89.3 million.

The minimum future charter payments as of December 31, 1998 are $14.4 million, $15.3 million, $15.4 million, $15.4 million and $15.8 million for 1999 through 2003 and $172.2 million thereafter (excluding the purchase option payment). All MEMCO payment obligations under the transaction documents are unconditionally guaranteed by Progress Capital; those obligations in turn are guaranteed by Florida Progress.

Construction Program - Substantial commitments have been made in connection with the Company's construction program. In 1999, Florida Power has projected construction expenditures of $323 million, primarily for electric plant and nuclear fuel. Diversified operations have projected capital additions of $155 million in 1999, primarily for barges and equipment.

Off-Balance Sheet Risk - Several of Florida Progress' subsidiaries are general partners in unconsolidated partnerships and joint ventures. Florida Progress or subsidiaries have agreed to support certain loan agreements of the partnerships and joint ventures. These credit risks are not material to the financial statements and Florida Progress considers these credit risks to be minimal, based upon the asset values supporting the partnership liabilities.

Insurance - Florida Progress and its subsidiaries utilize various risk management techniques to protect assets from risk of loss, including the purchase of insurance. Risk avoidance, risk transfer and self-insurance techniques are utilized depending on Florida Progress' ability to assume risk, the relative cost and availability of methods for transferring risk to third parties, and the requirements of applicable regulatory bodies.

Florida Power self-insures its transmission and distribution lines against loss due to storm damage and other natural disasters. Pursuant to a regulatory order, Florida Power is accruing $6 million annually to a storm damage reserve and may defer any losses in excess of the reserve. The reserve balance at December 31, 1998 and 1997 was $24.1 million and $18.1 million, respectively.

Under the provisions of the Price Anderson Act, which limits liability for accidents at nuclear power plants, Florida Power, as an owner of a nuclear plant, can be assessed for a portion of any third-party liability claims arising from an accident at any commercial nuclear power plant in the United States. If total third-party claims relating to a single nuclear incident exceed $200 million (the amount of currently available commercial liability insurance), Florida Power could be assessed up to $88.1 million per incident, with a maximum assessment of $10 million per year.

Florida Power is a member of the Nuclear Electric Insurance, Ltd. ("NEIL"), an industry mutual insurer, which provides business interruption and extra expense coverage in the event of a major accidental outage at a covered nuclear power

plant. Florida Power is subject to a retroactive premium assessment by NEIL under this policy in the event loss experience exceeds NEIL's available surplus. Florida Power's present maximum share of any such retroactive assessment is $2.7 million per policy year.

Florida Power also maintains nuclear property damage insurance and decontamination and decommissioning liability insurance totaling $2.1 billion. The first layer of $500 million is purchased in the commercial insurance market with the remaining excess coverage purchased from NEIL. Florida Power is self-insured for any losses that are in excess of this coverage. Under the terms of the NEIL policy, Florida Power could be assessed up to a maximum of $9.5 million in any policy year if losses in excess of NEIL's available surplus are incurred.

Florida Power has never been assessed under these nuclear indemnities or insurance policies.

Contaminated Site Cleanup - The Company is subject to regulation with respect to the environmental impact of its operations. The Company's disposal of hazardous waste through third-party vendors can result in costs to clean up facilities found to be contaminated. Federal and state statutes authorize governmental agencies to compel responsible parties to pay for cleanup of these hazardous waste sites.

Florida Power and former subsidiaries of Florida Progress, whose properties were sold in prior years, have been identified by the U.S. EPA as PRPs at certain sites, including the Sanford, Florida that Florida Power previously owned and operated. There are five parties, including Florida Power, that have been identified as PRPs at the Sanford site. Liability for the cleanup costs of these sites is joint and several.

An agreement has been reached among the PRPs to spend up to $1.5 million to perform the Risk Investigation and Feasibility Study (RI/FS). Florida Power is liable for 39.7% of those costs. On September 25, 1998, the EPA formally approved the PRP RI/FS Work Plan. The RI/FS field work was completed in January 1999. The EPA is expected to review the final Treatability Study report and provide further guidance to the PRPs by August 1999.

The discussions and resolution of liability for cleanup costs could cause Florida Power to increase its estimate of its liability for those costs. Although estimates of any additional costs are not currently available, the outcome is not expected to have a material effect on Florida Progress' financial position, results of operations or liquidity.

In addition to these designated sites, there are other sites where affiliates may be responsible for additional environmental cleanup.

Florida Progress believes that its subsidiaries will not be required to pay a disproportionate share of the costs for cleanup of any of these designated sites. Florida Progress' best estimates indicate that its proportionate share of liability for cleaning up all designated sites ranges from $2.5 million to $7.5 million. It has accrued $4.4 million against these potential costs.

LEGAL MATTERS

Age Discrimination Suit - Florida Power and Florida Progress have been named defendants in an age discrimination lawsuit. The number of plaintiffs remains at 116, however, four of those plaintiffs have had their federal claims dismissed and five others have had their state age claims dismissed. While no dollar amount was requested, each plaintiff seeks back pay, reinstatement or front pay

through their projected dates of normal retirement, costs and attorneys' fees. In October 1996, the court approved an agreement between parties to provisionally certify this case as a class action suit under the Age Discrimination in Employment Act. On August 10, 1998, Florida Power filed a motion to decertify the class, and the plaintiffs filed their response in opposition on September 30, 1998. A hearing date for the motion has not yet been set. Florida Power has entered into settlement discussions with the plaintiffs. In December 1998, plaintiffs alleged damages of $100 million. Company management, while not believing plaintiffs' claim to have merit, offered $5 million in an attempted settlement of all claims. Plaintiffs rejected that offer. As a result, management has identified a probable range of $5 million to $100 million with no amount within that range a better estimate of probable loss than any other amount; accordingly, Florida Power has accrued $5 million. There can be no assurance that this litigation will be settled, or if settled, that the settlement will not exceed $5 million. Additionally, the ultimate outcome, if litigated, cannot presently be determined.

Advanced Separation Technologies, Inc. - In 1996, Florida Progress sold its 80%-interest in AST to Calgon for $56 million in cash. Calgon filed a lawsuit in January 1998, and amended it in April 1998, alleging misstatement of AST's 1996 revenues, assets and liabilities, seeking damages and granting Calgon the right to rescind the sale. The lawsuit also accuses Florida Progress of failing to disclose flaws in AST's manufacturing process and a lack of quality control. No projection of an outcome or estimate of a potential liability, if any, can be determined at the date of issuance of these financial statements. Florida Progress believes the lawsuit is without merit and intends to vigorously defend itself. Accordingly, Florida Progress has not made provision for any loss for this matter.

Qualifying Facilities Contracts - The purchased power contracts with qualifying facilities employ separate pricing methodologies for capacity payments and energy payments. Florida Power has interpreted the pricing provision in these contracts to allow it to pay an as-available energy price rather than a higher firm energy price when the avoided unit upon which the applicable contract is based would not have been operated.

Owners of four qualifying facilities filed suit against Florida Power in state court over the contract payment terms, one of which also filed in federal court. Two of the suits have been settled, and the federal case was dismissed, although the plaintiff has appealed. Of the two remaining suits, one trial concluded in December 1998. The other remaining suit remains with no date presently set for trial. Management does not expect that the results of these legal actions will have a material impact on Florida Power's financial position, operations or liquidity. Florida Power anticipates that all fuel and capacity expenses will be recovered from its customers.

Mid-Continent Life Insurance Company - A series of events in 1997 as discussed below, significantly jeopardized the ability of Mid-Continent to implement a plan to eliminate a projected reserve deficiency resulting in the impairment of Florida Progress' investment in Mid-Continent.

Therefore, the Company recorded a provision for loss on investment of $86.9 million in 1997. In addition, tax benefits of approximately $11 million related to the excess of the tax basis over the book value in the investment in Mid-Continent as of December 31, 1997, were not recorded because of uncertainties associated with the timing of a tax deduction. Florida Progress also recorded an accrual at December 31, 1997, for legal fees associated with defending its position in current Mid-Continent legal proceedings.

In the spring of 1997, the Commissioner received court approval to seize control of the operations of Mid-Continent. The Commissioner had alleged that Mid-Continent's reserves were understated by more than $125 million, thus causing Mid-Continent to be statutorily impaired. The Commissioner further alleged that Mid-Continent had violated Oklahoma law relating to deceptive trade practices in connection with the sale of its "Extra Life" insurance policies and was not entitled to raise premiums, a key element to Mid-Continent's plan to address the projected reserve deficiency. While sustaining the receivership, the court also ruled that premiums could be raised. Although both sides appealed the decision to the Oklahoma Supreme Court, those appeals were withdrawn in early 1999.

In December 1997, the Commissioner filed a lawsuit against Florida Progress, certain of its directors and officers, and certain former Mid-Continent officers, making a number of allegations and seeking access to Florida Progress' assets to satisfy policyholder and creditor claims. On April 17, 1998, the court granted motions to dismiss the individual defendants, leaving Florida Progress as the sole remaining defendant in the lawsuit.

A new Commissioner was elected in November 1998 and has stated his intention to work with Florida Progress and others to develop a plan to rehabilitate Mid-Continent rather than pursue litigation against Florida Progress. Although Florida Progress hasn't had access to recent Mid-Continent data, its estimate of the present value of the projected deficiency, after applying Mid-Continent's statutory surplus, is in the range of $100 million, rather than the $348 million alleged by the former Commissioner. Florida Progress believes that the former Commissioner's estimate is untenable and not based on sound actuarial principles. Florida Progress is working with the new Commissioner to develop a viable plan to rehabilitate Mid-Continent, which would include the sale of that company.

In January 1999, five Mid-Continent policyholders filed a purported class action against Mid-Continent and the same defendants named in the case filed by the former Commissioner. The complaint contains substantially the same factual allegations as those made by the Commissioner. The suit asserts "Extra Life" policyholders have been injured as a result of representations made in connection with the sale of that policy. The suit seeks unspecified actual and punitive damages.

Although Florida Progress hopes to reach a negotiated resolution of these matters, it would continue to vigorously defend itself against the two lawsuits should negotiations fail, since it believes they are without merit. Because neither the outcome of the litigation nor the ultimate effects of any rehabilitation plan, including the possible sale of Mid-Continent, can be estimated, Florida Progress has not made provision for any additional losses that might result.

Other Legal Matters - Florida Progress is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect upon Florida Progress' consolidated financial position, results of operations or liquidity.

QUARTERLY FINANCIAL DATA

FLORIDA PROGRESS CORPORATION
(Unaudited)

(In millions, except per share amounts)	Three Months Ended March 31	June 30	September 30	December 31
1998				
OPERATING RESULTS				
Revenues	$787.5	$903.1	$1,031.5	$898.2
Income (loss) from operations	110.2	167.7	228.1	86.3
Net income (loss)	50.5	77.8	117.3	36.1
DATA PER SHARE				
Earnings (loss) per common share	0.52	0.80	1.21	0.37
Dividends per common share	.535	.535	.535	.535
Common stock price per share:				
High	42 1/4	42 7/8	43 15/16	47 1/8
Low	37 11/16	39	38 1/16	41
1997				
OPERATING RESULTS				
Revenues	$747.5	$797.3	$922.5	$849.1
Income(loss) from operations	95.0	37.9	166.0	(25.2)
Net income (loss)	42.0	6.3	81.6	(75.6)
DATA PER SHARE				
Earnings(loss)per common share	.43	.07	.84	(.78)
Dividends per common share	.525	.525	.525	.525
Common stock price per share:				
High	32 7/8	31 5/8	33 5/8	39 1/4
Low	29 1/2	27 3/4	30 9/16	31 1/8

FLORIDA POWER CORPORATION
(Unaudited)

(In millions)	Three Months Ended March 31	June 30	September 30	December 31
1998				
Operating revenues	$565.2	$663.8	$795.6	$623.6
Net income (loss)	$46.2	$68.1	$109.1	$26.7
Earnings (loss) on common stock	$45.8	$67.7	$108.8	$26.3
1997				
Operating revenues	$553.8	$597.2	$706.9	$590.5
Net income	$41.6	$1.3	$76.3	$16.7
Earnings on common stock	$41.2	$.9	$76.0	$16.3

The business of Florida Power is seasonal in nature and comparisons of earnings for the quarters do not give a true indication of overall trends and changes in Florida Power's operations. In June 1998, Florida Power restated its financial results for the second, third and fourth quarters of 1997 to reflect recognition of the extended nuclear outage as incurred. The change affected the financial results for the interim reporting periods but did not have any effect on results for the fiscal year ended 1997. Effective December 31, 1997, Florida Progress deconsolidated the financial statements of Mid-Continent and established a provision for loss for the full amount of its investment. The deconsolidation has not been reflected in the consolidated financial statements of prior periods.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANTS

FLORIDA PROGRESS

Information concerning the Directors of Florida Progress is included under the headings "Information as to Nominees" and "Information as to Continuing Directors" in Florida Progress' Proxy Statement and is incorporated herein by reference. Information concerning the executive officers of Florida Progress is set forth in Part I, Item 1 hereof under the heading "Executive Officers". Information concerning compliance by Florida Progress' directors and officers, and persons who own more than 10% of Florida Progress' common stock, with the reporting requirements of Section 16(a) of the Securities Act of 1934, is included under the heading "Compliance with Section 16(a) of the Exchange Act" in Florida Progress' Proxy statement and is incorporated have in by reference. In addition, it has come to Florida Progress' attention that a Form 5 report of the gift of 4,318 shares by Joseph Richardson to his wife was filed 24 days late in March 1999.

FLORIDA POWER

DIRECTORS

W. D. ("Bill") Frederick, Jr., Age 64, Director since 1997.
Chairman - Compliance Committee

Mr. Frederick's principal occupation for the past five years has been as an investor and citrus grower in Orlando, Florida. He served as Mayor of the City of Orlando from 1980 to 1992. In 1966 he founded the Orlando law firm of Frederick, Wooten & Honeywell P.A., and subsequently became a partner in the Orlando law office of Holland & Knight, from which he retired in 1995. He is a member of the Board of Directors of Florida Progress, Blue Cross/Blue Shield of Florida, and SunTrust Bank, Central Florida, N.A.

Michael P. Graney, Esquire, Age 55, Director since 1997.
Member - Executive Committee

Mr. Graney has practiced law with the New York based law firm of Simpson Thacher & Bartlett since 1980 and is now resident partner in its Ohio office. His specialties are utilities, anti-trust and litigation. He is a member of the American, District of Columbia, Ohio and Columbus Bar Associations and the Federal Energy Bar Association. He is a director of Florida Progress.

Richard Korpan, Age 57, Director since 1989.
Chairman - Executive Committee

Information concerning Mr. Korpan is set forth in Part I, Item 1 hereof under the heading "Executive Officers".

Clarence V. McKee, Esquire, Age 56, Director since 1988.

Mr. McKee's principal occupation is Chairman and Chief Executive Officer of McKee Communications, Inc , Tampa, Florida, a firm involved in the acquisition and management of television and radio stations. He served as Counsel to Pepper & Corazinni, a Washington, D.C. communications law firm, from 1980 until 1987 when he became a co-owner of WTVT Holdings, Inc., where he held the position of Chairman and Chief Executive Officer until 1992. He is a director of Florida Progress, American Heritage Life Insurance Company, and Checkers Drive-In Restaurants, Inc.

Vincent J. Naimoli, Age 61, Director since 1997.

Mr. Naimoli's principal occupation for more than five years has been as Chairman, President and Chief Executive Officer of Anchor Industries International, Inc., Tampa, Florida, an operating and holding company. He is also Managing General Partner and Chief Executive Officer of the Tampa Bay Devil Rays, Ltd. Major League Baseball Club, St. Petersburg, Florida. Mr. Naimoli is a director of Florida Progress, and in conjunction with the business activities of Anchor Industries, serves as a director of Russell Stanley Corp., and Players International, Inc.

Richard A. Nunis, Age 66, Director since 1997.
Member - Executive Committee

Mr. Nunis' principal occupation for more than five years has been Chairman of Walt Disney Attractions, Orlando, Florida, from which he retired in December 1998. He has held various positions with the Disney organization since 1955, including Vice President, Operations in 1968, Executive Vice President of DISNEYLAND and Walt Disney World in 1972, President of Walt Disney Attractions in 1980, and Chairman in 1991. He is a director of Florida Progress, SunTrust Bank, Central Florida N.A., and Director Emeritus of the Walt Disney Company.

Joseph H. Richardson, Age 49, Director since 1996.
Member - Executive Committee

Information concerning Mr. Richardson is set forth in Part I, Item 1 hereof under the heading "Executive Officers".

Joan D. Ruffier, Age 59, Director since 1991.
Member - Compliance Committee

Ms. Ruffier's principal occupation is Chairman of Human Service Technologies, Inc., a computer software products company. She also serves as Chairman of the University of Florida Foundation and Chair of the Finance Committee of Shands Healthcare,Inc. For more than five years and until November 1998, she was a general partner of Sunshine Cafes, Ltd., Orlando, Florida, a food and beverage concession business at major Florida airports. Previously, she practiced public accounting with the firm of Colley, Trumbower & Howell from 1982 until 1986. She also serves on the boards of directors of Florida Progress, Cyprus Equity Fund and INVEST, Inc.

Robert T. Stuart, Jr., Age 66, Director since 1997

Mr. Stuart's principal occupation for more than five years has been as a rancher and investor. Since 1949, he has held numerous executive positions with Mid-Continent, including Vice President, President, Chairman of the Board and Chief Executive Officer until 1986 when Mid-Continent was acquired by Florida Progress. He is a director of Florida Progress.

Jean Giles Wittner, Age 64, Director since 1977.
Member - Compliance Committee

Mrs. Wittner's principal occupation is President of Wittner & Co. and Wittner & Associates, Inc., St. Petersburg, Florida, firms involved in real estate management, insurance brokerage and consulting, positions she has held for more than five years. She previously served as President and Chief Executive Officer of a savings association until it was sold in 1986. She serves on the boards of Florida Progress and Raymond James Bank, F.S.B.

Each director holds office until the next Annual Meeting of Shareholders and until the election and qualification of a successor.

EXECUTIVE OFFICERS

Information concerning the executive officers of Florida Power is set forth in Part I, Item 1 hereof under the heading "Executive Officers" and is incorporated herein by reference.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Based solely on a review of the copies of Section 16(a) forms furnished to Florida Power during 1998, or written representations that no forms were required, Florida Power believes that all persons who at any time during 1998 were officers, directors or greater than 10% beneficial owners of Florida Power's preferred stock, filed their applicable Section 16(a) reports on a timely basis during 1998 and prior fiscal years.

ITEM 11. EXECUTIVE COMPENSATION

FLORIDA PROGRESS

The information under the headings "Compensation of Directors", "Executive Compensation", "Pension Plan Table" and "Employment Contracts, Termination of Employment and Change-in-Control Arrangements" in Florida Progress' Proxy Statement is incorporated herein by reference.

FLORIDA POWER

COMPENSATION OF DIRECTORS

Compensation for all directors of Florida Power (excluding employees of Florida Progress or subsidiaries) was $1,000 for attendance at each meeting of the Florida Power Board of Directors or a committee of the Board of Directors. A $750 fee is paid to each committee chairman for each meeting chaired.

EXECUTIVE COMPENSATION

The following table contains information with respect to compensation awarded, earned or paid during the years 1996-1998, to (i) the current Chief Executive Officer ("CEO") and (ii) the other four most highly compensated executive officers of Florida Power (the individuals referred to in (i) and (ii) are referred to collectively as the "Named Executive Officers") in 1998, whose total remuneration paid in 1998 exceeded $100,000.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation: Salary	Annual Compensation: Bonus	Annual Compensation: Other Annual Compensation(1)	Long-Term Compensation Payouts: LTIP Payouts(2)	All Other Compensation(3)
RICHARD KORPAN	1998	$650,766	$594,000	$16,891	$792,754	$28,650
Chairman	1997	592,304	41,500	11,850	324,028	26,490
	1996	535,610	333,500	1,489	339,107	18,900
JOSEPH M. RICHARDSON	1998	$421,158	$382,500	$2,625	$437,994	$18,900
President and Chief	1997	384,619	-0-	1,685	162,091	13,890
Executive Officer	1996	288,884	214,000	-0-	128,858	16,585(4)
ROY A. ANDERSON(5)	1998	$261,926	$290,802	$394	$136,371	$11,025
Senior Vice President,	1997	226,157	-0-	343,035(6)	32,518	5,643
Energy Supply	1996	N/A	N/A	N/A	N/A	N/A
JEFFREY R. HEINICKA	1998	$278,530	$190,000	$1,772	$208,288	$12,318
Senior Vice President and	1997	264,992	15,500	-0-	110,393	12,315
Chief Financial Officer	1996	256,456	169,000	-0-	113,139	8,585
KENNETH E. ARMSTRONG	1998	$231,933	$127,500	-0-	$170,849	$9,882
Vice President and	1997	215,009	10,000	-0-	88,944	9,963
General Counsel	1996	212,785	144,500	-0-	101,748	8,595

(1) Except as otherwise noted, amounts represent the reimbursement of taxes on certain perquisites and other personal benefits.

(2) Information for fiscal year 1998, represents the dollar value as of February 17, 1999, the date of award, of shares of Common Stock earned under the 1996-1998 performance cycle of Florida Progress' Long-Term Incentive Plan ("LTIP"), none of which are restricted. The total number of share earned including dividend equivalent shares, is as follows: Richard Korpan 19,544 shares; Joseph M. Richardson 10,798 shares; Roy A. Anderson 3,362 shares; Jeffery R. Heinicka 5,135 shares; and Kenneth E. Armstrong 4,212 shares.

(See the discussion of the method of calculating payouts contained in the Long-Term Incentive Compensation portion of the Compensation Committee Report of the Board of Directors from the Florida Progress Proxy Statement, which is incorporated herein by reference.

(3) Company contributions to its Savings Plan and Executive Optional Deferred Compensation Plan on behalf of the Named Executive Officers.

(4) Represents $8,835 in Company Contributions to the Savings Plan of Florida Progress and the Executive Optional Deferred Compensation Plan and $7,750 of director fees for services as a director of Echelon International Corporation, a former subsidiary of Florida Progress.

(5) No compensation information is provided for 1996 because Mr. Anderson was not an executive officer or employee of Florida Power during that year.

(6) Includes $282,686 paid to Mr. Anderson under the terms of his employment agreement to place Mr. Anderson in substantially the same economic position as he would have been had he remained with his previous employer. Also includes reimbursement for Mr. Anderson's moving expenses and tax reimbursement payments for moving expenses and imputed flight income.

The following table contains information with respect to Performance Shares granted in 1998 to each of the Named Executive Officers of Florida Power under the LTIP:

LONG-TERM INCENTIVE PLAN(1)
AWARDS IN 1998

Name	Number of Performance Shares(2)	Performance Period Covered	Estimated Payout in Shares at End of Period(3)		
			Threshold	Target	Maximum
Richard Korpan	17,171	1998-2000	4,293	17,171	34,342
Joseph H. Richardson	8,293	1998-2000	2,073	8,293	16,586
Roy A. Anderson	2,758	1998-2000	690	2,758	5,516
Jeffrey R. Heinicke	2,924	1998-2000	731	2,924	5,848
Kenneth E. Armstrong	2,446	1998-2000	612	2,446	4,892

(1) The LTIP is a Common Stock and cash-based incentive plan to reward participants for long-term performance of Florida Progress. It was approved by the Florida Progress shareholders in 1990.

(2) The number of performance shares granted are based on a percentage of base salary in effect at the time of each award and is subject to automatic increase or decrease on a prorated basis in accordance with changes to a participant's base salary or LTIP percentages throughout the performance cycle.

In the event of a change in control of Florida Progress, 150% of all performance shares granted to the Named Executive Officers under the LTIP and then outstanding would automatically be considered earned and would be paid in shares of unrestricted Common Stock together with shares of unrestricted Common Stock payable for dividend equivalents accrued through the date of the change in control.

(3) Payouts for the 1998-2000 performance cycle are based on achievement of total shareholder return goals established by the Florida Progress Corporation Compensation Committee.

Pension Plan Table

The table below illustrates the estimated annual benefits (computed as a straight life annuity beginning at retirement at age 65) payable under the Florida Progress Corporation Retirement Plan for Exempt and Nonexempt Employees("Retirement Plan"), Nondiscrimination Plan and Supplemental Executive Retirement Plan ("SERP") for specified final average compensation and years of service levels.

Estimated Annual Retirement Benefits Payable Under the Retirement Plan for Exempt and Nonexempt Employees, Nondiscrimination Plan and the Supplemental Executive Retirement Plan

Average Annual Compensation	Service Years						
	5	10	15	20	25	30	35 or more
200,000	$37,500	$75,000	$112,000	$120,000	$120,000	$120,000	$126,000
300,000	56,250	112,500	168,750	180,000	180,000	180,000	189,000
400,000	75,000	150,000	225,000	240,000	240,000	240,000	252,000
500,000	93,750	187,500	281,250	300,000	300,000	300,000	315,000
600,000	112,500	225,000	337,500	360,000	360,000	360,000	378,000
700,000	131,250	262,500	393,750	420,000	420,000	420,000	441,000
800,000	150,000	300,000	450,000	480,000	480,000	480,000	504,000
900,000	168,750	337,500	506,250	540,000	540,000	540,000	567,000
1,000,000	187,500	375,000	562,500	600,000	600,000	600,000	630,000
1,100,000	206,250	412,500	618,750	660,000	660,000	660,000	693,000
1,200,000	225,000	450,000	675,000	720,000	720,000	720,000	756,000
1,300,000	243,750	487,500	731,250	780,000	780,000	780,000	819,000
1,400,000	262,500	525,000	787,500	840,000	840,000	840,000	882,000
1,500,000	281,250	562,500	843,000	900,000	900,000	900,000	945,000
1,600,000	300,000	600,000	900,000	960,000	960,000	960,000	1,008,000

The Named Executive Officers are entitled to benefits under the SERP. These benefits are offset by the benefits payable under the Retirement Plan and the

Nondiscrimination Plan, as well as 50% of the executive's primary Social Security benefit. The estimated annual SERP benefit for the Named Executive Officers (prior to any offsets) may be determined using the Pension Plan Table set forth above. For these purposes, the current compensation for each executive that would be used in calculating benefits under the SERP is substantially the same as the three-year average of the salary and bonus reported in the summary compensation table, and the number of years of deemed credited service that would be used in calculating benefits under the SERP for each such executive is as follows: Mr. Korpan, 35 years of service; Mr. Richardson, 23 years of service; ; Mr. Anderson 5 years of service; Mr. Heinicka, 21 years of service and Mr. Armstrong, 15 years of service. Under the formula used for calculating benefits under the SERP, the maximum benefit payable to each Named Executive Officer is reached at 16 years of deemed credited service unless the Named Executive Officer achieves 35 years of service.

Accrued benefits may also be paid under each of the Retirement Plan, Nondiscrimination Plan and SERP if a participant terminates employment before age 65 and meets the requirements for early retirement, disability, death or other termination-of-employment benefits after becoming vested under the rules of the particular plan.

Under the Retirement Plan and the Nondiscrimination Plan, the compensation taken into account in calculating benefits is salary only. The years of credited service that would be used in calculating benefits under the formula applicable to the Retirement Plan and the Nondiscrimination Plan (1.8% of final average earnings for each year of service) for the Named Executive Officers in the summary compensation table are as follows: Mr. Korpan, 10 years of service; Mr. Richardson, 23 years of service; Mr. Anderson, 2 years of service; Mr. Heinicka, 21 years of service; Mr. Armstrong, 12 years of service. The benefits under the Retirement Plan and the Nondiscrimination Plan are subject to offset by an amount equal to 1 1/7% of a participant's primary Social Security benefit for each year of service (with a maximum offset of 40%).

In the event of a change in control of Florida Progress, each Named Executive Officer will receive credit under the SERP for five additional years of service, but in no event would such additional years of credited service cause the maximum benefit to be increased. If a participant's employment were terminated following a change in control, the benefit payable from the SERP would be as follows: (1) an annuity beginning at age 55 through 59, subject to early payment reductions in the amount of 3% for each year prior to age 60, or age 60 without reduction; (2) the amount of any federal excise taxes (and income taxes on any reimbursement under this provision) imposed on the executive under Section 4999 of the Internal Revenue Code; and (3) a 50% surviving spouse benefit payable upon death.

In April 1998, Florida Power entered into an Amended and Restated Employment Agreement with Roy A. Anderson which provides for his employment through April 30, 2003. His annual base salary will be $245,000, or such greater sum as shall be mutually agreed, with additional award opportunities as a participant in the Management Incentive Compensation Plan ("MICP") and LTIP , with minimum award target levels of 40% of base salary for each plan. He is entitled to participate in the SERP, and shall be credited with up to 22 years of additional service constituting "Deemed Credited Service" thereunder depending on the number of years of actual service. The agreement also provides that if Mr. Anderson's employment with Florida Power continues until or beyond age 60 and his employment terminates

thereafter other than as a result of a termination for good cause, Florida Power shall pay to Mr. Anderson certain deferral award payments, based on his age, with a maximum deferral award, if his employment terminates at age 65, of $1,000,000 ($231,000 payable annually over five years). The agreement also provides for certain payments designed to compensate Mr. Anderson for certain benefits he would have enjoyed had he remained with his former employer. If Mr. Anderson's employment terminates other than as a result of termination for good cause, he will receive a $105,960 15-year annuity, to be offset by payments made by his former employer pursuant to comparable arrangements. In the Amended and Restated Agreement, Mr. Anderson also acknowledges that other payments due him under his former employment agreement with Florida Power have been satisfied. The agreement contains a confidentiality agreement and covenant not to compete.

In the event of a change in control of Florida Progress, all of the Named Executive Officers are entitled to benefits under individual agreements described in Florida Progress' Proxy Statement under the heading "Employment Contracts, Termination of Employment and Change in Control Arrangements."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

FLORIDA PROGRESS

The information included under the headings "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" in Florida Progress' Proxy Statement is incorporated herein by reference.

FLORIDA POWER

All of Florida Power's common stock is held beneficially and of record by Florida Progress. None of Florida Power's directors or executive officers owns any shares of Florida Power's common or preferred stock. Information concerning shares of Florida Progress common stock that are held by persons known to Florida Progress to be the beneficial owners of more than 5% of Florida Progress' common stock is set forth in the table under the heading "Security Ownership of Certain Beneficial Owners" in the Florida Progress Proxy Statement and is incorporated herein by reference.

The table below sets forth as of December 31, 1998, the number of shares of common stock of Florida Progress owned by Florida Power's directors and Named Executive Officers individually and the directors and all executive officers of Florida Power as a group.

Florida Power Officer or Director Name	Number of Shares Beneficially Owned (1)	Percent of Class (2)
W. D. ("Bill") Frederick	3,409(3)	
Michael P. Graney	4,335	
Richard Korpan	26,057	
Clarence V. McKee	2,537	
Vincent J. Naimoli	11,148(4)	
Richard A. Nunis	25,577	
Joseph H. Richardson	14,075(5)	
Joan D. Ruffier	5,462	
Robert T. Stuart, Jr.	1,505,462(6)	1.55%
Jean Giles Wittner	11,036	
Roy A. Anderson	2,279	
Kenneth E. Armstrong	7,430	
Jeffrey R. Heinicka	7,325(7)	
All 16 directors, named executive officers and executive officers as a group, including those named above	1,634,530	1.68%

(1) Unless otherwise noted, the directors, and named executive officers, and the directors, and executive officers as a group, have sole voting and investment power with respect to the shares listed.

(2) Unless otherwise noted, each director, and named executive officer and all directors, and executive officers as a group, own less than one percent of the outstanding shares of Florida Progress' common stock.

(3) Voting and investment power with respect to 1,500 shares is shared.

(4) Voting and investment power with respect to 1,600 shares is shared.

(5) Voting power with respect to 4,318 shares is shared.

(6) Voting and investment power with respect to 150,473 shares is shared.

(7) Voting and investment power with respect to 140 shares is shared.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information included under the heading "Certain Relationships and Related Transactions" in Florida Progress' Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K FOR FLORIDA PROGRESS AND FLORIDA POWER

(a) 1. Financial Statements, notes to Financial Statements and report thereon of KPMG LLP are found in Item 8 "Financial Statements and Supplementary Data" herein.

2. The following Financial Statement Schedules and reports are included herein:

Florida Progress

II-Valuation and Qualifying Accounts for the years ended December 31, 1998, 1997 and 1996

Florida Power

II-Valuation and Qualifying Accounts for the years ended December 31, 1998, 1997 and 1996

All other schedules are not submitted because they are not applicable or not required or because the required information is included in the financial statements or notes thereto.

3. Exhibits filed herewith:

Number	Exhibit	Florida Progress	Florida Power
3.(a)	Bylaws of Florida Progress, as amended February 18, 1999.	X	
10.(a)	Phantom Stock Plan for the benefit of Non-Employee Directors of Florida Progress Corporation. *	X	X
10.(b)	Agreement between Florida Progress and William G. Kelly dated as of January 30, 1998, regarding change in control. *	X	
12	Statement of Computation of Ratios.		X
21	Subsidiaries of Florida Progress.	X	
23.(a)	Consent of Independent Certified Public Accountants to the incorporation by reference of their report on the financial statements into the following registration statements of Florida Progress: Form S-3 (No. 33-51573) (relating to the registration of 4.5 million shares of common stock and filed with the SEC on December 17, 1993); Forms S-8 (No. 333-19037 and 333-66161)(relating to the Savings Plan for Employees of Florida Progress and filed with the SEC on December 31, 1996); Form S-3 (No. 333-07853)(relating to the Progress Plus Plan and filed with the SEC on July 10, 1996); Form S-8 (No. 33-47623) (relating to Florida Progress' Long-Term Incentive Plan and filed with the SEC on May 1, 1992); Form S-3	X	

	(No. 2-93111)(relating to the acquisition of Better Business Forms and filed with the SEC on September 5, 1984.		
23.(b)	Consent of Independent Certified Public Accountants to the incorporation by reference of their report on the financial statements into Florida Power's registration statements on Form S-3 (Nos. 33-62210 and 33-55273) (relating to Florida Power's first mortgage bonds) and Form S-3 (No. 333-29897) (relating to Florida Power's medium-term notes).		X
24	Powers of Attorney are included in the signature page at this Form 10-K.	X	
27.(a)	Florida Progress Financial Data Schedule	X	
27.(b)	Florida Power Financial Data Schedule		X

4. Exhibits incorporated herein by reference:

Number	Exhibit	Florida Progress	Florida Power
3.(b)	Bylaws of Florida Power, as amended to date. (Filed as Exhibit 3.(b) to the Florida Power Form 10-K for the year ended December 31, 1995, as filed with the SEC on March 20, 1996.)		X
3.(c)	Restated Articles of Incorporation, as amended, of Florida Progress. (Filed as Exhibit 3(a) to Florida Progress' Form 10-K for the year ended December 31, 1991, as filed with the SEC on March 30, 1992.)	X	
3.(d)	Amended Articles of Incorporation, as amended, of Florida Power. (Filed as Exhibit 3(a) to the Florida Power Form 10-K for the year ended December 31, 1991, as filed with the SEC (File No. 1-3274) on March 30, 1992.)	X	X
4.(a)	Amendment to Shareholder Rights Agreement dated February 20, 1997, between Florida Progress and The First National Bank of Boston. (Filed as Exhibit 4(a) to the Florida Progress Form 10-K for the year ended December 31, 1996, as filed with the SEC on March 27, 1997.)	X	

4.(b)	Form of Certificate representing shares of Florida Progress Common Stock. (Filed as Exhibit 4(b) to the Florida Progress Form 10-K for the year ended December 31, 1996, as filed with the SEC on March 27, 1997.)	X	
4.(c)	Rights Agreement, dated as of November 21, 1991, between Florida Progress and Manufacturers Hanover Trust Company, including as Exhibit A the form of Rights Certificate. (Filed as Exhibit 4(a) to Florida Progress' Form 8-K dated November 21, 1991, as filed with the SEC on November 27, 1991.)	X	
4.(d)	Indenture, dated as of January 1, 1944 (the "Indenture"), between Florida Power and Guaranty Trust Company of New York and The Florida National Bank of Jacksonville, as Trustees. (Filed as Exhibit B-18 to Florida Power's Registration Statement on Form A-2 (No. 2-5293) filed with the SEC on January 24, 1944.)	X	X
4.(e)	Seventh Supplemental Indenture, dated as of July 1, 1956, between Florida Power and Guaranty Trust Company of New York and The Florida National Bank of Jacksonville, as Trustees, with reference to the modification and amendment of the Indenture. (Filed as Exhibit 4(b) to Florida Power's Registration Statement on Form S-3 (No. 33-16788) filed with the SEC on September 27, 1991.)	X	X
4.(f)	Eighth Supplemental Indenture, dated as of July 1, 1958, between Florida Power and Guaranty Trust Company of New York and The Florida National Bank of Jacksonville, as Trustees, with reference to the modification and amendment of the Indenture. (Filed as Exhibit 4(c) to Florida Power's Registration Statement on Form S-3 (No. 33-16788) filed with the SEC on September 27, 1991.)	X	X
4.(g)	Sixteenth Supplemental Indenture, dated as of February 1, 1970, between Florida Power and Morgan Guaranty Trust Company of New York and The Florida National Bank of Jacksonville, as Trustees, with reference to the modification and amendment of the Indenture. (Filed as Exhibit 4(d) to Florida Power's Registration Statement on Form S-3 (No. 33-16788) filed with the SEC on September 27, 1991.)	X	X

4.(h)	Twenty-Ninth Supplemental Indenture, dated as of September 1, 1982, between Florida Power and Morgan Guaranty Trust Company of New York and Florida National Bank, as Trustees, with reference to the modification and amendment of the Indenture. (Filed as Exhibit 4(c) to Florida Power's Registration Statement on Form S-3 (No. 2-79832) filed with the SEC on September 17, 1982.)	X	X
4.(i)	Thirty-Eighth Supplemental Indenture dated as of July 25, 1994, between Florida Power and First Chicago Trust Company of New York, as successor Trustee, Morgan Guaranty Trust Company of New York, as resigning Trustee, and First Union National Bank of Florida, as resigning Co-Trustee, with reference to confirmation of First Chicago Trust Company of New York as successor Trustee under the Indenture. (Filed as exhibit 4(f) to Florida Power's Registration Statement on Form S-3 (No. 33-55273) as filed with the SEC on August 29, 1994.)	X	X
10.(c)	Management Incentive Compensation Plan of Florida Progress Corporation, as amended to date. (Filed as Exhibit 10(a) to the Florida Progress Form 10-K for the year ended December 31, 1997, as filed with the SEC on March 18, 1998.)*	X	X
10.(d)	Agreement between Florida Progress and Kenneth E. Armstrong dated as of January 30, 1998 regarding change in control. (Filed as Exhibit 10(b) to the Florida Progress Form 10-K for the year ended December 31, 1997, as filed with the SEC on March 18, 1998.)*	X	
10.(e)	Agreement between Florida Progress and Stanley I. Garnett, II dated as of January 30, 1998 regarding change in control. (Filed as Exhibit 10(c) to the Florida Progress Form 10-K for the year ended December 31, 1997, as filed with the SEC on March 18, 1998.)*	X	
10.(f)	Agreement between Florida Progress and Jeffrey R. Heinicka dated as of January 30, 1998 regarding change in control. (Filed as Exhibit 10(d) to the Florida Progress Form 10-K for the year ended December 31, 1997, as filed with the SEC on March 18, 1998.)*	X	

	Richard D. Keller dated as of January 30, 1998 regarding change in control. (Filed as Exhibit 10(e) to the Florida Progress Form 10-K for the year ended December 31, 1997, as filed with the SEC on March 18, 1998.)*		
10.(h)	Agreement between Florida Progress and Richard Korpan dated as of January 30, 1998 regarding change in control. (Filed as Exhibit 10(f) to the Florida Progress Form 10-K for the year ended December 31, 1997, as filed with the SEC on March 18, 1998.)*	X	
10.(i)	Agreement between Florida Progress and Joseph H. Richardson dated as of January 30, 1998 regarding change in control. (Filed as Exhibit 10(g) to the Florida Progress Form 10-K for the year ended December 31, 1997, as filed with the SEC on March 18, 1998.)*	X	
10.(j)	Employment Agreement between Florida Progress and Richard Korpan dated as of March 1, 1998. (Filed as Exhibit 10(h) to the Florida Progress Form 10-K for the year ended December 31, 1997, as filed with the SEC on March 18, 1998.)*	X	
10.(k)	Executive Optional Deferred Compensation Plan*. (Filed as Exhibit 10.(c) to the Florida Progress Form 10-K for the year ended December 31, 1996 as filed with the SEC on March 27, 1997.)	X	X
10.(l)	Florida Progress Supplemental Executive Retirement Plan*. (Filed as Exhibit 10.(b) to the Florida Progress Form 10-K for the year ended December 31, 1996 as filed with the SEC on March 27, 1997.)	X	X
10.(m)	Second Amended and Restated Guaranty and Support Agreement dated as of August 7, 1996. (Filed as Exhibit 4 to Florida Progress' Form 10-Q for the quarter ended June 30, 1996).	X	
10.(n)	Florida Progress Corporation Long-Term Incentive Plan, approved by Florida Progress' Shareholders on April 19, 1990. (Filed as Exhibit 10(d) to Florida Progress' Form 10-Q for the quarter ended March 31, 1990, as filed with the SEC on May 14, 1990). *	X	X

10.(o)	Stock Plan for Non-Employee Directors of Florida Progress Corporation and Subsidiaries. (Filed as Exhibit 4.(k) to the Florida Progress Registration Statement on Form S-8 (No. 333-02619) as filed with the SEC on April 18, 1996.)*	X	X

X = Exhibit is filed for that respective company.
* = Exhibit constitutes an executive compensation plan or arrangement.

In reliance upon Item 601(b)(4)(iii) of Regulation S-K, certain instruments defining the rights of holders of long-term debt of Florida Progress and its consolidated subsidiaries are not being filed herewith, because the total amount authorized thereunder does not exceed 10% of the total assets of Florida Progress and its subsidiaries on a consolidated basis. Florida Progress hereby agrees to furnish a copy of any such instruments to the SEC upon request.

Florida Progress will furnish to its security holders who so request a copy of any exhibit included or incorporated by reference in this Annual Report on Form 10-K upon payment of a fee of $.25 per page to cover expenses in furnishing such exhibit.

(b) Reports on Form 8-K:

During the fourth quarter of the year ended December 31, 1998, Florida Progress and Florida Power filed the following reports on Form 8-K:

Form 8-K dated October 16, 1998, reporting under Item 5 "Other Events" a press release and related Investor Information Report reporting Florida Progress' and Florida Power's third quarter 1998 earnings.

Form 8-K dated November 18, 1998, reporting under Item 5 "Other Events" an Investor News Report providing an update on Florida Power regulatory matters, and another Investor News Report regarding the formation of a fiber-optic telecommunications business.

In addition, Florida Progress and Florida Power filed the following reports on Form 8-K subsequent to the fourth quarter of 1998:

Form 8-K dated January 25, 1999, reporting under Item 5 "Other Events" a press release and related Investor News report which stated Florida Progress' and Florida Power's 1998 year-end earnings.

Form 8-K dated February 18, 1999 reporting under Item 5 "Other Events" an increase in Florida Progress' annual dividend and the construction by Florida Power of peaking units.

SIGNATURES

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

FLORIDA PROGRESS CORPORATION

March 19, 1999

By: /s/ Richard Korpan

Richard Korpan, Chairman of the Board, President and Chief Executive Officer

KNOWN BY ALL MEN BY THESE PRESENTS that each of the undersigned officers and directors of Florida Progress Corporation, a Florida corporation, for himself or herself and not for one another, does hereby constitute and appoint KENNETH E. ARMSTRONG, PAMELA A. SAARI and DOUGLAS E. WENTZ, and each of them, a true and lawful attorney in his or her name, place and stead, in any and all capacities, to sign his or her name to any and all amendments to this report, and to cause the same to be filed with the Securities and Exchange Commission, granting unto said attorneys and each of them full power and authority to do and perform any act and thing necessary and proper to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present, and each of the undersigned for himself or herself hereby ratifies and confirms all that said attorneys or any one of them shall lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Richard Korpan --- Richard Korpan Principal Executive Officer	Chairman of the Board, President, Chief Executive Officer and Director	March 19,1999
/s/ Edward W. Moneypenny --- Edward W. Moneypenny Principal Financial Officer	Senior Vice President and Chief Financial Officer	March 19, 1999
/s/ John Scardino, Jr. --- John Scardino, Jr. Principal Accounting Officer	Vice President and Controller	March 19, 1999
s/ W. D. Frederick, Jr. --- W. D. Frederick, Jr.	Director	March 19, 1999

(Continued)

Signature	Title	Date
/s/ Michael P. Graney Michael P. Graney	Director	March 19, 1999
/s/ Clarence V. McKee Clarence V. McKee	Director	March 19, 1999
/s/ Vincent J. Naimoli Vincent J. Naimoli	Director	March 19, 1999
/s/ Richard A. Nunis Richard A. Nunis	Director	March 19, 1999
/s/ Joan D. Ruffier Joan D. Ruffier	Director	March 19, 1999
/s/ Robert T. Stuart, Jr. Robert T. Stuart, Jr.	Director	March 19, 1999
/s/ Jean Giles Wittner Jean Giles Wittner	Director	March 19, 1999

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company.

FLORIDA POWER CORPORATION

March 19, 1999

By: /s/ Joseph H. Richardson

Joseph H. Richardson, President
and Chief Executive Officer

KNOWN BY ALL MEN BY THESE PRESENTS that each of the undersigned officers and directors of Florida Power Corporation, a Florida corporation, for himself or herself and not for one another, does hereby constitute and appoint KENNETH E. ARMSTRONG, PAMELA A. SAARI and DOUGLAS E. WENTZ, and each of them, a true and lawful attorney in his or her name, place and stead, in any and all capacities, to sign his or her name to any and all amendments to this report, and to cause the same to be filed with the Securities and Exchange Commission, granting unto said attorneys and each of them full power and authority to do and perform any act and thing necessary and proper to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present, and each of the undersigned for himself or herself hereby ratifies and confirms all that said attorneys or any one of them shall lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Joseph H. Richardson Joseph H. Richardson	President, Chief Executive Officer and Director	March 19, 1999
/s/ Jeffrey R. Heinicka Jeffrey R. Heinicka Principal Financial Officer	Senior Vice President and Chief Financial Officer	March 19, 1999
/s/ John Scardino, Jr. John Scardino, Jr. Principal Accounting Officer	Vice President and Controller	March 19, 1999
/s/ Richard Korpan Richard Korpan	Chairman of the Board, and Director	March 19, 1999
/s/ W. D. Frederick, Jr. W. D. Frederick, Jr.	Director	March 19, 1999

(Continued)

Signature	Title	Date
/s/ Michael P. Graney Michael P. Graney	Director	March 19, 1999
/s/ Clarence V. McKee Clarence V. McKee	Director	March 19, 1999
/s/ Vincent J. Naimoli Vincent J. Naimoli	Director	March 19, 1999
/s/ Richard A. Nunis Richard A. Nunis	Director	March 19, 1999
/s/ Joan D. Ruffier Joan D. Ruffier	Director	March 19, 1999
/s/ Robert T. Stuart, Jr. Robert T. Stuart, Jr.	Director	March 19, 1999
/s/ Jean Giles Wittner Jean Giles Wittner	Director	March 19, 1999

Schedule II

FLORIDA PROGRESS CORPORATION
Valuation and Qualifying Accounts
For the Years Ended December 31, 1998, 1997, and 1996
(In millions)

Description	Balance at Beginning of Period	Additions Charged to Expense	Deductions	Other Add (Ded)	Balance at End of Period
FOR THE YEAR ENDED DECEMBER 31, 1998					
Nuclear Refueling Outage Reserve	$22.2	$ -	$2.3	$ -	$19.9
Provision for loss on coal properties	$12.8	$ -	$ -	$(6.2)	$ 6.6
FOR THE YEAR ENDED DECEMBER 31, 1997					
Nuclear Refueling Outage Reserve	$8.7	$14.0	$ 0.5	$ -	$22.2
Insurance policy benefit reserves	$325.3	$52.7	$ -	$(378.0)	$ -
Provision for loss on coal properties	$40.9	$ -	$ -	$(28.1)	$12.8
FOR THE YEAR ENDED DECEMBER 31, 1996					
Nuclear Refueling Outage Reserve	$14.7	$17.4	$23.4	$ -	$8.7
Insurance policy benefit reserves	$265.0	$60.3	$ -	$ -	$325.3
Provision for loss on coal properties	$ -	$40.9	$ -	$ -	$40.9

(A) Effective December 31, 1997, Florida Progress deconsolidated the financial statements of Mid-Continent Life in its consolidated financial statements. Florida Progress' investment from Mid-Continent is accounted for under the cost method.

Schedule II

FLORIDA POWER CORPORATION
Valuation and Qualifying Accounts
For the Years Ended December 31, 1998, 1997, and 1996
(In millions)

Description	Balance at Beginning of Period	Additions Charged to Expense	Deductions (See Note)	Balance at End of Period
FOR THE YEAR ENDED DECEMBER 31, 1998				
1998 Nuclear Refueling Outage Reserve (#11)	$22.2	$0.0	$2.3	$19.9
	$22.2	$0.0	$2.3	$19.9
FOR THE YEAR ENDED DECEMBER 31, 1997				
1996 Nuclear Refueling Outage Reserve (#10)	$0.5	$0.0	$0.5	$0.0
1998 Nuclear Refueling Outage Revenue (#11)	$8.2	$14.0	$0.0	$22.2
	$8.7	$14.0	$0.5	$22.2
FOR THE YEAR ENDED DECEMBER 31, 1996				
1996 Nuclear Refueling Outage Reserve (#10)	$14.7	9.2	$23.4	$0.5
1996 Nuclear Refueling Outage Reserve (#11)	0.0	8.2	0.0	8.2
	$14.7	$17.4	$23.4	$8.7

Note: Deductions are payments of actual expenditures related to the outage.

Exhibit 12

FLORIDA POWER CORPORATION
Statement of Computation of Ratios
(Dollars In Millions)

Ratio of Earnings to Fixed Charges:

	1998	1997	1996	1995	1994
Net Income	$250.1	$135.9	$238.4	$227.0	$200.8
Add:					
Operating Income Taxes	140.3	69.9	135.8	129.5	114.7
Other Income Taxes	.7	--	(.1)	(.1)	(.8)
Income Before Taxes	391.1	205.8	374.1	356.6	314.7
Total Interest Charges	136.5	117.3	98.4	104.5	108.4
Total Earnings (A)	$527.6	$323.1	$472.5	$461.1	$423.1
Fixed Charges (B)	$136.5	$117.3	$98.4	$104.5	$108.4
Ratio of Earnings to Fixed Charges (A/B)	3.87	2.75	4.80	4.41	3.90

EXHIBIT 21

Subsidiaries of Florida Progress Corporation

December 31, 1998

Name of Subsidiary *	State of Incorporation
Utility segment:	
Florida Power Corporation	Florida
Diversified segment:	
Progress Capital Holdings, Inc.	Florida
Electric Fuels Corporation	Florida
MEMCO Barge Line, Inc.	Delaware
Progress Rail Services Corporation	Alabama
Progress Telecommunications Corporation	Florida

* Each subsidiary does business under its own name.

Exhibit 23.(a)

The Shareholders
Florida Progress Corporation:

We consent to incorporation by reference in the registration statements No. 33-51573 on Form S-3, No. 33-47623 on Form S-8, No. 2-93111 on Form S-3, No. 333-19037 on Form S-8, 333-66161 on Form S-8, and No. 333-07853 on Form S-3 of Florida Progress Corporation of our report dated January 25, 1999, relating to the consolidated balance sheets of Florida Progress Corporation and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, cash flows and common equity and comprehensive income for each of the years in the three-year period ended December 31, 1998, and all related schedules, which report appears in the December 31, 1998 annual report on Form 10-K of Florida Progress Corporation.

/s/KPMG LLP

KPMG LLP
St. Petersburg, Florida

March 19, 1999

Exhibit 23.(b)

The Shareholders
Florida Power Corporation:

We consent to incorporation by reference in the registration statements No. 33-62210 on Form S-3, No. 33-55273 on Form S-3, and No. 333-29897 on Form S-3 of Florida Power Corporation of our report dated January 25, 1999, relating to the balance sheets of Florida Power Corporation as of December 31, 1998 and 1997, and the related statements of income, cash flows and common equity and comprehensive income for each of the years in the three-year period ended December 31, 1998, and all related schedules which report appears in the December 31, 1998 annual report on Form 10-K of Florida Power Corporation.

/s/KPMG LLP

KPMG LLP
St. Petersburg, Florida

March 15, 1999

EX-27.(a)
FLORIDA PROGRESS CORPORATION
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EX-27.(b)
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SCHEDULE UT

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EXHIBIT (d)-6

Terms Agreement

Doc. No. 4

FLORIDA POWER CORPORATION

6-3/4% Medium-Term Notes, Series B, due February 1, 2028

TERMS AGREEMENT

February 10, 1998

Florida Power Corporation
3201 34th Street South
St. Petersburg, Florida 33711

Ladies and Gentlemen:

Subject to the terms and conditions set forth herein, each underwriter named below (each an "Underwriter" and collectively the "Underwriters") offers to purchase, severally and not jointly, the principal amount of Medium-Term Notes, Series B, due February 1, 2028 (the "Notes") of Florida Power Corporation (the "Company") set forth opposite its name at the Purchase Price listed below.

Underwriter	Principal Amount of Notes
PaineWebber Incorporated	$50,000,000
First Chicago Capital Markets, Inc.	50,000,000
J.P. Morgan Securities Inc.	50,000,000
Total	$150,000,000

The following terms shall apply to the Notes to be purchased hereunder:

Title, including principal amount, interest rate and maturity date:

$150,000,000 6-3/4% Medium-Term Notes, Series B, due February 1, 2028

CUSIP No.: 34110QAL2

Interest Payment Dates: February 1 and August 1, commencing August 1, 1998

Regular Record Dates for February 1 and August 1 payment dates: January 15 and July 15, respectively.

Redemption Terms: As set forth in the attached Prospectus Supplement dated February 10, 1998.

Price to public: 99.709% plus accrued interest, if any, from February 13, 1998

Purchase price (Proceeds to the Company): 98.834%

Settlement date and time (original issue date): February 13, 1998 10:00 a.m. EST

Currency of Denomination: U.S. Dollars

Currency of Payment: U.S. Dollars

The Underwriters will initially offer the Notes to the public at 99.709% of the principal amount thereof, and to certain dealers at such price less a concession not in excess of .500% of the principal amount of each Note. The Underwriters also may allow, and such dealers may reallow, a discount not in excess of .250% of the principal amount of each Note.

The Underwriters are obligated to purchase all of the Notes if any are purchased.

The Underwriters are hereby authorized by the Company to utilize a selling or dealer group in connection with the resale of the Notes.

The following will be required by the Underwriters:

Officers' certificate pursuant to Section 7(b) of the Distribution Agreement
Legal opinions pursuant to Section 7(c) of the Distribution Agreement
Comfort letter pursuant to Section 7(d) of the Distribution Agreement
Opinion of Jones, Day, Reavis & Pogue, counsel to the Underwriters

Consistent with the provisions of Section 4(k) of the Amended and Restated Distribution Agreement dated as of April 23, 1996 (the "Distribution Agreement") between the Company and the Underwriters, the Company will not, from the date hereof until the Settlement Date listed above, without the prior consent of the Underwriters, offer or sell, or enter into any agreement to sell, debt securities of the Company, other than the Notes and the other debt securities permitted to be sold pursuant to such Section 4(k).

The sale of the Notes to the Underwriters is being made pursuant to the terms of Section 3(b) of the Distribution Agreement. The provisions of the Distribution Agreement are hereby incorporated by reference herein and shall be deemed to be part of this Terms Agreement to the same extent as if such provisions had been set forth in full herein.

PaineWebber Incorporated has advised the Company that it has been authorized by each of the other Underwriters to execute this Terms Agreement on their behalf.

It is understood and agreed that the Underwriters propose to offer the Notes for sale as set forth in the Registration Statement and Prospectus (as such terms are defined in the Distribution Agreement), in each case as amended by the Prospectus Supplement dated February 10, 1998 relating to the Notes. The information set forth on Exhibit A hereto constitutes information furnished in writing by or on behalf of the Underwriters pursuant to Section 8(b) of the Distribution Agreement.

Please accept this offer by signing a copy of this Terms Agreement in the space set forth below and returning the signed copy to us.

PAINEWEBBER INCORPORATED
FIRST CHICAGO CAPITAL MARKETS, INC.
J.P.MORGAN SECURITIES INC.

By: PaineWebber Incorporated

By: _____
Name: Walter F. Hulse, III
Title: Managing Director

Accepted and agreed:

FLORIDA POWER CORPORATION

By: _____
Name: Pamela A. Saari
Title: Assistant Treasurer

P:/Power.MTN/PricDocs.98

EXHIBIT A

The information set forth below constitutes the only information furnished in writing by the Agents pursuant to Section 8(b) of the Distribution Agreement expressly for use in the Prospectus dated July 1, 1997 (the "Prospectus") and the final Prospectus Supplement dated February 10, 1998 (the "Prospectus Supplement") relating to the notes:

Prospectus

1. The names J.P. Morgan & Co., PaineWebber Incorporated and First Chicago Capital Markets, Inc. contained on the cover page of the Prospectus (each of which names has been provided solely by the respective Agent).

2. The third and sixth paragraphs under the caption "Plan of Distribution" on page ten of the Prospectus.

Prospectus Supplement

1. The names PaineWebber Incorporated, First Chicago Capital Markets, Inc. and J.P. Morgan & Co. contained on the cover page of the Prospectus Supplement (each of which names has been provided solely by the respective Underwriter).

2. All of the text in the second paragraph (i.e, the first paragraph following the table), the fourth sentence in the third paragraph, and all of the text in the fourth, fifth and sixth paragraphs under the heading "Underwriting" on page S-5 of the Prospectus Supplement.

EXHIBIT (e)

Statement as to Underwriters' and finders' fees, if any.

1. The name and address of each Underwriter of the MTNs, the respective amount underwritten and the amount of the underwriters' fees is set forth below:

Name and address	Percent of each maturity of MTNs underwritten	Total principal amount of MTNs
PaineWebber Incorporated 1285 Avenue of the Americas New York, NY 10019	33.3%	50,000,000
First Chicago Capital Markets, Inc. One First National Plaza Chicago, IL 60670-0595	33.3%	50,000,000
J.P. Morgan Securities Inc. 60 Wall Street New York, NY 10260	33.3%	50,000,000
	100%	$150,000,000

The MTNs were sold with a price to the public of 100% of the principal amount thereof. The total underwriting discounts/commissions were 0.875% of the principal amount (aggregating $1,312,500). This resulted in proceeds to the Company of $148,251,000, before deducting other expenses estimated at $80,000.

2. Except for the Underwriters, no other person received or is entitled to a finder's fee for services in connection with the negotiation or consummation of the issuance and sale of the MTNs or for services in securing underwriters or purchasers.

3. There is no affiliation, direct or indirect, through directors, officers or stockholders, or through the ownership of securities or otherwise, between the Company and the Underwriters, (i) except as may result from the ownership by the Underwriters or certain of their officers from time to time of shares of common stock of the Company's parent, Florida Progress Corporation, and (ii) except that, from time to time in the ordinary course of business, certain of the Underwriters and their affiliates have engaged, and may in the future engage, in general financing and banking transactions and investment banking transactions with the Company and its affiliates.

4. No finder's fee was paid in respect of the sale of the MTNs.