



ORIGINAL

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NUI Corporation (NYSE: NUI)

Via Federal Express

February 29, 2000

Ms. Blanca Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0868

Re: **Application of City Gas Company of Florida to Issue and Sell Securities
During the twelve months ending September 30, 1999
Docket No. 981378-GU**

Dear Ms. Bayo:

Pursuant to the provisions of Chapter 25-8.009(1) NUI City Gas Company of Florida submits the following consummation report for the tax exempt securities issued in December of 1999 for gas facilities located within the New Jersey service territory of NUI Corporation.

Very truly yours,

Mary Patricia Keefe
Mary Patricia Keefe
Associate General Counsel
and
Director of Regulatory Affairs

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DOCUMENT NUMBER-DATE

NUI Companies and Affiliates:
City Gas Company of Florida
Elizabethtown Gas
Elkton Gas
North Carolina Gas

NUI Capital Corp.
NUI Energy
NUI Energy Brokers
NUI Environmental Group

02711 MAR-18
FPSC-RECORDS/REPORTING

TIC Enterprises, LLC
Utility Business Services
Valley Cities Gas
Waverly Gas

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for approval to issue and)
sell securities for the twelve months ending)
September 30, 1999 by NUI)
CORPORATION, d/b/a CITY GAS)
COMPANY OF FLORIDA)
_____)

DOCKET NO.
981378-GU

FILED: 2/28/00

**ANNUAL CONSUMMATION REPORT OF CITY GAS COMPANY
OF FLORIDA, A DIVISION OF NUI CORPORATION,
WITH RESPECT TO THE ISSUANCE OF SECURITIES**

Pursuant to Order No. PSC-98-1378-FOF-GU (with respect to the period ending September 30, 1999 and in compliance with Rule 25-8.009, Florida Administrative Code, NUI Corporation (the "Company"), which, through its Southern Division, does business in Florida as City Gas Company of Florida ("City Gas"), hereby files this consummation report with respect to the issuance of securities during the period beginning October 1, 1998 to September 30, 1999 pursuant to the authorization conferred by the aforementioned orders.

Securities Issuance

1. In December of 1998, the Company financed gas facilities in its New Jersey service territory through the issuance of tax exempt debt. The New Jersey Economic Development Authority ("NJEDA") issued \$40,000,000 Gas Facilities Refunding Revenue Bonds, 1998 Series A at 5.25% and loaned the proceeds to the Company.

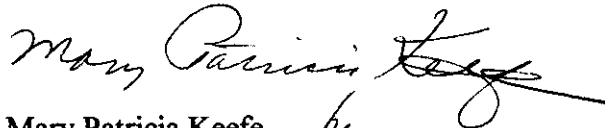


2. The interest rate on the thirty-five year bonds was 5.25%. The proceeds were loaned to the Company and placed in a fund with the First Union National Bank as Trustee.

3. A description of the securities is included in the Official Statement attached as Exhibit 1 (A); a statement of issuance expenses is attached as Exhibit 1(B); copies of petitions and orders with respect to other regulatory bodies are attached as Exhibits 1 (C); copies of all contracts, underwritings and other arrangements providing for the sale or marketing of the securities are marked as Ex 1 (D); information with respect to the underwriters is included in the Official Statement.

4. NUI Corporation's Capitalization as of September 30, 1999, Annual Debt Interest and Preferred Stock Dividend Requirements as of September 30, 1999 and Pretax Interest Coverage for the fiscal year ended September 30, 1999 are attached as Exhibit 4(A).

Respectfully submitted,



Mary Patricia Keefe
Associate General Counsel
Director of Regulatory Affairs

Exhibit 1(a)
See attached

Ex 1(A)

Moody's: Baa1
Standard & Poor's: BBB
(See "Ratings" herein)

NEW ISSUE—Book-Entry Only

In the opinion of Bond Counsel to the Authority, assuming compliance by the Authority and the Company with certain tax covenants described herein, based upon existing statutes, regulations, rulings and court decisions, (a) interest on the 1998 Series A Bonds is not includable for federal income tax purposes in the gross income of the owners of the 1998 Series A Bonds, pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any 1998 Series A Bond for any period during which such 1998 Series A Bond is held by a person who, within the meaning of Section 147(a) of the Code is a "substantial user" of the facilities financed with the proceeds of the 1998 Series A Bonds or a "related person," and (b) interest on the 1998 Series A Bonds is an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Based upon existing law, interest on the 1998 Series A Bonds and any gain from the sale of the 1998 Series A Bonds are not includable in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein for certain qualifications and conditions.

\$40,000,000

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

5.25% GAS FACILITIES REVENUE BONDS, 1998 SERIES A

(NUI Corporation Project)

Price: 99.518%

(Plus accrued interest from December 1, 1998)

Dated: December 1, 1998

Due: November 1, 2033

The 1998 Series A Bonds will be limited obligations of the New Jersey Economic Development Authority (the "Authority"), and are secured solely by the pledge of payments required to be made to the Authority pursuant to a Loan Agreement between the Authority and



The 1998 Series A Bonds will be subject to redemption prior to maturity and will be transferable and exchangeable, as more fully described herein.

Interest will be payable on the 1998 Series A Bonds on May 1, 1999 and semi-annually thereafter on each November 1 and May 1. The 1998 Series A Bonds will be issuable only as fully registered bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 1998 Series A Bonds. Individual purchases of the 1998 Series A Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof and, except under the limited circumstances described herein, beneficial owners of the 1998 Series A Bonds will not receive certificates representing their ownership interests. Principal of and premium, if any, on the 1998 Series A Bonds will be payable by First Union National Bank, as trustee (the "Trustee"). Interest on the 1998 Series A Bonds will be payable by check or draft mailed to the person whose name appears as the registered owner thereof on the registration books of the Authority maintained by the Trustee. So long as DTC or its nominee, Cede & Co., is the registered owner of the 1998 Series A Bonds, such payments will be made directly to Cede & Co., or its nominee. Disbursement of such payments to the DTC participants is the responsibility of DTC and subsequent disbursement of such payments to the beneficial owners is the responsibility of such participants as more fully described herein under "The 1998 Series A Bonds—The DTC Book-Entry-Only System".

THE STATE OF NEW JERSEY IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE 1998 SERIES A BONDS. THE 1998 SERIES A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR PAYMENT OF THE 1998 SERIES A BONDS. THE 1998 SERIES A BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

The 1998 Series A Bonds are offered, subject to prior sale, when, as and if issued by the Authority, and accepted by the purchaser, subject to the approval of legality by Gibbons, Del Deo, Dolan, Griffinger & Vecchione, a Professional Corporation, Newark, New Jersey, Bond Counsel. It is expected that the 1998 Series A Bonds will be available for delivery through the book-entry facilities of DTC on or about December 8, 1998, against payment therefor in immediately available funds.

Merrill Lynch & Co.

Dated: December 3, 1998

The information contained in this Official Statement has been obtained from the Authority (with respect to the information contained under the caption "The Authority"), NUI Corporation and other sources deemed reliable. No representation or warranty is made as to the accuracy or completeness of such information, and nothing contained in this Official Statement is, or shall be relied upon as, a promise or representation by the Purchaser. This Official Statement is delivered in connection with the sale of the 1998 Series A Bonds referred to herein, and may not be reproduced or used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein or in Appendix A hereto is correct as of any time subsequent to its date.

No broker, dealer, salesman or any other person has been authorized to give any information or to make any representation other than as contained or incorporated by reference in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, NUI Corporation, the Trustee or the Purchaser. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the NUI Corporation since the date hereof. This Official Statement does not constitute an offer of any securities other than those described on the cover page or an offer to sell or a solicitation of an offer to buy in any jurisdiction in which such offer, solicitation or sale is not authorized or in which the person making such offer, solicitation or sale is not authorized or qualified to do so, or to any person to whom it is unlawful to make such offer, solicitation or sale.

The 1998 Series A Bonds will not be registered under the Securities Act of 1933 or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy of the Official Statement or, except for the Authority, approved the 1998 Series A Bonds for sale.

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\$40,000,000

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

5.25% GAS FACILITIES REVENUE BONDS, 1998 SERIES A

(NUI Corporation Project)

INTRODUCTORY STATEMENT

This Official Statement, including the Appendices hereto, is provided to furnish information in connection with the sale by the New Jersey Economic Development Authority (the "Authority"), a public body corporate and politic constituting an instrumentality of the State of New Jersey (the "State"), of its 5.25 % Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project), in the aggregate principal amount of \$40,000,000 (the "1998 Series A Bonds"), to be issued pursuant to a Trust Indenture, dated as of December 1, 1998 (the "Indenture"), between the Authority and First Union National Bank, as trustee (the "Trustee"). The 1998 Series A Bonds are being issued to provide funds for the acquisition, construction and equipping by NUI Corporation (the "Company") of certain gas facilities and functionally related and subordinate equipment including supply mains, distribution mains, service lines, meters and miscellaneous equipment, located in Union and Middlesex Counties, New Jersey (the "Project"). The 1998 Series A Bonds and any additional bonds (the "Additional Bonds") issued under the Indenture are hereinafter collectively referred to as the "Bonds".

The proceeds of the 1998 Series A Bonds will be loaned by the Authority to NUI Corporation, a New Jersey corporation (the "Company"), pursuant to a Loan Agreement dated as of December 1, 1998, between the Authority and the Company (the "Loan Agreement"). The 1998 Series A Bonds will be payable from amounts payable by the Company to the Authority under the Loan Agreement, which correspond to the principal, redemption premium, if any, and interest payments on the 1998 Series A Bonds, provided that such payments will be reduced to the extent that other moneys on deposit with the Trustee are available for such purpose at the respective times such payments on the 1998 Series A Bonds are due.

Brief descriptions of the Authority, the 1998 Series A Bonds, the Loan Agreement and the Indenture are included in this Official Statement. For information concerning the Company, see "Appendix A." All references herein to the Loan Agreement and the Indenture are qualified in their entirety by reference to such documents, and references herein to the 1998 Series A Bonds are qualified in their entirety by reference to the form thereof included in the Indenture, and the information with respect thereto included in the aforesaid documents, copies of all of which are available for inspection at the principal corporate trust office of the Trustee. During the period of the offering, copies of such documents will also be available at the principal office of the Company.

THE STATE OF NEW JERSEY IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE 1998 SERIES A BONDS. THE 1998 SERIES A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR PAYMENT OF THE 1998 SERIES A BONDS. THE 1998 SERIES A BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

THE AUTHORITY

The Authority was established in 1974 as a public body corporate and politic, constituting an instrumentality of the State pursuant to the New Jersey Economic Development Authority Act, constituting Chapter 80 of the Pamphlet Laws of 1974 of the State, as amended (the "Act").

The Act authorizes the Authority to finance and acquire, construct, reconstruct, repair, alter, improve and extend any building, structure, facility or other improvement, purchase and install equipment and machinery, and acquire and improve real estate and extend or provide utility services, access roads or other appurtenant facilities to be used by or provided for employment promoting enterprises, either for the manufacturing, processing or assembly of materials or products, or for research or office purposes, or to reduce, abate or prevent environmental pollution derived from the operation of industry, utilities and commerce within the State. These include, but are not limited to, pollution control facilities, medical and other professional facilities, industrial, recreational, hotel and motel facilities, public utility or warehouse uses, and commercial and service enterprises. The Authority is empowered to finance any such project after a finding that the financing will tend to maintain or provide gainful employment for the inhabitants of the State, will tend to aid, assist or encourage the economic development or redevelopment of any political subdivision of the State, will maintain or increase the tax base of the State or any political subdivision of the State, or will maintain or diversify and expand employment promoting enterprises in the State. In order to discharge its responsibilities and fulfill those purposes mentioned above, the Authority is authorized to offer various financing plans to applicants and to issue and sell bonds and notes for these purposes (including the 1998 Series A Bonds).

The Act provides that neither the members of the Authority nor any person executing bonds issued pursuant to the Act shall be liable personally on such bonds by reason of the issuance thereof, and that bonds or other obligations issued by the Authority pursuant to the Act shall not be in any way a debt or liability of the State or any political subdivision thereof and shall not create or constitute any indebtedness, liability or obligation of the State or any political subdivision thereof, either legal, moral or otherwise. The Act further provides that nothing contained therein shall be construed to authorize the Authority to incur any indebtedness on behalf of, or in any way obligating, the State or any political subdivision thereof.

The Authority consists of ten members and three alternate members. Of the ten members, the Chief Executive Officer of the New Jersey Commerce and Economic Growth Commission, the Commissioner of Labor, the Commissioner of Banking and Insurance and the State Treasurer are ex-officio members and the remaining six are public members, appointed by the Governor with the advice and consent of the Senate, all for terms of three years. Anthony R. Coscia is a public member and Chairman of the Authority. Of the six public members, one public member (who shall not be a legislator) is appointed by the Governor upon recommendation of the Senate President, and one public member (who shall not be a legislator) is appointed by the Governor upon the recommendation of the Speaker of the General Assembly. Three alternative members are appointed by the Governor with the advice and consent of the Senate. Of the three alternative members, one alternate member (who shall not be a legislator) is appointed by the Governor upon the recommendation of the Senate President, and one alternate member (who shall not be a legislator) is appointed by the Governor upon the recommendation of the Speaker of the General Assembly.

The operating staff of the Authority includes professionals in the fields of industrial development and management, finance and mortgage lending. Caren S. Franzini is the Executive Director. The Authority maintains offices at 36 West State Street, P.O. Box 990, Trenton, New Jersey 08625.

THE PROJECT AND USE OF PROCEEDS

The Project is comprised of the acquisition, construction and equipping of certain gas facilities and functionally related equipment including supply mains, distribution mains, source lines, meters and miscellaneous equipment for the local furnishing of gas within Union and Middlesex Counties, New Jersey. The Project is scheduled to be completed by September 30, 2001. All approvals required in connection with the incurrence by the Company of the debt represented by the Loan Agreement have been obtained and are in full force and effect subject only to the expiration of the applicable appeal periods.

The Company expects the proceeds from the sale of the 1998 Series A Bonds (net of accrued interest) to be used as follows:

Cost of the Project	\$39,285,000
Other Financing Expenses ⁽¹⁾	<u>715,000</u>
Total	\$40,000,000

(1) Consists of underwriter's discount and expenses incurred in connection with the issuance of the 1998 Series A Bonds.

THE 1998 SERIES A BONDS

General

The 1998 Series A Bonds will be issued in the aggregate principal amount, mature on the date and bear interest at the rate per annum set forth on the cover page hereof. The 1998 Series A Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests from DTC in the 1998 Series A Bonds will be made in book-entry form only (without certificates) in the principal amount of \$5,000 or any integral multiple thereof. For so long as Cede & Co., as nominee of DTC, is the registered owner of the 1998 Series A Bonds, payments of the principal, premium, if any, and interest on the 1998 Series A Bonds will be made directly to DTC by wire transfer in same day funds. Disbursement of such payments to DTC Participants is the responsibility of DTC and subsequent disbursement of such payments to the Beneficial Owners is the responsibility of such Participants, each such term as hereinafter defined. See "The 1998 Series A Bonds - The DTC Book-Entry-Only System". In the event that the 1998 Series A Bonds shall be registered in the names of the Beneficial Owners thereof, the principal of, premium, if any, and interest due at maturity (or earlier redemption pursuant to the terms of the Indenture) on the 1998 Series A Bonds will be payable at the corporate trust office of the Trustee and payment of interest (except interest due at maturity or earlier redemption) on the 1998 Series A Bonds will be made to the holder thereof as of the Record Date described below by check or draft mailed to such holder at the address as it appears on the registration books maintained by the Trustee. Interest on the 1998 Series A Bonds will be payable on May 1, 1999, and semiannually thereafter on November 1 and May 1 of each year (each, an "Interest Payment Date"). The record date (the "Record Date") is the fifteenth day of the calendar month next preceding an interest payment date.

The DTC Book-Entry-Only System

DTC will act as securities depository for the 1998 Series A Bonds. The 1998 Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered 1998 Series A Bond certificate will be issued for the 1998 Series A Bonds, and will be deposited with 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 (the "Exchange Act"). DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct 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", and together with the Direct Participants, the "Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of 1998 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 1998 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 1998 Series A Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 1998 Series A Bonds 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 1998 Series A Bonds, except in the event that use of the book-entry system for the 1998 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 1998 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 1998 Series A Bonds 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 1998 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 1998 Series A Bonds 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.

Redemption notices shall be sent to Cede & Co. If less than all of the 1998 Series A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in bonds of an issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 1998 Series A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 1998 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium if any, and interest payments on the 1998 Series A Bonds 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 payment 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 Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of principal, premium, if any, and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 1998 Series A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 1998 Series A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 1998 Series A Bond certificates will be printed and delivered.

DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000 may encounter "Year 2000 problems". DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments to securityholders, book-entry deliveries, and settlement of trades within DTC ("DTC Services")) continue to function appropriately. This program includes a technical assessment and a redemption plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including, but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or other provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 redemption (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority, the Company and the Purchaser take no responsibility for the accuracy thereof.

Source of Payment and Security

The 1998 Series A Bonds are special, limited obligations of the Authority payable solely from the revenues of the Authority derived from payments by the Company under the Loan Agreement and from other moneys made available to the Trustee for such purposes. The Authority has assigned to the Trustee all of its rights under the Loan Agreement (except for rights relating to certain payments of administrative expenses, indemnification, receipt of notices, consents and amounts in the Rebate Fund established under the Indenture, and enforcement of the Company's covenants and undertakings therein).

THE STATE OF NEW JERSEY IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE 1998 SERIES A BONDS. THE 1998 SERIES A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE 1998 SERIES A BONDS. THE 1998 SERIES A BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Redemption Provisions

The 1998 Series A Bonds are subject to redemption only as described below:

Optional Redemption. The 1998 Series A Bonds are subject to redemption prior to maturity at any time on or after November 1, 2008, at the option of the Authority, upon the written direction of the Company, in whole or in part, but if in part by random selection in any manner deemed by the Trustee to be fair and appropriate, at the applicable optional redemption price shown below as a percentage of the principal amount, plus interest accrued to the redemption date:

Redemption Period	Optional Redemption Price
November 1, 2008 to October 31, 2009	101 ½%
November 1, 2009 to October 31, 2010	101%
November 1, 2010 and thereafter	100%

Extraordinary Optional Redemption. The 1998 Series A Bonds are subject to extraordinary optional redemption at any time prior to maturity in whole or in part, but if in part by random selection in any manner deemed by the Trustee to be fair and appropriate, at the option of the Authority, upon the written direction of the Company, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the redemption date, upon the occurrence of any of the following events:

- (a) the Company shall have determined that operation of the Project or some part of the Project is impracticable, uneconomical or undesirable for any reason; or
- (b) all or substantially all of any part of the Project shall have been condemned or taken by eminent domain; or
- (c) operation of the Project, or operation of any part of the Project, shall have been enjoined or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any federal, state or local regulatory body, administrative agency or other governmental body.

The Loan Agreement provides that upon the occurrence of any of the events described in the foregoing clauses (a), (b) or (c), the Company shall exercise its option to direct the Authority to redeem all or any part of the 1998 Series A Bonds for extraordinary optional redemption not later than 180 days following occurrence of any such event.

Mandatory Redemption. The 1998 Series A Bonds will be subject to mandatory redemption by the Authority prior to maturity at any time, in whole, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the redemption date, if it is finally determined by the Internal Revenue Service or a court of competent jurisdiction that, as a result of (i) a failure by the Company to observe any covenant or agreement to be observed by the Company in the Loan Agreement, or (ii) the inaccuracy of any representation of the Company contained in the Loan Agreement, the interest payable on the 1998 Series A Bonds is includable for federal income tax purposes in the gross income of any holder of a 1998 Series A Bond, other than a holder who, within the meaning of Section 147 of the Internal Revenue Code of 1986, as amended (the "Code"), is a "substantial user" of the Project or a "related person" thereto; provided, that if in the opinion of nationally recognized bond counsel, redemption of less than all of the 1998 Series A Bonds will preserve the tax-exempt status of interest payable on the remaining 1998 Series A Bonds, then only such amount as will accomplish such preservation need be redeemed. The Authority shall notify the Trustee of such amount, and the 1998 Series A Bonds to be redeemed are to be selected randomly in any manner deemed by the Trustee to be

fair and appropriate, or as otherwise specified in the determination. No such determination will be considered final for this purpose unless the Company has been given written notice thereof and, if it so desires, has been afforded the opportunity to contest the same, either directly or in the name of any Holder of 1998 Series A Bond, or to direct the contesting of the same by such holder, until the conclusion of any appellate review, if sought. Any such redemption shall be on the earliest practicable date within 180 days following the date of such final determination. Such failure by the Company to observe such covenant or agreement, or the inaccuracy of such representation in the Loan Agreement shall not in and of itself constitute an Event of Default under the Loan Agreement or the Indenture.

If a mandatory redemption occurs as a result of such a final determination, holders of the 1998 Series A Bonds may receive, for a period of time following such determination, interest that must be included in gross income for federal income tax purposes. If the 1998 Series A Bonds are redeemed within 180 days of such a final determination, the Indenture provides holders with no other remedy, even if interest on the 1998 Series A Bonds must be included in gross income retroactively to the date of issue.

The Loan Agreement provides that in the event the Company receives notice from the Trustee pursuant to the terms of the Indenture that a proceeding has been instituted against a Bondholder or former Bondholder, which proceeding could lead to a final determination that interest on the 1998 Series A Bonds is includable for federal income tax purposes in the gross income of any Bondholder and to mandatory redemption of the 1998 Series A Bonds as contemplated by the Indenture, the Company shall promptly notify the Trustee and the Authority whether it intends to contest, or direct the contesting of, such proceeding. In the event that the Company chooses to so contest or so direct, the Company covenants that it will use its best efforts to obtain a prompt final determination or decision in such proceeding or litigation and will keep the Trustee and the Authority informed of the progress of any such proceeding or litigation.

The 1998 Series A Bonds will also be subject to mandatory redemption prior to maturity at any time at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the redemption date, if the Authority has notified the Trustee and the Company that (i) the Company has ceased to operate the Project or to cause the Project to be operated as an authorized project under the Act for 12 consecutive months without first obtaining the written consent of the Authority, or (ii) any representation or warranty of the Company in the Loan Agreement or in any other document furnished in connection with the Loan Agreement proves to have been false or misleading in any material respect when made.

Notice of Redemption. As provided in the Indenture, the Trustee shall provide notice of redemption by registered or certified mail not less than 30 nor more than 60 days prior to the redemption date, to each owner of 1998 Series A Bonds to be redeemed at his registered address as it appears on the registration books kept by the Trustee, but failure to mail any such notice or any defect in respect of such mailing shall not affect the validity of such redemption. After the redemption date specified in such notice, the 1998 Series A Bonds or portion thereof so called will cease to bear interest, provided funds for their payment have been deposited with the

Trustee, and shall no longer be protected by the Indenture and shall not be deemed to be Outstanding thereunder.

With respect to notice of any optional or extraordinary optional redemption of the 1998 Series A Bonds, as described above, unless moneys sufficient to pay the principal of and premium, if any, and interest on the 1998 Series A Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice, such notice shall state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for such redemption and the satisfaction of other conditions required in the Indenture. If such moneys shall not have been so received, such notice shall be of no force and effect, the Authority shall not redeem such 1998 Series A Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Exchange and Transfer

The Trustee shall keep the registration books for the 1998 Series A Bonds at its corporate trust office. Subject to the further conditions contained in the Indenture, the 1998 Series A Bonds may be transferred or exchanged for other 1998 Series A Bonds of any authorized denomination in the same aggregate principal amount. The Authority and the Trustee shall not be required to (i) issue, exchange or transfer of 1998 Series A Bonds during the period commencing on the 10th day before the mailing of a notice of partial redemption and ending on the date of such mailing or (ii) make any exchange or transfer of 1998 Series A Bonds called for redemption. For every such exchange or transfer of 1998 Series A Bonds, the Authority and the Trustee will make no service charge except a charge sufficient to reimburse them for any tax, fee or other governmental charge that may be imposed with respect to such exchange or transfer. In the event a 1998 Series A Bond is mutilated, lost, stolen or destroyed, the Authority may execute, and the Trustee may authenticate and deliver, a new 1998 Series A Bond in accordance with the provisions therefor in the Indenture, and the Authority and the Trustee may charge the holder of such 1998 Series A Bond with costs in this connection and may require indemnity in such case. The Authority and the Trustee shall be entitled to treat the registered owners of the 1998 Series A Bonds, as their names appear on the registration books as of the appropriate date, as the Owner of such 1998 Series A Bonds for all purposes under the Indenture.

Additional Bonds

The Loan Agreement provides that if the Company is not in default thereunder, upon request of the Company, the Authority may issue Additional Bonds pursuant to the Indenture for any of the following purposes (a) to finance the costs of completing the Project, (b) to finance the costs of acquiring, constructing and equipping of additional facilities comprising part of a project for the local furnishing of gas within the meaning of Section 142(a)8 of the Code, (c) to refund any Bonds and (d) for any combination of such purposes. The Indenture permits the issuance of Additional Bonds for such purposes under certain conditions, including the execution and delivery of a supplemental indenture by the Authority and the Trustee. Any Additional Bonds issued under the Indenture will be equally and ratably secured with all other Bonds issued or to be issued pursuant to the Indenture.

THE LOAN AGREEMENT

The following is a brief description of the Loan Agreement to which reference is made for the detailed provisions thereof. Capitalized terms used in this section and not defined in this Official Statement shall have the respective meanings assigned thereto in the Loan Agreement.

General

The Authority will obtain funds necessary to finance the Project by issuing the 1998 Series A Bonds, and will loan the proceeds thereof to the Company by depositing a portion of such proceeds with the Trustee in the Construction Fund to be used for payment of the Costs of the Project.

Construction of the Project

Moneys in the Construction Fund are to be withdrawn by requisition of the Company to pay the costs of the Project. If such moneys are insufficient to pay the costs of completing the Project, the Company is required to complete the Project and pay the additional costs. The Company may make modifications to the Project provided that such modifications shall not alter the essential character of the Project, and the Company will obtain an opinion of nationally recognized bond counsel to the effect that such modification will not cause the interest on any Bonds to be includable in gross income for purposes of federal income taxation.

Payment Obligations Under Loan Agreement

The Company agrees in the Loan Agreement to make payments to the Authority for the benefit of the Bondholders corresponding to the principal, premium, if any, and interest payments on the 1998 Series A Bonds; provided that such payments will be reduced to the extent that other moneys on deposit with the Trustee at the respective times such payments on the 1998 Series A Bonds are due are available for such purpose. Such payments are to be made at the times and in the amounts necessary to pay amounts due, whether by reason of acceleration or otherwise, on the 1998 Series A Bonds. In addition, the Company agrees to pay all fees and expenses of the Trustee and all expenses of the Authority. The Company's obligations under the Loan Agreement are unsecured. The Loan Agreement provides that the Company's obligation to pay is absolute and unconditional.

Certain Covenants of the Company

Tax Exemption. The Company covenants that it will not take any action, or omit to take any action, which action or omission thereof would cause the interest on any of the Bonds to become includable in gross income for purposes of Federal income taxation under the Code as in effect on the date the Bonds are issued, except that such covenant does not preclude action the result of which may be the inclusion of such interest in the gross income of any holder who,

within the meaning of Section 147 of the Code, is a "substantial user" of the Project or a "related person" thereto.

Maintenance of Corporate Existence. The Company shall maintain its existence as a legal entity and shall not sell, assign, transfer or otherwise dispose of the Project or substantially all of its assets. The Company may merge with or into or consolidate with another entity, and the Project or the Agreement may be transferred without violating the Agreement provided (1) the Company causes the proposed surviving, resulting or transferee company to furnish the Authority with a Change of Ownership Information Form; (2) the net worth of the surviving, resulting or transferee company on a consolidated basis following the merger, consolidation or transfer is equal to or greater than the net worth of the Company immediately preceding the merger, consolidation or transfer; (3) any litigation or investigations in which the surviving, resulting or transferee company or its officers and directors are involved, and any court, administrative or other orders to which the surviving, resulting or transferee company or its officers and directors are subject, relate to matters arising in the ordinary course of business; (4) the merger, consolidation or transfer shall not impair the excludability of interest paid on the Bonds from the gross income of holders thereof for purposes of federal income taxation or cause a reissuance pursuant to an opinion of nationally recognized bond counsel; (5) the surviving, resulting or transferee company assumes in writing the obligations of the Company under this Agreement, and (6) after the merger, consolidation or transfer, the Project shall be operated as an authorized project under the Act.

Operation and Maintenance of the Project. Subject to the Company's right to make changes in or modifications to the Project that are necessary or desirable to maintain or improve operating performance, so long as any Bonds are Outstanding, the Company will, at its own expense, keep the Project in as reasonably safe condition as their operations will permit, keep the Project in good repair and in good operating condition and make from time to time all necessary repairs, renewals and replacements and use the Project in a manner consistent with the furnishing of natural gas to the general public. The Company may, at its own expense, construct improvements or install machinery, equipment and other property (which may be attached or affixed to the Project) which shall not constitute or be deemed a part of the Project. The Company may at any time and from time to time remove or permit to be removed such improvements, machinery, equipment or other property from the Project and create or permit to be created any mortgage, encumbrance, lien or charge on, or conditional sale or other title retention agreement with respect to, such improvements, machinery, equipment or other property. However, any property financed as a part of the Project that is sold or is removed (other than in connection with its retirement) by the Company must remain within Union or Middlesex Counties, New Jersey, as the case may be, unless the Company furnishes, prior to such transfer, to the Trustee and the Authority an opinion of nationally recognized bond counsel to the effect that the removal and transfer of such property to a location outside of such area will not impair the exclusion of interest on the Bonds from federal income taxation and such property remains in the State.

Insurance. So long as any Bonds are Outstanding, the Company will keep, at all times all of its insurable property insured against loss or damage, to the extent that property of similar character is usually insured by corporations similarly situated and operating like properties, with

insurers believed by the Company to be responsible; and the Company will promptly pay all premiums when due in respect of such insurance.

Negative Pledge. Subject to certain exceptions, the Company will not create, assume, incur, or suffer to be created, assumed, or incurred or to exist any mortgage, lien, pledge, charge or encumbrance of any kind (other than Excepted Encumbrances) upon any property of any character of the Company (other than Excepted Property), whether owned at the date of the Loan Agreement or acquired thereafter, to secure indebtedness for borrowed money without either (i) making effective provision for the Company's obligations to repay the loan under the Loan Agreement to be directly secured equally and ratably with the indebtedness secured by such mortgage, lien, pledge, charge or encumbrance, or (ii) depositing with the Trustee, as collateral for the Company's obligations under the Loan Agreement, bonds or other evidences of indebtedness of the Company secured by such lien.

Enforcement by Authority

The Authority may take any action at law or in equity, including the right to seek specific performance, to enforce the covenants and undertakings of the Company set forth in the Loan Agreement.

Events of Default

Any one or more of the following events shall constitute an Event of Default under the Loan Agreement:

- (a) Failure by the Company to pay any amount in respect of the principal of, premium, if any, or interest on, the Bonds when due.
- (b) Failure by the Company to comply with any covenant, condition or agreement on its part to be observed or performed under the Loan Agreement, other than as referred to in clause (a) above, which failure continues for more than 45 days, after it first becomes known to any officer of the Company; provided, however, that in the event that the Company is diligently undertaking to cure such default but such default cannot be cured within said 45-day period, said 45-day period shall be extended for as long as the Company and the Authority shall agree is reasonably necessary in order to cure such default.
- (c) If any warranty, representation or other written statement made by or on behalf of the Company, by an officer of the Company contained in the Loan Agreement or the Indenture or related loan document or in any instrument or certificate furnished in compliance with same is false or misleading in any material respect as of the date it was made or given.
- (d) Certain events relating to bankruptcy or insolvency of the Company or the appointment of a receiver or trustee for its property.

Remedies

Whenever any Event of Default under the Loan Agreement shall have happened and be continuing and the Trustee has received notice of such, the Trustee may, in addition to any other remedy, declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity or otherwise, to be immediately due and payable as liquidated damages under the Loan Agreement and not as a penalty, whereupon the same shall become immediately due and payable, provided, however, that the Trustee has declared the Bonds immediately due and payable pursuant to the Indenture, by written notice to the Company, and take whatever action at law or in equity that may appear necessary or desirable to collect payments then due and thereafter to become due or to enforce the performance and observation of any obligation, agreement or covenant of the Company under the Loan Agreement.

Amendment

The Loan Agreement may not be amended except by an instrument in writing signed by the Company and the Authority and consented to by the Trustee for the Bondholders in accordance with the Indenture. See "The Indenture - Supplemental Indentures; Amendment of Loan Agreement."

THE INDENTURE

The following is a brief description of the Indenture to which reference is made for the detailed provisions thereof. Capitalized terms used in this section and not defined in the Official Statement shall have the meanings assigned thereto in the Indenture.

General

Pursuant to the Indenture, the Authority has assigned to the Trustee in trust, all of the Authority's right, title and interest in, to and under the Loan Agreement (except the Authority's rights to receive notices, reports, opinions and other statements, to payment of administrative expenses and indemnification and amounts in the Rebate Fund and enforcement of the Company's covenants therein) to secure the payment of the Bonds.

The Indenture provides for the issuance and redemption of the 1998 Series A Bonds, the issuance of Additional Bonds, and includes all other terms pertaining to the Bonds.

The net proceeds of the Bonds (other than accrued interest, if any) shall be credited to the Construction Fund established under the Indenture for disbursement to or at the order of the Company for payment of the costs of the Project as or after such costs are incurred.

On completion of the Project, any moneys remaining in the Construction Fund shall be, as soon as practicable, but in no event later than 90 days thereafter, at the direction of the Company, (a) used by the Trustee for the purchase, redemption or retirement of Bonds or

portions thereof at the earliest possible date or (b) paid to the Company on its order or applied in any other prescribed manner, including payment of rebatable arbitrage pursuant to the Loan Agreement if in either case in the opinion of nationally recognized bond counsel such payment will not adversely affect the exclusion of interest on the Bonds from federal gross income.

Bond Fund

There shall be credited to the Bond Fund established under the Indenture an amount equal to the accrued interest on the Bonds, if any, paid by the initial purchasers thereof. All payments pursuant to the Loan Agreement (except for the Authority's administrative expenses and payments relating to indemnification) shall be credited as received to the Bond Fund. Moneys in the Bond Fund shall be used solely for payment when due of the principal of or premium, if any, and interest on, the Bonds. Any amounts remaining in the Bond Fund after payment in full of the principal or redemption price of and interest on the Bonds (or provision for payment thereof) and the fees, charges and expenses of the Authority and the Trustee shall be paid to the Company.

Rebate Fund

Payments by the Company in respect of any rebate due the United States shall be deposited and held in the Rebate Fund established under the Indenture. Amounts deposited in the Rebate Fund are not subject to a claim or charge in favor of the Trustee or any Owners of the Bonds but shall be applied solely in accordance with the terms of the Indenture for payment of rebate due the United States or, if the amount on deposit in the Rebate Fund exceeds the total amount of rebate owing, for transfer to the Construction Fund prior to completion of the Project, and for transfer to the Bond Fund thereafter.

Investments

The Indenture provides that moneys received by the Trustee under the Indenture will be deposited with the commercial or trust department of the Trustee until or unless otherwise invested or deposited as provided in the Indenture. The Trustee will, at the request and discretion of the Company, invest moneys held in the Construction Fund, the Bond Fund and the Rebate Fund in securities specified in the Indenture.

The interest and income received upon such investments of funds held in the Construction Fund, the Bond Fund and the Rebate Fund and any profit or loss resulting from the sale of any investment shall be added or charged to the respective Fund, as the case may be.

Events of Default

Any one or more of the following events shall constitute an Event of Default under the Indenture:

(i) Any payment of principal of or premium, if any, or interest on any Bond shall not be paid when due, whether on an interest payment date, at maturity or redemption.

(ii) The Authority shall fail to observe or perform any of its other covenants or agreements contained in the Indenture or in the Bonds and such failure shall continue for a period of 45 days after written notice given to the Authority by the Trustee or the holders of at least 25% of the principal amount of the Bonds outstanding; provided, however, that if such default cannot be cured by the Authority within such 45 day period, it shall not constitute an Event of Default if curative action is instituted by the Authority within such 45 day period and thereafter is diligently pursued until such Event of Default is cured.

(iii) The occurrence of any Event of Default as defined in the Loan Agreement and as described under "The Loan Agreement - Events of Defaults."

Remedies

Upon the occurrence of an Event of Default under the Indenture other than an Event of Default specified in clause (iii) above under "Events of Default" resulting from certain events relating to bankruptcy or insolvency of the Company, the Trustee may in its discretion, and upon request of the Holders of 25% in aggregate principal amount of the Bonds then Outstanding, shall, by notice in writing to the Authority and the Company, declare the principal of all Bonds then Outstanding to be immediately due and payable; and upon such declaration, the principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein. Upon any declaration of acceleration, the Trustee shall immediately exercise such rights as it may have under the Loan Agreement to declare all payments thereunder to be immediately due and payable.

Upon the occurrence of an Event of Default specified in clause (iii) above under "Events of Default" resulting from certain events relating to bankruptcy or insolvency of the Company, all of the principal of all Bonds then Outstanding, together with interest accrued thereon, shall *ipso facto* become and be immediately due and payable without any declaration or other act on the part of either the Trustee or any Holder.

If, after the principal of the Bonds Outstanding has been so declared to be due and payable, all arrears of interest upon the Bonds (and, to the extent permitted by law, interest on overdue installments of interest at the rate borne by the Bonds) are paid or caused to be paid by the Authority or the Company, and the Authority also performs or causes to be performed all other things in respect to which it may have been in default and the Company pays or causes to be paid the reasonable charges of the Trustee and the Bondholders, including reasonable attorneys' fees, then, and in every such case, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding by notice to the Authority and to the Trustee, may annul such declaration and its consequence; such annulment shall be binding upon the Trustee and upon all holders of Bonds, but no such annulment shall extend to or affect any subsequent Event of Default under the Indenture or impair any right or remedy consequent thereon. In each such

case, the Trustee shall also annul any declaration theretofore made declaring all payments under the Loan Agreement to be due and payable immediately.

No Bondholder shall have any right to pursue remedies under the Indenture unless the Trustee shall have been given written notice of an Event of Default under the Indenture, the Holders of at least 25% in aggregate principal amount of all Bonds then Outstanding respecting which there has been an Event of Default shall have requested the Trustee in writing to exercise the powers granted to the Trustee in the Indenture or to pursue a remedy in their names, the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities, including but not limited to legal expenses, and the Trustee shall have failed to comply with such request within a reasonable time. However, nothing in the Indenture shall affect or impair the right of action, which is absolute and unconditional, of a Holder of any Bond to enforce the payment of principal of, premium, if any, and interest on such Bond.

Any moneys received by the Trustee following an Event of Default under the Indenture shall be applied first to the payment of the expenses of the Trustee including reasonable attorneys' fees, any disbursements of the Trustee with interest thereon, and its reasonable compensation; second, to the payment of principal of, premium, if any, and interest then owing on the Bonds, including any interest on overdue interest, and in case such moneys shall be insufficient to pay the same in full, then to the payment of principal of, premium, if any, and interest ratably, without preference or priority of one over another or of any installment of interest over any other installment of interest; and third, to the payment of expenses of the Authority, including reasonable attorneys' fees, actually incurred in connection with the Costs of the Project or the refunding of any series of Bonds and remaining unpaid. The surplus, if any, shall be paid to the Company or the person lawfully entitled to receive the same as a court of competent jurisdiction may direct.

The Trustee

The Indenture provides that the Trustee shall not be answerable for any misconduct or negligence on the part of any attorney or agent appointed by it with due care. In addition, the Trustee shall not be answerable for any action or inaction under the Indenture, except for its own willful misconduct or negligence or that of its agents, officers and employees. The Trustee may act on any requisition, resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of the Indenture; and the Trustee shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement.

The Trustee may in good faith buy, sell, own and hold any of the Bonds and may join in any action which any Bondholders may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee may also engage in or be interested in any financial or other transaction with the Authority or the Company; provided that if the Trustee determines that

any such relation is in conflict with its duties under the Indenture, it shall eliminate the conflict or resign as Trustee.

The Trustee may resign and be discharged of the trusts created by the Indenture by written resignation filed with the Authority and the Company not less than 60 days before the date when it is to take effect. Such resignation shall take effect only upon the appointment of a successor trustee.

Supplemental Indentures; Amendment of Loan Agreement

Subject to the conditions and restrictions in the Indenture, the Authority may amend or supplement the Indenture without notice to or the consent of the Bondholders for one or more of the following purposes: (a) to set forth any or all of the matters in connection with the issuance of Additional Bonds; (b) to add additional covenants of the Authority or to surrender any right or power conferred upon the Authority by the Indenture; and (c) to cure any ambiguity or to cure, correct or supplement any defective provision of, or otherwise to amend, the Indenture in such manner as shall not be inconsistent with the Indenture and shall not impair the security thereof or adversely affect the Bondholders.

The Indenture may be amended and supplemented from time to time, by a supplemental indenture approved by the Holders of not less than 66 2/3% in aggregate principal amount of the Bonds then Outstanding; provided, that no amendment shall be made which affects the rights of some but less than all of the Outstanding Bonds without the consent of the Holders of not less than 66 2/3% in aggregate principal amount of the Bonds then Outstanding so affected; and, provided, further, that with respect to (a) a decrease in the principal or interest payable upon any Bond, (b) the dates of maturity or other redemption provisions of any Bond and (c) the provisions regarding amendments, the Indenture may be amended and supplemented only with the consent of the Holders of 100% in aggregate principal amount of the Bonds then Outstanding.

The Loan Agreement may be amended with the consent of the Trustee, provided that any amendment which would adversely affect any Bondholders must be consented to by the Holders of not less than 66 2/3% in aggregate principal amount of the Bonds then Outstanding so affected. The Trustee shall not consent to any amendment to the Loan Agreement which would (a) decrease the amounts payable under the Loan Agreement, (b) change the date of the payment or prepayment provisions under the Loan Agreement, or (c) change any provision with respect to amendment, unless it receives the consent of the Holders of 100% in aggregate principal amount of the Bonds then Outstanding to such amendment, and no amendment shall be consented to which affects the rights of some but less than all of the Outstanding Bonds without the consent of the Holders of at least 66 2/3% in aggregate principal amount of the Bonds then Outstanding so affected.

Defeasance

When the principal of, or premium, if any, and interest on all Bonds issued under the Indenture have been paid, or provision has been made for payment of the same, together with all other sums payable by the Authority under the Indenture, the Trustee's right, title and interest in the Loan Agreement except for any provision which provides expressly that it survive any defeasance of the Bonds under the Indenture and the moneys payable thereunder shall thereupon cease, terminate and become void and the Trustee shall release the Indenture in respect thereto except with respect to any provision under the Indenture which provides expressly that it survive any defeasance of the Bonds under the Indenture and shall execute such documents to evidence such release as may be reasonably required by the Authority and the Company and shall turn over to the Company or its assigns all balances then held by the Trustee not required for the payment of the Bonds and such other sums.

Provision for the payment of any Bond or Bonds shall be deemed to have been made upon the delivery to the Trustee of (a) cash in an amount sufficient to make all payments referred to in the immediately preceding paragraph, or (b) non-callable obligations issued or guaranteed by the United States of America ("Government Obligations"), maturing on or before the date or dates when the payments specified above shall become due, the principal amount of which and the interest thereon, when due, is or will be, in the aggregate, sufficient without reinvestment to make all such payments, or (c) Government Obligations which have been stripped of their unmatured interest coupons or interest coupons which have been stripped from Government Obligations, provided that such Government Obligations are maintained under the book-entry system operated by the Federal Reserve Banks; or receipts or certificates evidencing payments from such Government Obligations or stripped interest coupons, or (d) any combination of cash and such obligations.

TAX MATTERS

Exclusion of Interest on the 1998 Series A Bonds from Gross Income for Federal Income Tax Purposes

The Code imposes certain requirements which must be met on a continuing basis subsequent to the issuance of the 1998 Series A Bonds in order to assure that interest on the 1998 Series A Bonds will be excluded from gross income for purposes of Federal income taxation under Section 103 of the Code. Failure of the Authority and the Company to comply with such requirements may cause interest on the 1998 Series A Bonds to lose the exclusion from gross income for Federal income tax purposes, retroactive to the date of the issuance of the 1998 Series A Bonds. The Authority and the Company have covenanted to comply with the provisions of the Code applicable to the 1998 Series A Bonds and have covenanted not to take any action or fail to take any action which would cause the interest on the 1998 Series A Bonds to lose the exclusion from gross income as provided under Section 103 of the Code.

Assuming the Authority and the Company observe their covenants with respect to continuing compliance with the Code, Gibbons, Del Deo, Dolan, Griffinger & Vecchione, Bond Counsel to the Authority, is of the opinion that, based upon existing statutes, regulations, rulings and court decisions, (a) interest on the 1998 Series A Bonds is not includable for Federal income tax purposes in the gross income of the owners of the 1998 Series A Bonds pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any 1998 Series A Bond for any period during which such 1998 Series A Bond is held by a person who, within the meaning of Section 147(a) of the Code is a "substantial user" of the facilities refinanced with the proceeds of the 1998 Series A Bonds or a "related person", and (b) the 1998 Series A Bonds are "specified private activity bonds," as such term is defined under Section 57 of the Code and, as such, interest on the 1998 Series A Bonds is an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax for individuals and corporations.

Tax Treatment of Original Issue Discount

The initial public offering price of the 1998 Series A Bonds, as described on the cover page of this Official Statement is less than the amount payable on such bonds at maturity. The difference between the initial public offering price as set forth on the cover page of this Official Statement, and the amount payable at maturity constitutes the original issue discount. Bond Counsel is of the opinion that the accrued portion of the original issue discount allocated to the original and each subsequent owner of the 1998 Series A Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code and as an item of tax preference for purposes of the alternate minimum tax to the same extent as stated interest on the Series 1998A Bonds.

The amount of original issue discount which is treated as having accrued with respect to the 1998 Series A Bonds is added to the cost basis of the holder. Under Section 1288 of the Code, original issue discount on the 1998 Series A Bonds accrues on the basis of economic accrual and, in the case of an original holder who purchases 1998 Series A Bonds at their initial public offering price, the amount treated as interest on such Bonds excludable from gross income under Section 103 of the Code is the sum of daily portions of the original issue discount attributable to the 1998 Series A Bond for each day during the taxable year that the owner holds such 1998 Series A Bonds.

Owners of the 1998 Series A Bonds are advised that they should consult with their own advisors with respect to other federal tax consequences and with respect to the state and local tax consequences and foreign tax consequences of owning 1998 Series A Bonds which are issued with original issue discount.

Additional Federal Income Tax Consequences

Although Bond Counsel will render an opinion that interest on the 1998 Series A Bonds is not includable for Federal Income tax purposes in the gross income of the owners of the 1998 Series A Bonds pursuant to Section 103 of the Code, prospective purchasers of the 1998 Series A

Bonds should be aware that ownership of, accrual of, receipt of, interest on, or disposition of, tax-exempt obligations, such as the 1998 Series A Bonds, may have additional Federal income tax consequences for certain taxpayers, including without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, life insurance companies, foreign corporations and certain S corporations. Bond Counsel expresses no opinion regarding any Federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the 1998 Series A Bonds constituting an item of tax preference under Section 57 of the Code. Further, except as discussed under State Taxation below, Bond Counsel does not express any opinion with respect to foreign, state or local taxes. Prospective purchasers of the 1998 Series A Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed in this paragraph) of holding the 1998 Series A Bonds.

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the 1998 Series A Bonds and gains from the sale of the 1998 Series A Bonds are not includable in gross income under the New Jersey Gross Income Tax Act.

LEGAL MATTERS

Gibbons, Del Deo, Dolan, Griffinger & Vecchione, a Professional Corporation, Newark, New Jersey, will issue its unqualified approving opinion with respect to legal matters incident to the authorization and issuance of the 1998 Series A Bonds by the Authority. The validity of the Company's obligations under the Loan Agreement will be passed upon for the Company by James R. Van Horn, Esq., General Counsel for and Secretary of the Company and LeBeouf, Lamb, Greene & MacRae, L.L.P., Newark, New Jersey of counsel to the Company and for the Purchaser by Winthrop, Stimson, Putnam & Roberts, New York, New York. Certain legal matters will be passed upon for the Authority by the Attorney General of the State of New Jersey. Winthrop, Stimson, Putnam & Roberts will rely as to all matters of New Jersey law on the opinion of Mr. Van Horn.

CONTINUING DISCLOSURE

The Company will agree to deliver certain continuing disclosure information satisfying the requirements of Rule 15c2-12 (the "Rule") under the Exchange Act, as set forth in Appendix A hereto concerning the Company. Any holder of an outstanding 1998 Series A Bond or beneficial owner of an outstanding 1998 Series A Bond, directly or through the Trustee, may specifically enforce the Company's disclosure obligations, but any breach by the Company of this undertaking pursuant to the Rule will not constitute an Event of Default under the Loan Agreement or the Indenture.

PURCHASER

The 1998 Series A Bonds have been purchased from the Authority at a public sale by Merrill Lynch & Co. (the "Purchaser") at the price of 99.342% of the aggregate principal amount thereof, plus accrued interest from December 1, 1998 to the date of delivery. The Notice of Sale provides that the Purchaser will purchase all of the 1998 Series A Bonds if any are purchased, and that the obligation to make such a purchase is subject to the terms and conditions set forth in the Notice of Sale. The Purchaser intends to offer the 1998 Series A Bonds to the public at the initial public offering price set forth on the cover page hereof; however, the Purchaser may, from time to time, change the initial offering price for the 1998 Series A Bonds without prior notice. The Purchaser may offer and sell the 1998 Series A Bonds to certain dealers (including dealers depositing the 1998 Series A Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the public offering price stated on the cover hereof. The Company has agreed to indemnify the Purchaser and the Authority against certain civil liabilities, including certain liabilities under the federal securities laws.

RATINGS

As noted on the cover page of this Official Statement, Moody's Investors Service, Inc. and Standard & Poor's Ratings Services (a division of the McGraw-Hill Companies, Inc.) have given the 1998 Series A Bonds ratings Baa1 and BBB, respectively. Such ratings reflect only the respective views of such organizations and an explanation of the significance of a rating may be obtained only from the rating agency furnishing the same. There is no assurance that such ratings will be maintained for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating agencies, if in the judgment of either or both, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the 1998 Series A Bonds

MISCELLANEOUS

The foregoing summaries do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. For details of all terms and conditions of such documents, prospective purchasers are referred to the Loan Agreement and the Indenture, copies of which may be obtained from the Trustee, or during the offering period, from the Company. Attached as Appendix A to this Official Statement is information concerning the Company.

Any statements in this Official Statement involving matters of opinion, projection or estimate, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the Authority and the Purchasers or Owners of any 1998 Series A Bonds.

The information assembled in this Official Statement has been supplied by the Company. THE AUTHORITY HAS NOT ASSUMED ANY RESPONSIBILITY FOR THE ACCURACY

OR COMPLETENESS OF THE INFORMATION IN THIS OFFICIAL STATEMENT, OTHER THAN THE INFORMATION CONCERNING THE AUTHORITY UNDER THE CAPTION "THE AUTHORITY" (insofar as such information relates to the Authority). The Company has agreed to indemnify the Authority against certain liabilities relating to the Official Statement.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

Dated: December 3, 1998

NEW JERSEY ECONOMIC DEVELOPMENT
AUTHORITY

By: /s/ Caren S. Franzini
Executive Director

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APPENDIX A

NUI CORPORATION

General

The Company was incorporated in New Jersey in 1969, and is a multistate energy sales, services and distribution company. The Company is utilizing operations to distribute natural gas to more than 359,000 utility customers in six states through its Northern and Southern operating divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division was formed effective April 1, 1995 through the consolidation of the Company's City Gas Company of Florida and Pennsylvania & Southern Gas Company ("PSGS") operations. PSGS, which operated as North Carolina Gas Service, Elkton Gas Service (Maryland), Valley Cities Gas Service (Pennsylvania) and Waverly Gas Service (New York), was acquired by the Company on April 19, 1994. The Company is subject to regulation as an operating utility by the public commissions of the states in which it operates.

In addition to its gas distribution operations, the Company provides gas sales and related services through its NUI Energy, Inc. subsidiary (formerly Natural Gas Services, Inc.); bill processing and related customer services for utilities and municipalities through its Utility Business Services, Inc. subsidiary (formerly Billing Services, Inc.); and energy brokerage and related services through its NUI Energy Brokers, Inc., subsidiary. In February 1997, the Company formed a wholly owned, indirect subsidiary, NUI Sales Management, Inc. ("NUI Sales"). On May 19, 1997, NUI Sales acquired a 49% limited liability company interest in T.I.C. Enterprises, L.L.C. ("TIC"). TIC engages in recruiting, training and managing sales professionals and serving as sales and marketing representative for various businesses, including NUI Energy, Inc.

The principal executive offices of the Company are located at 550 Route 202-206, Box 760, Bedminster, New Jersey 07921-0760, telephone (908) 781-0500.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act"), and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "SEC" or "Commission"). Reports, proxy and information statements, and other information filed by the Company can be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC's regional offices at Seven World Trade Center, Suite 1300, New York, New York, 10048, and at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can also be obtained by mail from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, as prescribed rates. The Common Stock is listed for trading on the New York Stock Exchange (the "NYSE").

The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission, including the Company, at <http://www.sec.gov>. Reports, proxy and information statements, and other information concerning the Company may also be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

The Company will provide annually, to the repositories specified in Rule 15c2-12 under the Exchange Act, annual financial information in the form required by the Commission for companies required to file reports under Section 13 or 15(d) of the Exchange Act, as well as, in a timely manner, other notices required by Rule 15c2-12 under the Exchange Act.

The following documents heretofore filed by the Company with the SEC are hereby incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1997;
2. The Company's Quarterly Report on Forms 10-Q for the quarters ended December 31, 1997, March 31, 1998 and June 30, 1998; and
3. The Company's Current Report on Form 8-K dated September 30, 1997.

All documents subsequently filed by the Company with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of the offering made by this Official Statement shall be deemed to be incorporated by reference in this Official Statement; provided however, that all documents so filed in each fiscal year during which the offering made by this Official Statement is in effect shall not be incorporated by reference or be a part hereof from and after the date of filing of the Company's Annual Report on Form 10-K for such fiscal year.

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

The Company hereby undertakes to provide without charge to each person, including any beneficial owner, to whom a copy of this Official Statement 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 Official Statement by reference, other than exhibits to such documents, unless such exhibits are specifically incorporated by reference into such documents. Request for such documents should be addressed to NUI Corporation, 550 Route 202-206, Box 760, Bedminster, New Jersey 07921-0760, Attention: Corporate Secretary,

telephone number (908) 781-0500. The information relating to the Company contained in this Official Statement does not purport to be comprehensive and should be read together with the information contained in any or all documents which have been or may be incorporated in this Official Statement by reference.

The Company's Audited Consolidated Financial Statements for the fiscal year ending September 30, 1997 incorporated by reference in this Official Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports thereon, and are incorporated herein by reference in reliance upon the authority of said firm as experts in giving said reports.

Year 2000 Compliance

Many existing computer programs use only two digits to identify a year in the date field. These programs were designed and developed without provision for the impact of the upcoming change in the century. If not corrected, many computer applications could fail or create erroneous results which would result in an impact on the Company's operations and businesses and have a resulting adverse financial impact. The Company has undertaken a systems readiness program to mitigate the risks associated with the Year 2000 issue. This program was developed to identify any systems that are not presently Year 2000 compliant, and to replace or modify these systems. In addition, the Company is working with its suppliers on this issue to gain assurance that they are taking appropriate steps to mitigate Year 2000 problems in their systems and systems they support. The Company began this process in fiscal 1997 and anticipates completion during fiscal 1999. The Company is endeavoring to ensure that the Year 2000 readiness program is comprehensive and completed in a timely manner.

Recent Developments

On November 21, 1998, a four-year collective bargaining agreement with the Local 424 of the Utility Workers of America in New Jersey expired. Following extensive negotiations, Local 424 leadership rejected the Company's proposal for a new contract and chose to strike. Service to the Company's customers is being provided without interruption. The strike continues, although the Company is hopeful that a mutually satisfactory agreement can be reached shortly.

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APPENDIX B

FORM OF BOND COUNSEL OPINION

[Letterhead of Gibbons, Del Deo, Dolan, Griffinger & Vecchione]

[Closing Date]

New Jersey Economic Development Authority
36 West State Street
P.O. Box 990
Trenton, New Jersey 08625

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the New Jersey Economic Development Authority (the "Authority") of its 5.25% Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project), in the aggregate principal amount of \$40,000,000 (the "1998 Series A Bonds").

The 1998 Series A Bonds are being issued by the Authority pursuant to Chapter 80 of the Pamphlet Laws of the State of New Jersey of 1974, approved on August 7, 1974 as amended and supplemented (the "Act"), resolutions adopted by the Authority on June 9, 1998 and October 13, 1998 (the "Resolutions") and a Trust Indenture dated as of December 1, 1998 (the "Indenture") between the Authority and First Union National Bank, as trustee (the "Trustee").

The 1998 Series A Bonds are dated December 1, 1998, mature on November 1, 2033 and are subject to redemption prior to their maturity at the times, in the amounts and at the redemption prices described therein. The 1998 Series A Bonds bear interest at the rate of 5.25 % per annum.

The 1998 Series A Bonds are issued for the purpose of financing the acquisition, construction and equipping of certain gas facilities and functionally related equipment located in Union and Middlesex Counties, New Jersey (the "Project").

The Authority and NUI Corporation (the "Company") have entered into a Loan Agreement, dated as of December 1, 1998 (the "Loan Agreement") providing for the making of a loan by the Authority to the Company in an amount equal to the principal amount of the 1998 Series A Bonds, for the purpose of financing the costs of the Project. Pursuant to the Loan Agreement, the Company is obligated to make payments in amounts sufficient to pay when due the principal of and interest and any premium on the 1998 Series A Bonds.

As the basis for the opinions which are set forth below, we have examined executed counterparts of the Indenture, the Loan Agreement and the forms of the 1998 Series A Bonds. We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

Based upon the foregoing, we are of the opinion that:

1. The Authority has been duly created and is validly existing under the Act, and has full power and authority to enter into the Loan Agreement and the Indenture, to adopt the Resolution, to execute and deliver the Loan Agreement and the Indenture, to perform its obligations thereunder, to carry out all of the transactions contemplated thereby and to issue and sell the 1998 Series A Bonds.
2. Resolutions have been duly adopted by the Authority and the Loan Agreement and the Indenture have been duly and validly authorized, executed and delivered by the Authority, and, assuming due execution and delivery by the other parties thereto, each constitutes the legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its respective terms, except as may be limited by any applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights generally from time to time in effect and the scope of equitable remedies which may be available.
3. The 1998 Series A Bonds have been duly and validly authorized, executed and delivered by the Authority. The 1998 Series A Bonds are legal, valid and binding, special and limited obligations of the Authority enforceable against the Authority in accordance with their terms, and the 1998 Series A Bonds are entitled to the benefits of the Indenture, except as may be limited by any applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights generally from time to time in effect and to the scope of equitable remedies which may be available.
4. The 1998 Series A Bonds are special and limited obligations of the Authority payable only from revenues and other moneys of the Authority derived from payments under the Loan Agreement, and neither the full faith and credit nor the taxing power of the State of New

Jersey, or any political subdivision thereof, is pledged to the payment of the principal of, premium, if any, or interest on the 1998 Series A Bonds.

5. All of the right, title and interest of the Authority in the Loan Agreement (except certain rights reserved by the Authority under the terms of the Indenture) have been validly assigned and pledged to the Trustee under the Indenture.

6. Under existing statutes, regulations, rulings and court decisions, (a) interest on the 1998 Series A Bonds is not includable for Federal income tax purposes in the gross income of the owners of the 1998 Series A Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") except that no opinion is expressed as to such exclusion of interest on any 1998 Series A Bond for any period during which such 1998 Series A Bond is held by a person who, within the meaning of Section 147(a) of the Code is a "substantial user" of the facilities financed with the proceeds of the 1998 Series A Bonds or a "related person," and (b) the 1998 Series A Bonds are "specified private activity bonds," as such term is defined under Section 57 of the Code, and, as such, interest on the 1998 Series A Bonds is an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax for individuals and corporations. We express no opinion regarding any other Federal income tax consequences arising with respect to the 1998 Series A Bonds.

7. Based upon existing law, interest on the 1998 Series A Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act.

The Code imposes certain requirements which may have to be met or must be met on a continuing basis subsequent to the issuance of the 1998 Series A Bonds in order for interest on the 1998 Series A Bonds to be excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. The Authority and the Company have covenanted to comply with the provisions of the Code applicable to the 1998 Series A Bonds and have covenanted not to take any action or fail to take any action which would cause the interest on the 1998 Series A Bonds to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code. We have assumed continuing compliance by the Authority and the Company with the above covenants in rendering our opinion with respect to treatment of interest on the 1998 Series A Bonds for Federal income tax purposes.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the Authority other than the certified copies of the proceedings and proofs referred to hereinabove, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of said 1998 Series A Bonds.

The opinions stated herein are based upon current authorities, and there can be no assurance that future legislative or administrative changes or court decisions will not affect said opinions. We undertake no obligation to inform you of any matter occurring after the date of this letter which affects in any way the opinion given herein.

Except as stated above, we express no opinion as to any Federal or state tax consequences with respect to the 1998 Series A Bonds.

We have examined one of the executed 1998 Series A Bonds in registered form and, in our opinion, the form of said 1998 Series A Bond and its execution are regular and proper.

Very truly yours,

Exhibit 1(b)

Total expenses associated with this offering were:

\$316,197.64 including disbursements to Moody's for bond rating; fees to the issuer, New Jersey Economic Development Authority; fee to the FUNB council; trustee, legal and printing fees.

Exhibit 1(d)
Loan Agreement, Trust Indenture, Terms of Sale

LOAN AGREEMENT

Between

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

and

NUI CORPORATION

Dated as of December 1, 1998

#0174948.01
060471-33357

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LOAN AGREEMENT, dated as of December 1, 1998 (this "Agreement") between NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY (the "Authority") and NUI CORPORATION (the "Company").

I. BACKGROUND, REPRESENTATIONS AND FINDINGS

1.1 Background. The Authority is a public body corporate and politic constituting an instrumentality of the State of New Jersey (the "State"), duly organized and existing under the New Jersey Economic Development Authority Act, constituting Chapter 80 of the Laws of New Jersey, 1974 (N.J.S.A. 34:1B-1 et seq.), as amended (the "Act"), and is authorized to enter into agreements providing for the construction, acquisition, improvement and extension of any building, structure, facility or other improvement, the acquisition and improvement of real estate and the extension or provision of utilities, access roads and other appurtenant facilities, whether or not in existence or under construction which are to be used or occupied by any person in any enterprise promoting employment, including public utilities. Under the Act, the Authority is further empowered to extend credit or make loans to any such person for any authorized projects on such terms and with such security as the Authority shall deem necessary or desirable.

The Company has asked the Authority to finance the Costs of acquisition, construction and equipping of certain gas facilities, and functionally related and subordinate equipment, including supply mains, distribution mains, service lines, meters and miscellaneous equipment located in Union and Middlesex Counties, New Jersey (the "Project"). The Project is generally described in Schedule A to this Agreement.

The Project constitutes properties used or useful in the Company's furnishing of natural gas available to members of the general public, and the Project constitutes "facilities for the local furnishing of . . . gas" for purposes of Section 142(a)(8) of the Internal Revenue Code of 1986, as amended (the "Code"), so that under the Code interest on the bonds issued by the Authority to finance the Project will not be included in gross income of the Holders of such bonds.

Capitalized terms that are used herein but not defined shall have the meanings ascribed thereto in the Indenture.

1.2 Company Representations. The Company represents that:

(a) It is a corporation duly organized and existing in good standing under New Jersey law, with full power and legal right to enter into this Agreement and perform its obligations hereunder. The making and performance of this Agreement on the Company's part have been duly authorized by all necessary corporate action and will not violate or conflict with the Company's Articles of Incorporation, By-Laws or any statutory or constitutional provision applicable to the Company, or any governmental rule or regulation or agreement, indenture or other instrument by which the Company or its properties are bound, or any court order or consent decree to which the Company is subject.

(b) The Company has presented to the Authority an audited consolidated balance sheet and statement of consolidated income and retained earnings of the Company and its subsidiaries at September 30, 1997 and for the year then ended. Said balance sheet and income statement fairly present in all material respects the financial condition of the Company and its subsidiaries at the date thereof and the results of their operations for the period covered thereby and were prepared in conformity with generally accepted accounting principles consistently applied (except as disclosed therein) during the period involved.

(c) The Company is not in default in the payment of the principal of or interest on any indebtedness for borrowed money, nor is it in default under any agreement or instrument under and subject to which any indebtedness for borrowed money has been incurred, and no event has occurred under the provisions of any such instrument or agreement which constitutes, or, with the lapse of time or the giving of notice, or both, constitutes or would constitute an event of default thereunder.

(d) This Agreement is a legal, valid and binding obligation of the Company enforceable against it in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting the enforcement of creditors' rights generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity.

(e) There is no action, suit, proceeding or investigation at law or in equity before or by any court, arbitration board or tribunal, public board or body pending or, to the best knowledge of the Company threatened against the Company, or, to the best knowledge of the Company, any basis thereof, wherein an unfavorable decision, ruling or finding would (i) materially adversely affect the transactions contemplated by this Agreement, or any other agreement or instrument to which the Company is a party, which is used or contemplated for use in the consummation of the transactions contemplated by this Agreement, or (ii) adversely affect the exemption of interest on the 1998 Series A Bonds (as hereinafter defined) from federal income taxation or the exemption of the interest on the 1998 Series A Bonds or the gain on the sale thereof from taxation under the New Jersey Gross Income Tax Act (P.L. 1976, c.47) as amended.

(f) All consents or approvals of, or filings with, or exemptions by, any governmental or public body or authority which are presently required to authorize, or in connection with the execution, delivery and performance of, this Agreement or of any of the instruments or agreements herein referred to, or the taking of any action hereby or thereby contemplated have been obtained and are in full force and effect. Except as set forth in Exhibit A, such consents, approvals and orders are final and unappealable. To the best of the Company's knowledge, the Company is in compliance with all material respects with all applicable requirements of all Federal, state and local laws and with rules and regulations of Federal, state and local governmental and regulatory bodies.

(g) No Untrue Statements. The representations, statements and warranties of the Company set forth in this Agreement, the application submitted to the Authority in connection with the loan and any other document, certificate, or statement furnished to the Trustee (as hereinafter defined) or the Authority (i) are true, correct and complete, (ii) do not contain any untrue statements of a material fact, and (iii) do not omit to state a material fact necessary in order to make the statements contained herein or therein not misleading or incomplete. The Company understands that all such statements, representations and warranties have been relied upon as an inducement by the Authority to issue the 1998 Series A Bonds.

(h) The Project. The Project is included within the definition of a "project" in the Act and the Company will operate or cause the Project to be operated as a "project" under the Act.

(i) Inducement. The availability of financial assistance from the Authority as provided for by the 1998 Series A Bonds was an important inducement to the Company to undertake the Project and to locate the Project in the State.

1.3 Authority Representations. The Authority represents that:

(a) The Authority is an instrumentality of the State of New Jersey and a public body corporate and politic, is authorized pursuant to the Act to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder, has duly authorized the execution and delivery of this Agreement and shall do or cause to be done all things necessary to preserve its existence and keep it in full force and effect.

(b) The Authority proposes to provide the proceeds of the 1998 Series A Bonds to be used to finance the Costs of the Project and has, by this Agreement, agreed to loan funds to the Company as hereinafter provided.

(c) The execution and performance of this Agreement by the Authority will not violate or conflict with any statutory or constitutional provision applicable to the Authority, or any instrument by which the Authority or any of its properties is bound.

1.4 Authority Findings. The Authority hereby confirms its findings that the Project constitutes, for the purposes of the Act, properties, real or personal, used or useful in the distribution of natural gas, and a "project" under the Act.

[This is the end of Article I]

II. CONSTRUCTION OF THE PROJECT

2.1 Title to the Project. As between the Authority and the Company, the Company shall be the sole owner of the Project and the Authority shall have no title thereto. The Company will be entitled to physical possession and control of the Project at all times and will be liable at all such times for all risk, loss and damages with respect to such Project.

2.2 Specification of the Project. The Company will provide for the construction, acquisition and installation of the Project, as generally described in Schedule A hereto, by any lawful means available to the Company and in the manner determined by the Company. The Company will supplement the information contained in Schedule A by filing with the Authority and the Trustee, hereinafter defined, such supplemental information as is necessary to reflect additions to, deletions from and changes in the Project permitted hereunder so that the Authority and such Trustee will be able to ascertain the nature and cost of the Project.

2.3 Award of Construction Contracts. The Company has awarded or will award contracts and has issued or will issue purchase or work orders covering the acquisition and installation of the Project. Certain portions of the work may be awarded to or completed by the Company's own plant personnel. The contracts so awarded, the purchase orders issued and the work orders for the work to be done by the Company personnel are hereinafter called the "Construction Contracts."

2.4 Administration of Construction Contracts, Changes and Additions. The Company will have full responsibility for preparing, administering, amending and enforcing the Construction Contracts and litigating or settling claims thereunder, and will be entitled to all warranties, guaranties, and indemnities provided under the Construction Contracts and by law. The Company may make changes or additions in the Project without prior consultation with the Authority, provided (i) that no such change or addition in the Project shall be made which changes the essential character and function of the Project or which is inconsistent with the representations made in subsections (b) and (c) of Section 1.2 hereof, and (ii) the Company will obtain an opinion of Bond Counsel, prior to making the change or addition, to the effect that such change or addition will not cause the interest on any Bonds (as defined in Section 3.2 hereof) to become includable in gross income for purposes of Federal income taxation. The Company shall delete from the Project any portion thereof, if in the opinion of the Bond Counsel such deletion is necessary to maintain the tax-exempt status of interest on the Bonds. After such deletion, the Company shall restore to the Construction Fund (as defined in Section 3.1 hereof) the full amount of any payment theretofore made on account of the deleted portion.

2.5 Notices and Permits. The Company shall give or cause to be given all notices and comply or cause compliance with all laws, ordinances, municipal rules and regulations and requirements of public authorities applying to or affecting the conduct of the construction of the Project and the Company will defend and save the Authority, its officers, agents and employees,

past, present and future, and the Trustee (as hereinafter defined) harmless from all fines due to failure to comply therewith. All permits and licenses necessary for the prosecution of the construction of the Project shall be procured by the Company.

[This is the end of Article II]

III. FINANCING THE PROJECT

3.1 Issuance of 1998 Series A Bonds: Application of Proceeds of 1998 Series A Bonds. In order to provide funds for the financing of the Costs of the Project, the Authority agrees that it will issue, sell and cause to be delivered to the purchasers thereof its 5.25% Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project) (the "1998 Series A Bonds") in the aggregate amount of \$40,000,000 bearing interest and maturing as set forth in the Trust Indenture (the "Indenture") dated the date hereof, between the Authority and First Union National Bank, as Trustee (together with any other trustee at the time serving as such under the Indenture, the "Trustee") and it will thereupon (i) deposit in the Bond Fund created in Section 5.02 of the Indenture (the "Bond Fund") a sum equal to the accrued interest, if any, on the 1998 Series A Bonds paid by the purchasers thereof and (ii) deposit in the Construction Fund created in Section 4.01 of the Indenture (the "Construction Fund") the balance of the proceeds received from the sale of the 1998 Series A Bonds.

3.2 Issuance of Additional Bonds. If the Company is not in Default (as defined in Section 7.1 hereof) under this Agreement, upon the request of the Company, the Authority may issue the additional bonds authorized to be issued by the Authority pursuant to Section 3.02 of the Indenture for the purposes set forth in Section 3.02 of the Indenture, in accordance with the provisions hereof and of the Indenture (the additional bonds issuable pursuant to this Section are herein referred to as the "Additional Bonds" and together with the 1998 Series A Bonds, the "Bonds"); provided, that the terms, manner of issuance, purchase price and disposition of proceeds for the sale of any Additional Bonds shall have been approved in writing by the Company.

3.3 Construction Fund. The Trustee shall make payments from the Construction Fund, provided that the statements set forth in (a) through (f) below shall be true and correct on the date of such payment, upon receipt of a requisition from the Company, signed by its President, any Vice-President or Treasurer or any other person designated by any of such officers, stating:

(a) the classification or portion of the Project to which the payment relates and the nature of the payment;

(b) the payee, which may be the Company or, at the Company's order for work done by Company personnel or reimbursement for payments previously made by the Company (other than payments made by way of set-off of mutual claims between the Company and a third party), and which may be the Trustee for a payment of interest on any Bonds during construction;

(c) the amount;

(d) that the payment is due is a proper charge against the Construction Fund and has not been the basis for any previous withdrawal from the Construction

Fund or any other funds representing proceeds of bonds issued by the Authority on the Company's behalf;

(e) that the amount was incurred by the Company not earlier than June 9, 1998 or, if it constitutes a preliminary expenditure, a description of the item and a total of all preliminary expenditures that have hitherto been requisitioned; and

(f) that, after giving effect to such requisition, not less than ninety-five percent (95%) of the proceeds of the applicable series of the Bonds withdrawn from the Construction Fund will have been used to provide facilities for the local furnishing of gas (including property functionally related and subordinate thereto) within the meaning of Section 142(a)(8) of the Code.

The Company shall have the right to enforce payments from the Construction Fund upon compliance with the procedures set forth in this Section 3.3; provided, however, that during the continuance of an Event of Default under the Indenture (as such term is defined therein), the Construction Fund shall be held for the benefit of Holders of the Bonds in accordance with the provisions of the Indenture.

3.4 Bonds Not to Become Arbitrage Bonds. (A) The Authority and the Company hereby covenant for the benefit of the Holders of the Bonds that, notwithstanding any other provision of this Agreement or any other instrument, neither of them will use or permit the use of any proceeds of the Bonds in any manner which, if such use had been reasonably expected on the date of issue of the Bonds, would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(B) The Company hereby covenants that in connection with complying with the requirement for payment of the Rebatable Arbitrage to the United States with respect to the Bonds the Company will take the following actions:

(i) Six months after closing, the Company will provide a written certification to the Authority and the Trustee indicating whether the Company complied with the 6-month exception to the arbitrage rebate requirement set forth in Section 148(f)(4)(B) of the Code.

(ii) Unless the Company has complied with the 6-month exception, they will retain a Rebate Expert on or within 30 days before the Initial Rebate Computation Date or, (A) to compute the Rebatable Arbitrage with respect to the Bonds for the period ending on Initial Rebate Computation Date, (B) to deliver an opinion to the Authority and Trustee, concerning its conclusions with respect to the amount (if any) of such Rebatable Arbitrage together with a written report providing the calculations relating thereto and (C) to deliver an opinion to the Authority and Trustee that all of the gross proceeds of the Bonds (within the meaning of Section 148(f) of the Code), other than gross proceeds of the bonds on deposit in a bona fide debt service fund (within the meaning of Section 148(f)(4) of the Code), have been expended on or prior to the Initial Rebate

Computation Date (collectively the "Rebate Opinion"). The Company shall cause a Rebate Expert to provide the Rebate Opinion not later than 30 days following the Initial Rebate Computation Date and each successive Rebate Computation Date until 100% of the Rebatable Arbitrage has been paid to the U.S. Treasury.

(iii) In the event the amount then in the Construction Fund is insufficient to fund the Rebate Fund upon completion of the Project as provided in Section 4.03 of the Indenture, the Company shall within ten (10) days of receipt of the Rebate Opinion pay or cause to be paid to the Trustee for deposit into the Rebate Fund the difference between the amount required to fund the Rebatable Arbitrage and the amount in the Construction Fund. If the Company fails to make or causes to be made any payment required pursuant to this paragraph (iii) when due, the Authority shall have the right, but shall not be required, to make such payment to the Trustee on behalf of the Company. Any amount advanced by the Authority pursuant to this paragraph (iii) shall be added to the moneys owing by the Company under this Agreement.

(iv) In the event Rebatable Arbitrage is due the Company will direct the Trustee to withdraw from the Rebate Fund and pay over to the United States the Rebatable Arbitrage with respect to the Bonds in installments as follows: each payment shall be made not later than 60 days after the current Rebate Computation Date and shall be in an amount which ensures that 100 percent of the Rebatable Arbitrage with respect to the Bonds, as of the current Rebate Computation Date, will have been paid to the United States.

(v) The Company acknowledges that the Authority shall have the right at any time and in the sole and absolute discretion of the Authority to obtain from the Company and the Trustee the information necessary to determine the amount required to be paid to the United States pursuant to Section 148(f) of the Code. Additionally, the Authority may, if it has reasonable cause to believe there may be errors in the Rebate Opinion the Company caused to be delivered (A) review or cause to be reviewed any determination of the amount to be paid to the United States made by or on behalf of the Company and (B) make or retain a Rebate Expert to make its independent determination of the amount to be paid to the United States. The Company hereby agrees to be bound by any such review or determination, absent manifest error, to pay the costs of such review, including without limitation the reasonable fees and expenses of counsel or a Rebate Expert retained by the Authority, and cause to be transferred from the Construction Fund or pay the Trustee any additional amounts for deposit in the Rebate Fund required as the result of any such review or determination.

(vi) Notwithstanding any provision of this Subsection to the contrary, the Company shall be liable, and shall indemnify and hold the Authority and the Trustee harmless against any liability, for payment due to the United States pursuant to Section 148(f) of the Code. Further, the Borrower specifically agrees that neither the Authority nor the Trustee shall be held liable, or in any way responsible, and the Company shall indemnify and hold harmless the Trustee and Authority against any liability therefrom, for any mistake or error in the filing of the payment or the determination of the amount due to the United States or for any consequences resulting from

any such mistake or error. The provisions of this paragraph (vi) shall survive termination of this Agreement.

(vii) The Authority, the Trustee and the Company acknowledge that the provisions of this Section 3.4(B) are intended to comply with Section 148(f) of the Code and the regulations promulgated thereunder and if, as a result of a change in such Section of the Code or the promulgated regulations thereunder or in the interpretation thereof, a change in this Section 3.4(B) shall be permitted or necessary to assure continued compliance with Section 148(f) of the Code and the promulgated regulations thereunder, then the Company or the Authority, as the case may be, shall cause this Agreement to be amended, as provided in Section 12.03 of the Indenture following written notice to the Trustee and the Authority. Subject to the provisions of Article XII of the Indenture, the Company shall be empowered to amend this Section 3.4(B) and the Authority may require, by written notice to the Company and the Trustee, the Company to amend this subsection to the extent necessary or desirable to assure compliance with the provisions of Section 148 of the Code and the regulations promulgated thereunder; provided that either the Authority or the Trustee shall require, prior to any such amendment becoming effective, at the sole cost and expense of the Company, an opinion of Bond Counsel in a form satisfactory to the Authority to the effect that either (A) such amendment is required to maintain the exclusion from gross income under Section 103 of the Code of interest paid and payable on the Bonds or (B) such amendment shall not adversely affect the exclusion from gross income under Section 103 of the Code of the interest paid or payable on the Bonds.

(viii) The terms "Initial Rebate Computation Date", "Rebate Computation Date", and "Rebatable Arbitrage" shall have the respective meanings assigned to such terms as set forth in Treasury Regulation Section 1.148-1 et. seq.

3.5 Completion of the Project. Upon certification by the Company to the Trustee and the Authority that the Project is complete, any amounts remaining in the Construction Fund will be applied by the Trustee in accordance with Section 4.03 of the Indenture. If for any reason the amount in the Construction Fund proves insufficient to pay all Costs of the Project, the Company shall pay the remainder of such Costs.

[This is the end of Article III]

IV. LOAN AND REPAYMENT

4.1 Amount and Source of Loan. Concurrently with the delivery of any series of Bonds, the Authority will, upon the terms and conditions of this Agreement, lend to the Company, by deposit of the proceeds thereof with the Trustee in the Construction Fund, an amount equal to the aggregate principal amount and premium, if any, of such series of Bonds for application against the Costs of the Project (as provided in Article III hereof) or for the refunding of any series of Bonds then Outstanding. Bonds may be sold by the Authority at a discount from their principal amount. The accrued interest, if any, received by the Authority upon the sale of any series of Bonds shall be deposited into the Bond Fund and shall be applied as provided in the Indenture.

4.2 Repayment of Loan; Acceleration of Payment to Redeem Bonds. The Company agrees to repay the loan made by the Authority in installments which, as to amount and time of payment, by acceleration or otherwise, shall correspond to the principal and premium (if any) on the Bonds and the interest on the unpaid balance of the loan at the rate or rates, and at the times, by acceleration or otherwise, interest is payable on the Bonds, provided that such payments shall be reduced to the extent that other moneys on deposit with the Trustee at the respective times such payments on the Bonds are due are available for such purpose pursuant to the Indenture. All such payments will be made in immediately available funds which will be available to the Trustee no later than 10:00 a.m. at least one business day prior to the corresponding principal, redemption or interest payment date of the Bonds.

The Authority will redeem any or all series of its Bonds or portions thereof upon the occurrence of an event which gives rise to any mandatory redemption specified therein and in accordance with the provisions of the Indenture and any supplemental indenture authorized pursuant to Section 12.01 of the Indenture. With respect to the mandatory redemption of the 1998 Series A Bonds set forth in Section 3.01(F) of the Indenture, the Company shall prepay the loan pursuant to Section 3.01(F) of the Indenture, together with interest accrued and to accrue to the date of redemption, if the Authority has notified the Trustee and the Company that (a) the Company ceases to operate the Project or to cause the Project to be operated as an authorized "project" under the Act for twelve (12) consecutive months, without first obtaining the prior written consent of the Authority or (b) any representation or warranty made by the Company in this Agreement or in any document furnished in connection with this Agreement proves to have been false or misleading in any material respect when made. The Authority shall give notice to the Company and the Trustee of such occurrence; whereupon the Trustee shall give notice to the Bondholders of the redemption of the 1998 Series A Bonds pursuant to Sections 3.01 and 7.02 of the Indenture, and said notice to Bondholders shall be provided not later than 60 days after the Authority gives notice to the Trustee of the occurrence. The prepayment shall be due and payable on the fifth business day preceding the redemption date. Payment on the loan by the Company pursuant to this Section shall be in an amount sufficient, together with other funds on deposit with the Trustee which are available for such purpose, to redeem the series of applicable Bonds then Outstanding, and to pay (i) all

administrative expenses accrued and to accrue through the redemption date and (ii) any other expenses and fees required to satisfy and discharge the Indenture.

Whenever any series of Bonds is subject to optional redemption, the Authority shall, but only upon the written request of the Company delivered to the Trustee at least 60 days prior to the redemption date, redeem the same in accordance with such request; provided, however, that in the case of an event authorizing the optional redemption of the 1998 Series A Bonds as described in Section 3.01 (D) of the Indenture, the Company shall exercise its option by delivering to the Trustee at least 60 days prior to the redemption date a written certificate setting forth the event authorizing such redemption, stating that the Company will effect redemption of all or part of the 1998 Series A Bonds and attaching its written direction to the Authority to redeem all or any part of such 1998 Series A Bonds which in no event shall occur later than 180 days following occurrence of any such event. In any such event, the Company will pay an amount equal to the then applicable redemption price, together with interest accrued to the date of redemption, less any credits to which the Company or the Authority may be entitled under the Indenture.

In the event that the Company receives notice from the Trustee pursuant to Section 3.01(E) of the Indenture that a proceeding has been instituted against a Bondholder or former Bondholder, which proceeding could lead to a final determination that interest on the 1998 Series A Bonds is includable for Federal income tax purposes in the gross income of any Bondholder and to mandatory redemption of the 1998 Series A Bonds as contemplated by Section 3.01(E) of the Indenture, the Company shall promptly notify the Trustee and the Authority whether or not it intends to contest, or direct the contesting of, any such claim made in the proceeding. In the event that the Company chooses to so contest or so direct, it will use its best efforts to obtain a prompt final determination or decision in such proceeding or litigation and will keep the Trustee and the Authority informed of the progress of any such proceeding or litigation.

4.3 Discharge of Lien. If the Company shall pay or cause to be paid, or provision has been made for payment of the same pursuant to Section 13.01 of the Indenture, the principal or redemption premium, if any, and interest due or to become due on all Outstanding Bonds in accordance with the provisions of the Indenture, together with all fees and expenses payable to the Authority and Trustee and all other amounts required by the Indenture, then all covenants, agreements and other obligations of the Company under this Agreement to the Authority and Trustee (except the covenants contained in Sections 3.4 and 5.6 hereof), shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cancel and discharge the lien of the Indenture and execute and deliver to the Company all such instruments as may be appropriate to evidence such discharge and satisfaction of such lien. The Trustee shall pay over or deliver to the Company all moneys and securities held by it pursuant to this Agreement and the Indenture which are not required for the payment of any fees, expenses or advances of the Trustee or the Authority, or of principal or redemption premium, if any, and interest on all Outstanding Bonds to the extent not theretofore surrendered for such payment or redemption.

4.4 No Defense or Setoff. The Company's obligations under this Agreement shall be absolute and unconditional, without defense or setoff by reason of any default by the Authority under this Agreement or under any other agreement between the Company and the Authority, or for any other reason, including, without limitation, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, or failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement, it being the intention of the parties that the payments required hereunder will be paid in full when due without any delay or diminution whatsoever.

[This is the end of Article IV]

V. COVENANTS OF THE COMPANY

5.1 Maintenance and Modifications of the Project by the Company.

(a) The Authority shall not be under any obligation to operate, maintain or repair the Project and makes no warranties respecting the condition or operation of the Project. The Company agrees that so long as any Bonds are Outstanding it will at its own expense (i) keep the Project in as reasonably safe condition as its operations shall permit, (ii) keep the Project in good repair and in good operating condition and make from time to time all necessary repairs thereto and renewals and replacements thereof and (iii) use the Project in a manner consistent with the furnishing of natural gas to the general public. Notwithstanding the foregoing, the Company may make changes in or modifications to the Project necessary or desirable to maintain or improve operating performance, subject to the limitations set forth in Section 2.4 hereof.

(b) The Company may, at its own expense, construct improvements or install machinery, equipment and other property (which may be attached or affixed to the Project) which shall not constitute or be deemed a part of the Project. The Company shall have the right at any time and from time to time during the term of this Agreement to remove or permit to be removed such improvements, machinery, equipment or other property from the Project and to create or permit to be created any mortgage, encumbrance, lien or charge on, or conditional sale or other title retention agreement with respect to, such improvements, machinery, equipment or other property. However, any property financed as part of the Project that is sold or is removed by the Company other than in connection with its retirement must remain within Union or Middlesex Counties, New Jersey, as the case may be, unless the Company furnishes, prior to such transfer, to the Trustee and the Authority an opinion of Bond Counsel to the effect that removal and transfer of such property to a location outside of such area will not impair the exclusion of the interest on the Bonds from Federal income taxation and such property remains in the State.

5.2 Taxes, Other Governmental Charges and Utility Charges.

(a) The Company shall pay, as the same become due and payable, (i) all taxes, assessments and charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project or any buildings, structures, improvements, machinery, equipment or other property constructed, installed or brought by the Company therein or thereon, (ii) all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project and (iii) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Project.

(b) The Company may, at its expense, and in its own name and behalf or, upon the written approval of the Authority, contest in good faith any such levy, tax, assessment or other charge, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Authority shall

notify the Company that, in the opinion of counsel, non-payment of any such items, may impair the lien of the Indenture upon any part of the payments or other revenues or receipts to be derived under this Agreement or may cause the Project or any part thereof to be subject to loss or forfeiture, in which event the Company shall promptly pay and cause to be satisfied or discharged all such unpaid items, or furnish, at the expense of the Company, indemnity satisfactory to the Trustee. The Authority, at the expense of the Company, shall cooperate fully in any such contest.

(c) The Company shall furnish the Authority and, upon request, the Trustee with proof of payment of any taxes, governmental charges, utility charges, insurance premiums or other charges required to be paid by the Company under this Agreement.

(d) The Company will not use as a basis for contesting any assessment or levy of any tax the financing under this Agreement or the issuance of the Bonds by the Authority and, if any administrative body or court of competent jurisdiction shall hold for any reason that the Project is exempt from taxation by reason of the financing under this Agreement or issuance of the Bonds by the Authority or other Authority action in respect thereto, the Company covenants to make payments in lieu of all such taxes in an amount equal to such taxes and, if applicable, interest and penalties.

5.3 Maintain Existence: Merge, Sell, Transfer. The Company shall maintain its existence as a legal entity and shall not sell, assign, transfer or otherwise dispose of the Project or substantially all of its assets. The Company may merge with or into or consolidate with another entity, and the Project or this Agreement may be transferred without violating this section provided (1) the Company causes the proposed surviving, resulting or transferee company to furnish the Authority with a Change of Ownership Information Form; (2) the net worth of the surviving, resulting or transferee company on a consolidated basis following the merger, consolidation or transfer is equal to or greater than the net worth of the Company immediately preceding the merger, consolidation or transfer; (3) any litigation or investigation in which the surviving, resulting or transferee company or its officers and directors are involved, and any court, administrative or other order to which the surviving, resulting or transferee company or its officers and directors are subject, relate to matters arising in the ordinary course of business; (4) the merger, consolidation or transfer shall not impair the excludability of interest paid on the Bonds from the gross income of Holders thereof for purposes of federal income taxation or cause a reissuance pursuant to an opinion of Bond Counsel; (5) the surviving, resulting or transferee company assumes in writing the obligations of the Company under this Agreement, and (6) after the merger, consolidation or transfer, the Project shall be operated as an authorized "project" under the Act.

5.4 Payment of Trustee's Compensation and Expenses. The Company will pay the Trustee's compensation and expenses under the Indenture, including but not limited to all costs of redeeming Bonds thereunder, all attorneys fees, all costs and expenses incurred by the Trustee in connection with the performance of its functions and duties under this Agreement or the Indenture and the compensation to any co-paying agent appointed in respect of the Bonds within thirty (30)

days of its request to be so paid. No provision of this Agreement shall require the Trustee to advance, expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder.

5.5 Payment of Authority's Expenses. Except to the extent that payment is provided from the Construction Fund, the Company will pay the Authority's expenses, including legal and accounting fees, incurred by the Authority in connection with the issuance of the 1998 Series A Bonds or with the performance by the Authority of any and all of its functions and duties under this Agreement or the Indenture, including, but not limited to, all duties which may be required of the Authority by the Trustee and the Bondholders.

5.6 Indemnity Against Claims. (a) The Authority, the Trustee and their respective members, agents, servants, officers or employees shall not be liable for (i) any loss, damage or injury to, or death of, any person occurring at or about or resulting from any defect in the Project, (ii) any damage or injury to the persons or property of the Company or any user of the Project, or their officers, agents, servants or employees, or any other person who may be about the Project, caused by an act of negligence of any person (other than the Authority, the Trustee or their respective members, officers, agents, servants and employees), or (iii) any costs, expenses or damages incurred as a result of any lawsuit commenced because of action taken in good faith by the Authority or the Trustee in connection with the Project.

(b) The Company shall and does hereby indemnify, protect, defend and hold harmless the Authority, the State, every agency of the State, the Trustee and any person who "controls" the Authority or the Trustee within the meaning of Section 15 of the Securities Act of 1933, as amended, and their respective members, agents, servants, officers, directors, officials, employees and attorneys (each an "Indemnified Party"), from and against any and all losses, claims, damages, liabilities, injuries, costs or expenses, including reasonable attorneys fees and other litigation expenses, and from and against any and all claims, demands, suits, actions or other proceedings whatsoever, brought by any person or entity whatsoever (except the Company) and arising or purportedly arising from or in connection with the condition, use, possession, conduct, management, planning, design, acquisition, construction, installation, financing or sale of the Project or any part thereof, this Agreement, the Indenture or the Bonds, or the transaction contemplated by this Agreement or the Indenture.

(c) The Company agrees to and hereby does indemnify and hold harmless each Indemnified Party from and against any and all losses, claims, damages, liabilities, costs or expenses, including reasonable attorneys' fees and other litigation expenses caused by any untrue statement or alleged untrue statement of a material fact contained in information submitted by or on behalf of the Company with respect to the transactions contemplated hereby or caused by any omission or alleged omission of a material fact necessary to make such statement not misleading or incomplete.

(d) In case any action shall be brought against one or more the Indemnified Parties based upon any of the above and in respect of which indemnity may be sought against the Company, such Indemnified Parties shall promptly notify the Company in writing, and the Company shall assume the defense thereof, including the employment of counsel satisfactory to the Indemnified Parties, the payment of all costs and expenses and the right to negotiate and consent to settlement. Any one or more of the Indemnified Parties shall have the right to employ separate counsel at the Company's expense in any such action and to participate in the defense thereof. The Company shall not be liable for any settlement of any such action effected without its consent, but if settled with the consent of the Company or if there be a final judgment for the plaintiff in any such action, the Company shall discharge the liability and indemnify and hold harmless the Indemnified Parties from and against any loss or liability by reason of such settlement or judgment. Notwithstanding anything in this Agreement to the contrary which may limit recourse to the Company or may otherwise purport to limit the Company's liability, the provisions of this Section shall control the Company's obligations and shall survive repayment of the Bonds.

(e) The Company shall and hereby agrees to indemnify the Trustee for, and hold the Trustee harmless against, any loss, liability or expense (including the costs and expenses of defending against any claim of liability) incurred without gross negligence or willful misconduct and arising out of or in connection with its acting as Trustee under the Indenture.

5.7 Reports to be Rendered. During the term hereof, the Company shall deliver to the Trustee, on behalf of the Authority:

(a) within 120 days after the end of each fiscal year of the Company, duplicate copies of the Company's financial statements, prepared in accordance with generally accepted accounting principles, which shall include a consolidated balance sheet of the Company and its subsidiaries as at the end of such year and consolidated income and retained earnings statements of the Company and its subsidiaries reflecting the operations during said year, all in reasonable detail and setting forth comparable figures for the preceding fiscal year, together with an opinion thereon of independent certified public accountants (two copies of the Company's Annual Report on Form 10-K for such year as filed with the Securities and Exchange Commission may be provided in satisfaction of the foregoing), which report shall be accompanied by a statement by such accountant or accounting firm, to the extent obtainable, certifying that in the making of the audit necessary for their report and opinions on such financial statements, they have obtained no knowledge of any Default (as defined in Section 7.1 hereof) hereunder or of any event which, with the passage of time or the giving of notice, or both, would constitute a Default hereunder;

(b) within 60 days after the end of each fiscal quarter of the Company, duplicate copies of the Company's unaudited financial statements, prepared in

accordance with generally accepted accounting principles, which shall include a consolidated balance sheet of the Company and its subsidiaries as at the end of such quarter and consolidated income and retained earnings statements of the Company and its subsidiaries reflecting the operations during said quarter, all in reasonable detail and setting forth comparable figures for the same quarter in the preceding Fiscal Year (two copies of the Company's Quarterly Report on Form 10-Q for such quarter as filed with the Securities and Exchange Commission may be provided in satisfaction of the foregoing);

(c) together with each report submitted pursuant to (a) or (b) above, a certificate signed by a Vice President or other authorized officer of the Company that no Default hereunder has occurred and is continuing and no event has occurred which, with the passage of time or the giving of notice, or both, would constitute a Default hereunder;

(d) together with each report submitted pursuant to (a) or (b) above, a certificate signed by a Vice President or other authorized officer stating that the Project is being operated by the Company in conformity with the proposed use set forth in the Company's Application to the Authority for Financial Assistance dated May 15, 1998;

(e) together with each report submitted pursuant to (a) or (b) above, any Form 8-K filed with the Securities and Exchange Commission during the prior fiscal quarter; and

(f) the annual certification required by Section 5.16 of the Agreement.

5.8 Enforcement by Authority; Opportunity to Cure Defaults. Notwithstanding any other provision contained in this Agreement or in the Indenture, the Authority may take any action at law or in equity, including the right to seek specific performance, to enforce the covenants and undertakings of the Company expressed herein. The Authority, in its discretion, may also perform for the account of the Company any covenant or obligation in the performance of which the Company is in default, in which event the Company shall immediately reimburse the Authority upon demand for all amounts expended and expenses incurred by the Authority in the course of such performance.

5.9 Insurance. So long as any Bonds are Outstanding, the Company will keep at all times all of its insurable property insured against loss or damage, to the extent that property of similar character is usually insured by corporations similarly situated and operating like properties, with insurers believed by the Company to be responsible, and will keep at all times liability insurance which includes the Authority and the Trustee as additional insureds as their respective interests may appear; and the Company will promptly pay all premiums when due in respect of

such insurance. All property insurance policies obtained hereunder with respect to the Project shall include a standard lenders loss payable endorsement in favor of the Authority, and shall insure it as such, notwithstanding any act or failure to act, through neglect or otherwise, of the Company. All policies shall contain a provision that such policy shall not be canceled or materially changed unless the Authority and the Trustee are notified at least thirty (30) days prior to such cancellation or change. The Company shall provide the Authority and the Trustee with copies of the insurance policies required hereunder or certificates evidencing such coverage. At least ten (10) days prior to the nonrenewal of any such policy the Company shall furnish evidence satisfactory to the Trustee that such policy has been replaced.

5.10 Report of Number of Employees. Within ninety (90) days after the close of each fiscal year of the Company during the construction period of the Project, the Company shall furnish a written report to the Authority showing the number and classification of the employees employed at the Project as of the end of said fiscal year.

5.11 Tax Exemption. The Company shall not take any action, or omit to take any action, which action or omission thereof would cause the interest on any of the Bonds to become includable in gross income for purposes of Federal income taxation under the Code as in effect on the date the Bonds are issued, except that this covenant does not preclude action the result of which may be the inclusion of such interest in the gross income of any Holder who, within the meaning of Section 147 of the Code, is a "substantial user" of the Project or a "related person" thereto. In addition, the Company covenants that it shall use substantially all of the proceeds of the Bonds for property constituting facilities for the local furnishing of gas (including property functionally related and subordinate thereto) within the meaning of Section 142(a)(8) of the Code. The Company will not directly or indirectly use or permit the use (including the making of any investment) of any proceeds of the Bonds or any other funds of the Authority or the Company, or take or omit to take any action, that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

5.12 Affirmative Action and Prevailing Wage Regulations. The Company shall comply with the Authority's Regulations and to that end:

(a) insert in all construction bid specifications for any construction contract the following provisions:

Construction of the Project is subject to the Affirmative Action Regulations of the New Jersey Economic Development Authority which establishes hiring goals for minority and female workers. Any contractor or subcontractor must agree to make every effort to meet the established goals and to submit certified reports and records required by the Authority. Copies of the Affirmative Action Regulations may be obtained by writing to: Office of Affirmative Action, New Jersey Economic Development Authority, Gateway One, Suite 2403, Newark, New Jersey 07102;

(b) Include in all construction contracts those provisions which are set forth in the Addendum to Construction Contract annexed hereto as Exhibit A;

(c) Obtain from all contractors and submit to the Authority a contractor's certificate in the form annexed hereto as Exhibit B within 3 business days of the execution of any construction contract;

(d) Create an office of Company Affirmative Action Officer and maintain in that office until the completion date an individual having responsibility to coordinate compliance by the Company with the Authority's Affirmative Action Regulations and to act as liaison with the Authority's Office of Affirmative Action;

(e) Submit to the Authority on the completion date, a completion certificate in the form annexed hereto as Exhibit C; and

(f) Furnish to the Authority all other reports and certificates required under the Authority's Affirmative Action and Prevailing Wage Regulations.

5.13 Assignment and Leasing. (i) During the period commencing on the date hereof and terminating three years after the Company has completed the acquisition, renovation and construction of all or substantially all of the Project, and (ii) upon the request of the Authority from time to time thereafter, the Company shall cause a Project Occupant Information Form to be submitted to the Authority by every prospective lessee, sublessee or lease assignee of the Project, prior to leasing, subleasing or consenting to the subleasing or assignment of any lease of all or any part of the Project. The Company shall not permit any such leasing, subleasing or assigning of leases that would impair the excludability of interest paid on the Bonds from the gross income of the holder thereof for purposes of Federal income taxation or that would impair the ability of the Company to operate the Project or cause the Project not to be operated as an authorized "project" under the Act.

5.14 Further Assurances: Financing Statements. Concurrently with the execution and delivery hereof and thereafter from time to time, the Company shall take or cause to be performed all actions reasonably necessary to perfect and preserve the lien or security interest granted by the Indenture and this Agreement. The Company shall perform or cause to be performed any such acts, and execute or cause to be executed any and all further instruments as may be required by law or as shall reasonably be requested by the Authority or the Trustee for such protection of the interests of the Trustee and the Bondholders, and shall furnish satisfactory evidence to the Authority and the Trustee of recording, registering, filing and refileing of such instruments and of every additional instrument in such place or places which shall be necessary to preserve such security interests until the principal of and interest on the Bonds secured hereby shall have been paid. Without limiting the generality of the foregoing, the Company will join with the

Authority and Trustee in executing such financing statements and other documents under the New Jersey Uniform Commercial Code or other applicable law as the Authority or Trustee may specify and will pay the costs of filing the same in such public offices as the Authority or Trustee shall designate, in order to preserve the security interests granted under the Indenture.

5.15 Compliance with Department of Environmental Protection. The Company shall operate the Project or cause it to be operated in compliance with all applicable rules and regulations promulgated by the Department of Environmental Protection of the State of New Jersey or any successor agency thereto.

5.16 Annual Certification. On each anniversary date of this Agreement, the Company shall furnish to the Authority, the following:

(a) a certification indicating whether or not the Company is aware of any condition, event or act which constitutes an Event of Default, or which would constitute an Event of Default with the giving of notice or passage of time, or both, under this Agreement or the Indenture;

(b) a written description of the present use of the Project and a description of any anticipated material change in the use of the Project or in the number of employees employed at the Project, and

(c) a report from every entity that leases or occupies space at the Project indicating the number of persons the entity employs at the Project.

5.17 Access to the Project. The Company agrees that the Authority, the Trustee and their duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right to inspect the Project at all reasonable times and on reasonable notice. The Authority, the Trustee and their duly authorized agents shall also be permitted, at all reasonable times, to examine the books and records of the Company with respect to the Project. The Authority shall have the right to request information and material relating to the Project or the Company as it may reasonably request from time to time.

5.18 Negative Pledge. The Company shall not create, assume, incur, or suffer to be created, assumed, or incurred or to exist any mortgage, lien, pledge, charge or encumbrance of any kind (other than Excepted Encumbrances) upon any property of any character of the Company (other than Excepted Property), whether owned at the date hereof or hereafter acquired, to secure indebtedness for borrowed money without either making effective a provision whereby the Company's obligations to repay the loan made by the Authority hereunder shall be directly secured equally and ratably with the indebtedness secured by such mortgage, lien, pledge, charge or encumbrance, or depositing with the Trustee, as collateral for such Company obligations hereunder,

bonds or other evidences of indebtedness of the Company secured by such lien; provided, however, that this restriction shall not be applicable to nor prevent:

(1) the pledging by the Company of any property or assets as security for the payment of any tax, assessment, or other similar charge demanded of the Company by any governmental authority or public body so long as the Company in good faith contests its liability to pay the same, or as security to be deposited with any governmental authority or public body for any purpose at any time required by law or governmental regulation as a condition to the transaction of any business or the exercise of any franchise, grant, privilege, license, or right;

(2) the pledging by the Company of any property or assets for the purposes of securing a stay or discharge or for any other purpose in the course of any legal proceeding in which the Company is a party; provided, however, that the fair market value, in the good faith opinion of the Board of Directors of the Company, of such property or assets at the time of such pledge, together with (i) the fair market value, in the good faith opinion of the Board of Directors of the Company, of any other property or assets so pledged (at the time such other property or assets was pledged) plus (ii) the fair market value, in the good faith opinion of the Board of Directors of the Company, of any property or assets pledged pursuant to paragraph (4) below (at the time such property or assets was pledged), does not exceed \$25,000,000 in the aggregate;

(3) any mortgage, lien, pledge, charge or encumbrance on any property or asset in favor of the United States of America, any State, or any department, agency, instrumentality, or political subdivision of any such jurisdiction, securing industrial revenue bonds, the interest on which is excluded from Federal gross income under Section 103 of the Internal Revenue Code or any successor provision; provided, however, that such bonds shall be issued for the purpose of financing the construction or improvement of such property or asset and provided, further, that such mortgage, lien, pledge, charge or encumbrance is a condition to the issuance of such bonds;

(4) mortgages, liens, pledges, charges or encumbrances arising in the ordinary course of its business which (i) do not secure indebtedness for borrowed money and (ii) do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business; provided, however, that the fair market value, in the good faith opinion of the Board of Directors of the Company, of any property or assets so pledged (at the time of such pledge), together with (i) the fair market value, in the good faith opinion of the Board of Directors of the Company, of any other property or assets so pledged (at the time such other property or assets was pledged) plus (ii) the fair market value, in the good faith opinion of the Board of Directors of the Company,

of any property or assets pledged pursuant to paragraph (2) above (at the time such property or assets was pledged), does not exceed \$25,000,000 in the aggregate;

(5) making good faith deposits in connection with tenders, contracts or leases to which the Company is party; or

(6) the pledging by the Company of any property or assets in connection with the incurrence of indebtedness (under circumstances not otherwise excepted from the operation of this Section) in aggregate principal amount not exceeding 3% of the Company's net tangible utility assets at any time outstanding.

Any instrument creating a lien in favor of the Authority pursuant to the requirements of this Section shall contain reasonable and customary provisions for the enforcement of such lien and for the release of, or substitution for, the property subjected to such lien. Such lien shall be evidenced by an appropriate instrument or instruments executed and delivered to the Trustee (or to the extent legally necessary, to another trustee as additional or separate trustee). The Trustee may receive an opinion of Bond Counsel as conclusive evidence that any such instrument is in customary form and complies with the foregoing provisions of this paragraph; and the Trustee shall not be under any duty or responsibility to any Holder with respect to the form, validity or enforceability of any such instrument which it may accept in reliance in good faith upon any such opinion.

The term "Excepted Encumbrances" as used herein shall mean as of any particular time any of the following:

(1) mortgages, liens, pledges, charges or encumbrances in existence on the date hereof;

(2) liens for taxes, assessments of governmental charges not delinquent and liens for worker's compensation awards and similar obligations not delinquent and liens for taxes, assessments, or governmental charges delinquent but the validity of which is being contested at the time by the Company in good faith by appropriate proceedings;

(3) any liens securing indebtedness neither assumed nor guaranteed by the Company nor on which it customarily pays interest, existing in or relating to real estate or rights in real estate acquired by the Company for distribution system or right-of-way purposes or in connection with its usual operations;

(4) easements, rights of way, restrictions, exceptions or reservations in or affecting any property or asset of the Company created for the purpose of roads, railroads, railroading tracks, electric lines, pipelines,

sewers, water and gas transmission and distribution mains, conduits, transmission, distribution, or communication lines or for the joint or common use of real property and equipment and other like purposes, building and use restrictions and defects and irregularities of title to, or leases of, any property or asset of the Company which do not materially impair the use of such property or asset as an entirety in the operation of the business of the Company;

(5) undetermined liens and charges incidental to current construction, including mechanic's, laborers', materialmen's and similar liens;

(6) any obligations or duties affecting the property or assets of the Company to any municipality or public authority with respect to any franchise, grant, license, permit or certificate;

(7) rights reserved to or vested in any municipality or public authority to control or regulate any property or asset of the Company or to use such property in a manner which does not materially impair the use of such property or asset for the purposes for which it is held by the Company;

(8) any irregularities in or deficiencies of title to any rights of way for distribution mains or pipes and/or appurtenances to any thereto or other improvements thereon and to any real estate used or to be used primarily for right of way purposes, which do not materially affect the use of such property or asset by the Company in the normal course of its business;

(9) purchase money mortgages, liens, pledges or security interests (which term for purposes of this subsection (9) shall include conditional sale agreements or other title retention agreements) upon or in property or assets acquired after the date of this Indenture (provided that the same is created concurrently with the acquisition of such property or assets by the Company), provided that no such mortgage, lien, pledge or security interest extends or shall extend to or cover any property or assets of the Company other than the property or assets then being acquired and fixed improvements then or thereafter erected thereon;

(10) leases made, or existing on property or assets acquired, in the ordinary course of business;

(11) any mortgage, lien, pledge, charge or encumbrance of any corporation existing at the time such corporation is merged or consolidated with or into the Company and not created in contemplation of such event;

(12) any mortgage, lien, pledge, charge or encumbrance existing on any property or asset at the time of the acquisition thereof by the Company and not created in contemplation of such acquisition, and any mortgage, lien, pledge, charge or encumbrance on any property or asset acquired or constructed by the Company and created not later than the date of (i) such acquisition or completion of such construction or (ii) commencement of full operation of such property or asset, whichever is later;

(13) the liens of any judgment in an aggregate amount not in excess of \$250,000; and

(14) zoning laws and ordinances.

The term "Excepted Property" as used herein shall mean (a) cash, bonds, stocks, obligations, and other securities (including, without limitation, securities issued by Subsidiaries of the Company); (b) choses in action, accounts receivable, unbilled revenues, judgments and other evidences of indebtedness and contracts, leases, and operating agreements; (c) stock in trade, merchandise, equipment, apparatus, materials or supplies and other personal property manufactured or acquired for the purpose of sale and/or resale in the usual course of business or consumable in the operation of any of the properties or businesses of the Company or held for the purpose of repair or replacement; (d) timber, gas, fuel oil, electric energy, minerals (including, without limitation, developed and undeveloped natural gas reserves and natural gas in underground storage or otherwise), liquefied natural gas, propane gas, synthetic fuel, mineral rights and royalties; (e) materials or products generated, manufactured, stored, produced or purchased by the Company for sale, distribution, or use in the ordinary course of its business; and (f) office furniture and equipment, tools, rolling stock, buses, motor coaches, trucks and automobiles and other vehicles and aircraft.

[This is the end of Article V]

VI. ASSIGNMENT

6.1 Assignment of Agreement by Company. Except as provided in Section 5.3 hereof, this Agreement may not be assigned by the Company without the written consent of the Authority and the Trustee.

6.2 Assignment of Agreement Rights by Authority. The Company hereby consents to the pledge and assignment by the Authority of all of its rights under this Agreement (except its rights under Section 2.5 (with respect to indemnification), Section 3.4 hereof (with respect to certain payments, indemnification and amounts in the Rebate Fund), Section 4.2 hereof (with respect to notices and consents), Sections 5.5 and 7.5 hereof (with respect to payment of certain costs and expenses), Sections 5.6 and 8.7 hereof (with respect to indemnification), Section 5.8 hereof (with respect to enforcement), Section 7.2 hereof (with respect to specific performance), Section 5.13 hereof (with respect to assignment and leasing), and various Sections of this Agreement to receive other notices, reports, opinions and other statements) to the Trustee under the Indenture for the benefit of the Bondholders from time to time of the Bonds, and the Company hereby agrees that, by virtue of such pledge and assignment, the Trustee may enjoy and enforce all such rights of the Authority hereunder, and that its obligations to make payments pursuant to Section 4.2 hereof shall be absolute and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the Company, whether hereunder or otherwise, or out of any indebtedness or liability owing to the Company by the Authority or the Trustee. The Company hereby agrees to furnish to the Trustee copies of all notices, reports, opinions and other statements required to be furnished by the Company to the Authority hereunder.

[This is the end of Article VI]

VII. EVENTS OF DEFAULT AND REMEDIES

7.1 Events of Default Defined. The following shall be "Events of Default" under this Agreement, and the terms "Event of Default" and "Default" shall mean, whenever they are used in this Agreement (unless the context otherwise requires), any one or more of the following events:

(a) Failure by the Company to pay any amount required to be paid under Section 4.2 hereof when due.

(b) Failure by the Company to comply with any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in Section 7.1(a) hereof, which failure continues for more than 45 days, after it first becomes known to any officer of the Company; provided, however, that in the event that the Company is diligently undertaking to cure such default but such default cannot be cured within said 45-day period, such 45-day period shall be extended for as long as the Company and the Authority shall agree is reasonably necessary in order to cure such default.

(c) If any warranty, representation or other written statement made by or on behalf of the Company, by an officer of the Company contained in this Agreement, the Indenture or any other Loan Document, or in any instrument or certificate furnished in compliance with same is false or misleading in any material respect as of the date it was made or given.

(d) If a custodian, receiver or liquidator is appointed for the Company or the Company is adjudicated bankrupt or insolvent; or an order of relief is entered under the Federal Bankruptcy Code against the Company or any of its property is sequestered by court order and the order remains in effect for more than ninety (90) days; or a petition is filed against the Company under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or subsequently in effect, and is not dismissed within ninety (90) days after filing.

(e) If the Company commences a voluntary case or files a petition in voluntary bankruptcy or seeking relief under any decision of the Federal Bankruptcy Code or any other bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or subsequently in effect; or consents to the filing of any petition against it under any such law; or applies for or consents to the appointment of or taking possession by a custodian, receiver, trustee or liquidator of the company or of all or any part of

its property; or makes an assignment for the benefit of its creditors; or admits in writing its inability to pay its debts generally as they become due.

7.2 Remedies on Default. Whenever any Default referred to in Section 7.1 hereof shall have happened and be continuing and the Trustee has received notice of such, the Trustee may, in addition to any other remedy (subject in the case of the Trustee to its mandatory obligations upon the occurrence of certain Defaults) take one or any combination of the following remedial steps:

(a) If the Trustee has declared the Bonds immediately due and payable pursuant to Section 9.02 of the Indenture, by written notice to the Company, declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity (as provided in the Indenture) or otherwise, to be immediately due and payable as liquidated damages under this Agreement and not as a penalty, whereupon the same shall become immediately due and payable; and

(b) Take whatever action at law or in equity that may appear necessary or desirable to collect such payments then due and thereafter to become due or to enforce the performance and observance of any obligation, agreement or covenant of the Company under this Agreement.

With respect to the enforcement remedies provided in this Section 7.2, the Authority may treat all expenses of enforcement, including, without limitation, legal, accounting, advertising and Trustee's fees and expenses, as amounts then due and owing under Section 4.2 hereof.

In the event any declaration of acceleration is annulled in accordance with the provisions of the second paragraph of Section 9.02 of the Indenture, any related declaration of acceleration hereunder shall also be deemed annulled.

In addition to the above remedies, if the Company commits a breach, or threatens to commit a breach of any of the provisions of this Agreement and the Indenture, the Authority and the Trustee shall have the right and remedy, without posting bond or other security, to have the provisions of this Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause immediate and irreparable injury to the Authority and that money damages will not provide an adequate remedy therefor.

7.3 Application of Amounts Realized in Enforcement of Remedies. Any amounts collected pursuant to action taken under Section 7.2 hereof shall be paid into the Bond Fund and applied in accordance with the provisions of Section 9.10 of the Indenture or, if no Bonds are then Outstanding, shall be applied according to the provisions of Section 8.6 hereof.

7.4 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient.

7.5 Agreement to Pay Attorneys' Fees and Other Expenses. In the event the Company shall default under any of the provisions of this Agreement and the Authority or the Trustee shall employ attorneys or incur other expenses for the collection of payments pursuant to Section 4.2 hereof or the enforcement of performance or observance of any obligation or agreement of the Company herein contained, the Company agrees that it will on demand therefor pay to the Authority or the Trustee, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred by the Authority or the Trustee, as the case may be.

7.6 No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement shall be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

[This is the end of Article VII]

VIII. MISCELLANEOUS

8.1 Notices. Notice hereunder shall be given in writing, either by registered mail, to be deemed effective two days after mailing, by telegram, or by telephone, confirmed in writing, addressed as follows:

The Authority -

New Jersey Economic Development Authority
36 West State Street
P.O. Box 990
Trenton, New Jersey 08625
Attention: Director, Division of Investment Banking

The Company -

NUI Corporation
550 Route 202-206
P.O. Box 760
Bedminister, New Jersey 07921-0760
Attention: Mary Patricia Keefe, Esq.

The Trustee -

First Union National Bank
21 South Street, 3rd Floor
Morristown, New Jersey 07960
Attention: Corporate Trust Department

or such other address as may be filed in writing with the parties to this Agreement and with the Trustee.

8.2 Severability. In case any provision of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, this Agreement shall be construed as if such provision had never been contained herein.

8.3 Applicable Law. This Agreement shall be governed by, and interpreted under, the laws of the State of New Jersey.

8.4 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Authority, the Company and their respective successors and assigns, subject, however, to the limitations contained herein.

8.5 Amendments. This Agreement may not be amended except by an instrument in writing signed by the parties and, if such amendment occurs after the issuance of any of the Bonds, consented to by the Trustee for the Bondholders in accordance with the terms of the Indenture.

8.6 Amounts Remaining in Bond Fund or Construction Fund. It is agreed by the parties that any amounts remaining in the Bond Fund or Construction Fund, upon expiration or termination of the Agreement term as provided in this Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Rebatable Arbitrage (as determined pursuant to Section 3.4 hereof) and the fees, charges and expenses of the Trustee and the Authority, in accordance herewith and with the Indenture, shall belong to the Company and be paid to the Company by the Trustee.

8.7 Immunity of Authority. In the exercise of the powers of the Authority and its members, officers, employees and agents under the Indenture or this Agreement, including, without limitation, the application of moneys, the investment of funds and any disposition of property if an Event of Default by the Company shall have occurred, the Authority shall not be accountable to the Company for any action taken or omitted with respect to the Project by it or its members, officers, employees and agents in good faith and believed by it or them to be authorized or within the discretion or rights or powers conferred. The Authority shall be protected in its or their acting upon any paper or documents believed by it or them to be genuine, and it or they may conclusively rely upon the advice of counsel and may (but need not) require further evidence of any fact or matter before taking any action. No recourse shall be had by the Company for any claims based on the Indenture or this Agreement against any member, officer, employee or agent of the Authority alleging personal liability on the part of such person unless such claims are based upon the bad faith, fraud or deceit, gross negligence or willful misconduct of such person. The Company shall indemnify the Authority and any of its members, employees or agents and save them harmless against any liability intended to be precluded by this section resulting from acts or omissions of the Company or, except as to acts in bad faith, willful misconduct or gross negligence, from acts or omissions of the Authority or any of its members, employees or agents in connection with any necessary or reasonable acts taken pursuant to this Agreement.

8.8 Term of Agreement. This Agreement shall become effective upon its delivery and shall continue in effect until all Bonds have been paid or provision for such payment has been made in accordance with the Indenture.

8.9 Project Sign. During the period from the effective date hereof, the expiration of thirty (30) days after the completion date of the Project, the Company shall, subject to

local government ordinances, cause to be posted and maintained in a prominent place at the site of the Project, a sign provided by the Authority indicating that financial assistance for the Project has been provided by the Authority. The cost of the sign and the maintenance of the sign shall be at the expense of the Company.

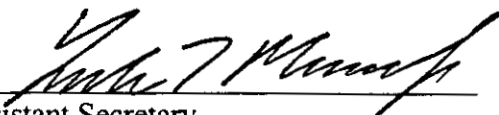
[This is the end of Article VIII]

IN WITNESS WHEREOF, the parties hereto, in consideration of the mutual covenants set forth herein and intending to be legally bound, have caused this Agreement to be executed and delivered as of the date first written above.

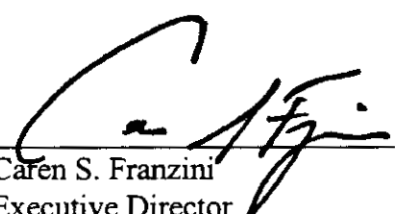
**NEW JERSEY ECONOMIC
DEVELOPMENT AUTHORITY**

[SEAL]

Attest:


Assistant Secretary

BY: _____


Caren S. Franzini
Executive Director

NUI CORPORATION

[SEAL]

Attest:

Name:
Title:

BY: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto, in consideration of the mutual covenants set forth herein and intending to be legally bound, have caused this Agreement to be executed and delivered as of the date first written above.

**NEW JERSEY ECONOMIC
DEVELOPMENT AUTHORITY**

[SEAL]

Attest:

BY: _____

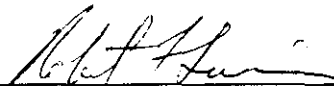
Caren S. Franzini
Executive Director

Assistant Secretary

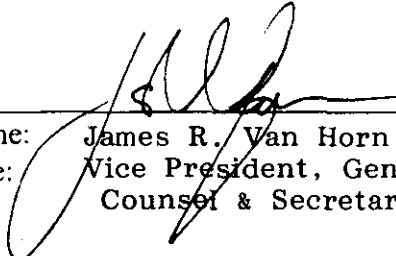
NUI CORPORATION

[SEAL]

Attest:

BY:  _____

Name: Robert F. Lurie
Title: Vice President/Treasurer



Name: James R. Van Horn
Title: Vice President, General
Counsel & Secretary

SCHEDULE A

The Project encompasses the construction and/or installation on or after July 1, 1998 of certain gas production and distribution facilities (including supply mains, distribution mains, service lines and meters) and functionally related and subordinate equipment serving gas customers located exclusively in Union and Middlesex Counties, New Jersey.

The proceeds of the 1998 Series A Bonds will be used in accordance with the table attached hereto.

Exhibit 1(c)
Regulatory approvals



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

AGENDA DATE: 11/23/98

IN THE MATTER OF THE PETITION OF)
NUI CORPORATION FOR AUTHORITY TO)
ENTER INTO A LOAN AGREEMENT WITH)
THE NEW JERSEY ECONOMIC DEVELOPMENT)
AUTHORITY FOR THE ISSUANCE AND SALE)
OF \$40,000,000 PRINCIPAL AMOUNT OF)
GAS FACILITIES REVENUE BONDS)

ORDER

DOCKET NO. GF98101153

LeBoeuf, Lamb, Greene & MacRae, L.L.P. Newark,
New Jersey, by Stephen B. Genzer and
Mark L. Mucci for NUI Corporation

Fred S. Grygiel, Chief Economist, Mark C. Beyer,
Manager, Julie Huff, Accountant II, Office of
the Economist, James Giuliano, Director, and
Riaz Shaikh, Principal Engineer, Bureau of
Planning, Rates & Tariff of the Division of
Service Evaluation, on behalf of the Board of
Public Utilities

BY THE BOARD:

NUI Corporation (Petitioner) filed a petition on October 14, 1998 seeking authority to enter into an agreement and execute such other documents as necessary in order to obtain \$40,000,000 in financing through the New Jersey Economic Development Authority (NJEDA), which will issue \$40,000,000 principal amount of tax exempt Gas Facilities Revenue Bonds.

After review, the Board believes that the proposed issuance of the bonds is appropriate. Under the proposed plan of financing, Petitioner will enter into a loan agreement with NJEDA. The bonds will be sold through NJEDA, on competitive bid basis and the proceeds will be loaned to the Petitioner. The method of sale appears to be the most appropriate at this time and should provide Petitioner the ability to obtain financing at the lowest possible cost.

The Board, after investigation, having considered the record and exhibits submitted in this proceeding, being satisfied with the action proposed to be taken by Petitioner as indicated above, hereby FINDS that the transaction is to be made in accordance with law, and approving the purposes thereof, HEREBY ORDERS that NUI Corporation be and is HEREBY AUTHORIZED to:

- 1) Execute and deliver the Loan Agreement with the NJEDA substantially in the form submitted to the Board for the purpose set fourth in said loan agreements.

- 2) Execute and deliver such other related agreements and instruments with banks, insurance companies and remarketing agents as may be required to permit consummation of the transactions as hereinabove described.

This Order is issued subject to the following provisions:

1. Upon completion of the transactions herein approved, Petitioner shall submit conformed copies of the Loan Agreement and all other documents as executed.
2. Petitioner shall provide to the Board, six months after completion of the transaction approved herein, and every six months thereafter until the completion of the EDA financed projects, a detailed progress report of its construction.
3. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
4. This Order shall not be construed as a certification that the securities offered for sale will be represented by tangible or intangible assets of commensurate value or investment cost.
5. This Order shall not affect or in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceedings with respect to rates, franchises, services, financing (including the method of sale of securities), accounting, capitalization, depreciation or in any other matter affecting Petitioner.

DATED: *November 23, 1998*

BOARD OF PUBLIC UTILITIES
BY:

[Signature]
HERBERT H. TATE
PRESIDENT

[Signature]
CARMEN J. ARMENTI
COMMISSIONER

ATTEST:

[Signature]
MARK W. MUSSER
SECRETARY

LEBOEUF, LAMB, GREENE & MACRAE
L.L.P.

A NEW YORK LIMITED LIABILITY PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

File
1998/10/14: MLM

FREDERICK B. LACEY
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THEODORE D. ADEN
JOSEPH A. TATO
CHARLES M. LIZZA
JEANNETTE M. BOND
STEPHEN B. GENZER
REYNOLD NEBEL, JR.
WILLIAMS S. TUCKER, JR.
MARIA J. DITTMAR
STUART ALDEROTY
JOHN S. PRUITT
JOHN P. MULHERN
MARIA A. DANTAS
RESIDENT PARTNERS

MARGARET M. FOTI
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MOSCOW
ALMATY
LONDON
A LONDON-BASED
MULTINATIONAL PARTNERSHIP
SAO PAULO
IN ASSOCIATION WITH
TAVARES GUERREIRO ADVOGADOS

October 14, 1998

Mark W. Musser, Secretary
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Re: In the Matter of the Petition of NUI Corporation for
Authority to Enter into a Loan Agreement with the New
Jersey Economic Development Authority for the Issuance
and Sale of \$40,000,000 Principal Amount of Gas
Facilities Revenue Bonds
Docket No. GF9810

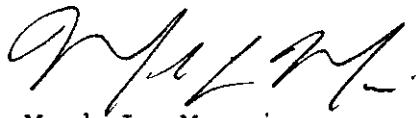
Dear Secretary Musser:

Enclosed for filing please find an original and ten (10)
copies, plus one additional copy, of the Petition of NUI
Corporation in the above-referenced matter. Kindly have the
additional copy stamped "filed" and returned in the self-addressed,
stamped envelope provided.

Thank you for your attention to this matter.

Very truly yours,

LeBOEUF, LAMB, GREENE & MacRAE, LLP



Mark L. Mucci

MLM/jg

Enclosures

cc: Dr. Fred S. Grygiel, Chief Economist (w/encl.)
Mark C. Beyer, Manager, Office of the Economist (w/encl.)
Robert S. Chilton, Director, Division of Energy (w/encl.)

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF	:	
NUI CORPORATION FOR AUTHORITY	:	
TO ENTER INTO A LOAN AGREEMENT	:	
WITH THE NEW JERSEY ECONOMIC	:	VERIFIED PETITION
DEVELOPMENT AUTHORITY FOR THE	:	
ISSUANCE AND SALE OF \$40,000,000	:	DOCKET NO. GF9810_____
PRINCIPAL AMOUNT OF	:	
GAS FACILITIES REVENUE BONDS	:	

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

Petitioner, NUI Corporation (hereinafter referred to as "Petitioner"), respectfully submits this petition under N.J.S.A. 48:3-7 and 48:3-9, and N.J.A.C. 14:1-5.9 and states as follows:

1. Petitioner is a New Jersey corporation, regulated as a public utility by the New Jersey Board of Public Utilities ("BPU" or "Board") under Title 48 of the New Jersey Statutes. Petitioner is engaged in the business of distributing natural and mixed gas in service territories located in portions of the State of New Jersey, Florida, Maryland, New York, North Carolina, and Pennsylvania. Petitioner's New Jersey utility operations are conducted by Petitioner's Northern Division, under the name of Elizabethtown Gas Company ("Elizabethtown").

2. In this petition, Petitioner seeks authority under N.J.S.A. 48:3-7 and 48:3-9, and N.J.A.C. 14:1-5.9, to enter into an agreement to obtain financing through the New Jersey Economic

Development Authority ("NJEDA"), which will issue \$40,000,000 principal amount of tax-exempt Gas Facilities Revenue Bonds. NJEDA is a public instrumentality of the State of New Jersey and public body corporate and politic organized under the "New Jersey Economic Development Authority Act."

3. The proceeds derived from the proposed offering will finance a portion of the costs of mains, services, meters, gate station additions and distribution equipment in Union and Middlesex Counties, within the State of New Jersey. The proceeds of the proposed borrowing from NJEDA will be reflected on the books and records of the Northern Division of Petitioner, as well as on the consolidated books and records of Petitioner. The Petitioner's proposed capital plan is attached hereto and made a part hereof as Exhibit H.

4. In order to finance the loan to Petitioner, NJEDA will issue and sell to underwriters up to \$40,000,000 aggregate principal amount of NJEDA Bonds. Since interest on the bonds will be exempt from Federal Income Tax and New Jersey State Income Tax, the bonds will reflect a lower interest rate than taxable securities. This will result in a substantial reduction in Petitioner's interest expense.

5. Petitioner will enter into a Loan Agreement with NJEDA, which will govern the proposed borrowing by Petitioner from

NJEDA. Petitioner and NJEDA will be finalizing such Loan Agreement, and other necessary documents to be executed by Petitioner, and will file same with the BPU. It is Petitioner's intention to select an underwriter, and for the sale of the bonds to be conducted, through a competitive procurement process.

6. Attached hereto are the following exhibits, constituting information which the Board's regulations require for financing approvals, which exhibits are incorporated herein by reference:

- | | |
|-----------|--|
| Exhibit A | Consolidated Balance Sheet as of June 30, 1998; |
| Exhibit B | Consolidated Income Statement for the Twelve-Month Period Ended June 30, 1998; |
| Exhibit C | Consolidated Statement of Cash Flows for the Twelve-Month Period Ended June 30, 1998; |
| Exhibit D | Consolidated Statement of Capitalization as of June 30, 1998; |
| Exhibit E | Consolidated Pro Forma Balance Sheet (Reflecting Financings) as of June 30, 1998; |
| Exhibit F | Consolidated Pro Forma Income Statement (Reflecting Financings) for the Twelve-Month Period Ended June 30, 1998; |
| Exhibit G | Consolidated Pro Forma Statement of Capitalization (Reflecting Financings) as of June 30, 1998; |
| Exhibit H | Proposed Journal Entries to Record Financings; |

Exhibit I Actual and Pro Forma Interest Coverage Ratios;

Exhibit J Proposed Form of Order.

7. The following additional information regarding the financial condition of the Petitioner as of June 30, 1998 is submitted for the Board's consideration:

- a. Total authorized common stock is 30,000,000 shares of which there are 12,662,233 shares outstanding;
- b. There is no issued and outstanding preferred stock;
- c. Short term debt of Elizabethtown Gas Company is \$22,445,000; short term debt of NUI, on a consolidated basis, is \$59,055,000;
- d. Dividends paid for the twelve months ended June 30, 1998 total \$11,941,000;
- e. Issued and outstanding long-term debt is listed on Exhibit D, Consolidated Statement of Capitalization.

8. No franchise or right is proposed to be capitalized, directly or indirectly, as a result of, or in connection with, the proposed issue and sale of the securities referred to herein.

9. All notices and communications with respect to this proceeding should be sent to:

Mary Patricia Keefe, Esq.
Associate General Counsel and
Director of Regulatory Affairs
NUI Corporation
One Elizabethtown Plaza
P.O.Box 3175
Union, New Jersey 07083-1975

with copies to Petitioner's counsel at the following address:

Stephen B. Genzer, Esq.
Mark L. Mucci, Esq.
LeBoeuf, Lamb, Greene & MacRae, L.L.P.
One Riverfront Plaza
Newark, New Jersey 07102-5490.

WHEREFORE, Petitioner, NUI Corporation respectfully requests that the Board approve the proposed NJEDA financing as described herein and authorize Petitioner to:

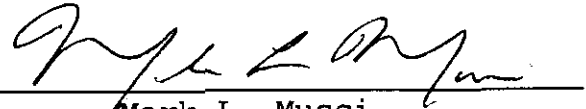
- 1) Borrow up to \$40,000,000 from the NJEDA;
- 2) Execute and deliver a Loan Agreement for the principal amount of \$40,000,000 to the NJEDA to secure the NJEDA's;
- 3) Execute and deliver such other related agreements and instruments with banks, insurance companies and remarketing agents in connection with the NJEDA bonds; and

- 4) Take such other action as is reasonable and necessary to effect the transaction set forth herein.

Respectfully submitted,

LeBOEUF, LAMB, GREENE & MacRAE, LLP
Attorneys for Petitioner
NUI Corporation

By: _____



Mark L. Mucci

DATED: October 14, 1998

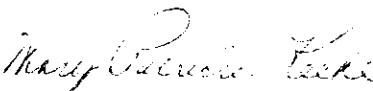
VERIFICATION

Mary Patricia Keefe, Esq., an attorney at law of the State of New Jersey, hereby certifies as follows:

1. I am Associate General Counsel and Director of Regulatory Affairs of NUI Corporation, Petitioner in the foregoing petition, and I am authorized to make this Verification on behalf of the Company

2. I have reviewed the petition and exhibits thereto, and same are true and correct to the best of my knowledge, information and belief.

I hereby certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.



Mary Patricia Keefe

Dated: October 14, 1998

NUI Corporation and Subsidiaries
Consolidating Balance Sheet
As of June 30, 1998

21-Sep
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(Dollars in Thousands)

	<u>ETG</u>	<u>All Other Companies *</u>	<u>NUI Consolidated</u>	
Assets And Other Debits				
<u>Utility Plant</u>				
101	Utility Plant in Service	\$488,295	\$161,432	\$649,727
107	Construction Work in Progress	6,537	39,588	46,125
108	Accumulated Provision for Depreciation	(148,318)	(72,093)	(220,411)
111	Acquisition Adjustment		(90)	(90)
114	Gas Plant Acquisition Adjustments		41,871	41,871
115	Accumulated Provision for Amortization of Gas Plant Acquisition Adjustments	-	(10,612)	(10,612)
	Net Utility Plant	<u>346,514</u>	<u>160,096</u>	<u>506,610</u>
<u>Other Property And Investments</u>				
121	Non-Utility Property	212	25,020	25,232
122	Accumulated Provision for Depreciation	(184)	(12,069)	(12,253)
123.1	Investment in Subsidiary Company		25,252	25,252
124	Other Investments		427	427
128	Special Funds		36	36
	Total Other Property And Investments	<u>28</u>	<u>38,666</u>	<u>38,694</u>
<u>Current And Accrued Assets</u>				
131	Cash	1,490	(1,146)	344
134	Special Deposits	5	1,294	1,299
135	Working Funds	2	17	19
136	Temporary Cash Investments		3	3
141	Notes Receivable		20	20
142	Customer Accounts Receivable	30,566	43,173	73,739
143	Other Accounts Receivable	976	6,005	6,981
144	Accumulated Provision for Uncollectible Accounts	(1,534)	(784)	(2,318)
146	Accounts Receivable from Associated Companies		0	-
154	Plant Materials & Operating Supplies	3,398	3,195	6,593
155	Merchandise	395	150	545
163	Stores Overhead		(4)	(4)
164.1	Gas Stored Underground-Current	17,834	3,712	21,546
164.2	Liquefied Natural Gas Stored	511	124	635
164.3	Liquefied Natural Gas Held for Processing	56	0	56
165	Prepayments	15,547	6,199	21,746
171	Interest and Dividends Receivable		(26)	(26)
173	Accrued Utility Revenues	6,508	482	6,990
	Total Current And Accrued Assets	<u>75,754</u>	<u>62,414</u>	<u>138,168</u>
<u>Deferred Debits</u>				
181	Unamortized Debt Expense	3,707	751	4,458
182.3	Other Regulatory Assets	50,948	10,781	61,729
184	Clearing Accounts		31	31
186	Miscellaneous Deferred Debits	3,339	6,726	10,065
189	Unamortized Loss on Reacquired Debt	2,014	286	2,300
190	Accumulated Deferred Income Taxes		1,313	1,313
191	Unrecovered Purchased Gas Costs	9,077	(4,411)	4,666
	Total Deferred Charges and Other Assets	<u>69,085</u>	<u>15,477</u>	<u>84,562</u>
	Total Assets And Other Debits	<u>\$491,381</u>	<u>\$276,653</u>	<u>\$768,034</u>

* Amounts include all consolidation elimination entries.

NUI Corporation and Subsidiaries
Consolidating Balance Sheet
As of June 30, 1998

21-Sep
02:30 PM

(Dollars in Thousands)

	<u>ETG</u>	<u>All Other Companies *</u>	<u>NUI Consolidated</u>
Liabilities And Other Credits			
<u>Proprietary Capital</u>			
201		\$207,243	\$207,243
211	\$ 42,504	(42,504)	
216	107,392	(75,292)	32,100
217		(1,692)	(1,692)
	<u>149,896</u>	<u>87,755</u>	<u>237,651</u>
<u>Long-Term Debt</u>			
221	138,616	8,592	147,208
224	20,000	50,000	70,000
226	(1,010)	(329)	(1,339)
	<u>157,606</u>	<u>58,263</u>	<u>215,869</u>
<u>Other Noncurrent Liabilities</u>			
227	8,415	200	8,615
228.2	246	170	416
228.3	11,872	2,264	14,136
228.4	30,529	3,881	34,410
	<u>51,062</u>	<u>6,515</u>	<u>57,577</u>
<u>Current And Accrued Liabilities</u>			
231	22,445	36,610	59,055
232	25,226	43,150	68,376
234		0	-
235	4,768	5,536	10,304
236	12,387	(1,571)	10,816
237	1,887	2,341	4,228
238		(40)	(40)
241	(105)	55	(50)
242	1,090	1,619	2,709
243	1,614	43	1,657
	<u>69,312</u>	<u>87,743</u>	<u>157,055</u>
<u>Deferred Credits</u>			
252	1,577	258	1,835
253	7,263	7,345	14,608
254	4,706	3,403	8,109
255	4,371	1,464	5,835
282	45,588	23,907	69,495
	<u>63,505</u>	<u>36,377</u>	<u>99,882</u>
Total Liabilities And Other Credits	<u>\$491,381</u>	<u>\$276,653</u>	<u>\$768,034</u>

* Amounts include all consolidation elimination entries.

NUI Corporation and Subsidiaries
Consolidating Income Statement
For the Twelve-Month Period Ended June 30, 1998

Exhibit B

21-Sep
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(Dollars in Thousands)

	<u>ETG</u>	<u>All Other Companies *</u>	<u>NUI Consolidated</u>
Utility Operating Income			
400 Operating Revenue	<u>\$347,736</u>	<u>\$116,347</u>	<u>\$464,083</u>
Operating Expenses			
401 Operation Expenses	274,469	84,053	358,522
402 Maintenance Expenses	4,788	2,751	7,539
403 Depreciation	12,880	7,922	20,802
406 Amortization of Utility Plant Acquisition Adjustment		5	5
407.2 Amortization		33	33
408.1 Taxes Other Than Income Taxes	18,009	11,844	29,853
409.1 Income Taxes-Federal	5,568	5,323	10,891
410.1 Provision for Deferred Income Taxes	5,756	(4,301)	1,455
411.4 Investment Tax Credit Adjustments-Net	(315)	(31)	(346)
Total Operating Expenses	<u>321,155</u>	<u>107,599</u>	<u>428,754</u>
Net Operating Income	<u>26,581</u>	<u>8,748</u>	<u>35,329</u>
Other Income (Deductions)			
415-			
421.1 Other Income (Deductions)	(64)	4,539	4,475
425 Misc. Amortization		(1,421)	(1,421)
426.1 Donations	(1)	(14)	(15)
426.5 Other Deductions	(183)	(133)	(316)
408.2 Taxes Other Than Income Taxes	(64)	(813)	(877)
409.2 Income Taxes-Federal	124	(922)	(798)
411.2 Provision for Deferred IT - Other	0	222	222
Net Other Income (Deductions)	<u>(188)</u>	<u>1,458</u>	<u>1,270</u>
Interest Charges			
427 Interest on Long-Term Debt	8,862	4,095	12,957
428 Amortization of Debt Discount and Expense	170	156	326
428.1 Amortization of Loss on Reacquired Debt	142	43	185
431 Other Interest Expense	1,838	3,174	5,012
432 Allow. for Borrowed Funds Used During Construction	(131)	-	(131)
Net Interest Charges	<u>10,881</u>	<u>7,468</u>	<u>18,349</u>
Net Income (Loss)	<u>\$15,512</u>	<u>\$2,738</u>	<u>\$18,250</u>

* Amounts include all consolidation elimination entries.

NUI Corporation and Subsidiaries
 Consolidating Statement of Cash Flows
 For the Twelve-Month Period Ended June 30, 1998

21-Sep
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(Dollars in Thousands)

	<u>ETG</u>	<u>All Other Companies *</u>	<u>NUI Consolidated</u>
<u>Net Cash Flow From Operating Activities</u>			
Net Income (Loss)	\$15,512	\$2,738	\$18,250
Noncash Charges (Credits) to Income:			
Depreciation and Depletion	14,602	11,252	25,854
Amortization of:			
Debt Expense, Deferred Charges & Credits and Other	733	(378)	355
Deferred Income Tax and Amortization of Investment Tax Credit Adjustment (Net)	5,441	(2,108)	3,333
Net (Increase) in Receivables	(5,347)	(2,922)	(8,269)
Net (Increase) in Inventories	(1,178)	624	(554)
Net Increase in Payables, Deposits and Accruals	6	9,048	9,054
Other	(6,949)	(11,364)	(18,313)
Net Cash Provided by Operating Activities	22,820	6,890	29,710
<u>Net Cash Flow from Investing Activities</u>			
Additions to Utility Plant	(40,684)	(18,167)	(58,851)
Other	(1,539)	(8)	(1,547)
Net Cash Used in Investing Activities	(42,223)	(18,175)	(60,398)
<u>Net Cash Flow from Financing Activities</u>			
Proceeds From Sales of Common Stock, net of Treasury Stock		27,956	27,956
Funds for Construction Held by Trustee, Net	13,862	4,402	18,264
Proceeds from Long-Term Debt	54,600	(1,031)	53,569
Repayments of Long-Term Debt	(54,600)		(54,600)
Net (Repayments) Proceeds from Short-Term Debt	20,417	(21,681)	(1,264)
Repayment of Capital Lease Obligations	(1,516)	(183)	(1,699)
Dividends to Shareholders	(13,771)	1,830	(11,941)
Net Cash Provided by (Used in) Financing Activities	18,992	11,293	30,285
Net Increase (Decrease) In Cash and Cash Equivalents	(411)	8	(403)
Cash and Cash Equivalents at Beginning of Period	1,908	160	2,068
Cash and Cash Equivalents at End of Period	\$1,497	\$168	\$1,665

* Amounts include all consolidation elimination entries.

NUI Corporation and Subsidiaries
Consolidating Statement of Capitalization
As of June 30, 1998

Exhibit D

21-Sep
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(Dollars in Thousands)

	<u>ETG</u>	<u>All Other Companies *</u>	<u>NUI Consolidated</u>
<u>Long-Term Debt</u>			
Gas Facilities Revenue Bonds			
6.35% due October 1, 2022	\$ 46,500	-	\$ 46,500
6.40% due October 1, 2024	-	\$ 20,000	20,000
Variable rate due June 1, 2026	39,000	-	39,000
5.7% due June 1, 2032	54,600		54,600
Medium-Term Notes			
7.125% due August 1, 2002	-	20,000	20,000
8.35% due February 1, 2005	20,000	30,000	50,000
Long-Term Debt (Including Current Portion)	<u>160,100</u>	<u>70,000</u>	<u>230,100</u>
Unamortized Debt Discount	(1,010)	(330)	(1,340)
Funds for Construction Held by Trustee	(1,484)	(11,407)	(12,891)
Total Long-Term Debt	<u>157,606</u>	<u>58,263</u>	<u>215,869</u>
<u>Common Shareholders' Equity</u>			
Common Stock Issued	-	207,243	207,243
Miscellaneous Paid-in-Capital	42,504	(42,504)	0
Retained Earnings	107,392	(75,292)	32,100
Reacquired Capital Stock	-	(1,692)	(1,692)
Total Proprietary Capital	<u>149,896</u>	<u>87,755</u>	<u>237,651</u>
Total Capitalization	<u>\$307,502</u>	<u>\$146,018</u>	<u>\$453,520</u>

* Amounts include all consolidation elimination entries.

NUI Corporation and Subsidiaries
Consolidating Pro-Forma Balance Sheet (Reflecting Financings)
As of June 30, 1998

(Dollars in Thousands)

	ETG	Financing Adjustments *	JE Reference	Adjusted ETG	All Other Companies	Financing Adjustments *	JE Reference	NUI Cons'd
Assets And Other Debits								
<u>Utility Plant</u>								
101	Utility Plant in Service	\$488,295	\$ -	\$488,295	\$161,432	\$ -		\$649,727
107	Construction Work in Progress	6,537		6,537	39,588			46,125
108	Accumulated Provision for Depreciation	(148,318)		(148,318)	(72,093)			(220,411)
111	Acquisition Adjustment	-		-	(90)			(90)
114	Gas Plant Acquisition Adjustments	-		-	41,871			41,871
115	Accumulated Provision for Amortization of Gas Plant Acquisition Adjustments	-		-	(10,612)			(10,612)
	Net Utility Plant	<u>346,514</u>	<u>-</u>	<u>346,514</u>	<u>160,096</u>	<u>-</u>		<u>506,610</u>
<u>Other Property And Investments</u>								
121	Non-Utility Property	212		212	25,020			25,232
122	Accumulated Provision for Depreciation	(184)		(184)	(12,069)			(12,253)
123.1	Investment in Subsidiary Company	-		-	25,252			25,252
124	Other Investments	-		-	427			427
128	Special Funds	-		-	36			36
	Total Other Property And Investments	<u>28</u>	<u>-</u>	<u>28</u>	<u>38,666</u>	<u>-</u>		<u>38,694</u>
<u>Current And Accrued Assets</u>								
131	Cash	1,490	37,500	(1,2,3)	38,990	(1,146)		37,844
134	Special Deposits	5			5	1,294		1,299
135	Working Funds	2			2	17		19
136	Temporary Cash Investments	-			-	3		3
141	Notes Receivable	-			-	20		20
142	Customer Accounts Receivable	30,566			30,566	43,173		73,739
143	Other Accounts Receivable	976			976	6,005		6,981
144	Accumulated Provision for Uncollectible Accounts	(1,534)			(1,534)	(784)		(2,318)
146	Accounts Receivable from Associated Companies	-			-	-		-
154	Plant Materials & Operating Supplies	3,398			3,398	3,195		6,593
155	Merchandise	395			395	150		545
163	Stores Overhead	-			-	(4)		(4)
164.1	Gas Stored Underground-Current	17,834			17,834	3,712		21,546
164.2	Liquefied Natural Gas Stored	511			511	124		635
164.3	Liquefied Natural Gas Held for Processing	56			56	-		56
165	Prepayments	15,547			15,547	6,199		21,746
171	Interest and Dividends Receivable	-			-	(26)		(26)
173	Accrued Utility Revenues	6,508			6,508	482		6,990
	Total Current And Accrued Assets	<u>75,754</u>	<u>37,500</u>		<u>113,254</u>	<u>62,414</u>	<u>-</u>	<u>175,668</u>
<u>Deferred Debits</u>								
181	Unamortized Debt Expense	3,707	290	(2,4)	3,997	751		4,748
182.3	Other Regulatory Assets	50,948			50,948	10,781		61,729
184	Clearing Accounts	-			-	31		31
186	Miscellaneous Deferred Debits	3,339			3,339	6,726		10,065
189	Unamortized Loss on Reacquired Debt	2,014			2,014	286		2,300
190	Accumulated Deferred Income Taxes	-			-	1,313		1,313
191	Unrecovered Purchased Gas Costs	9,077			9,077	(4,411)		4,666
	Total Deferred Charges and Other Assets	<u>69,085</u>	<u>290</u>		<u>69,375</u>	<u>15,477</u>	<u>-</u>	<u>84,852</u>
	Total Assets And Other Debits	<u>\$491,381</u>	<u>\$37,790</u>		<u>\$529,171</u>	<u>\$276,653</u>	<u>\$ -</u>	<u>\$805,824</u>

* See Exhibit H for journal entries describing adjustments.

NUI Corporation and Subsidiaries
Consolidating Pro-Forma Balance Sheet (Reflecting Financings)
As of June 30, 1998

(Dollars in Thousands)

	ETG	Financing Adjustments *	JE Reference	Adjusted ETG	All Other Companies	Financing Adjustments *	JE Reference	NUI Cons'd
Liabilities And Other Credits								
Proprietary Capital								
201 Common Stock Issued	\$ -	\$ -		\$ -	\$207,243	\$ -		\$207,243
211 Miscellaneous Paid-in-Capital	42,504			42,504	(42,504)			-
216 Retained Earnings	107,392	(1,307)		106,085	(75,292)			30,793
217 Reacquired Capital Stock	-			-	(1,692)			(1,692)
Total Proprietary Capital	<u>149,896</u>	<u>(1,307)</u>		<u>148,589</u>	<u>87,755</u>	<u>-</u>		<u>236,344</u>
Long-Term Debt								
221 Bonds	138,616	40,000	(1)	178,616	8,592			187,208
224 Other Long-Term Debt	20,000			20,000	50,000			70,000
226 Unamortized Debt Discount	(1,010)			(1,010)	(329)			(1,339)
Total Long-Term Debt	<u>157,606</u>	<u>40,000</u>		<u>197,606</u>	<u>58,263</u>	<u>-</u>		<u>255,869</u>
Other Noncurrent Liabilities								
227 Obligations Under Capital Leases	8,415			8,415	200			8,615
228.2 Accumulated Provision for Injuries & Damages	246			246	170			416
228.3 Accumulated Provision for Pensions & Benefits	11,872			11,872	2,264			14,136
228.4 Accumulated Miscellaneous Operating Provisions	30,529			30,529	3,881			34,410
Total Other Noncurrent Liabilities	<u>51,062</u>	<u>-</u>		<u>51,062</u>	<u>6,515</u>	<u>-</u>		<u>57,577</u>
Current And Accrued Liabilities								
231 Notes Payable	22,445			22,445	36,610			59,055
232 Accounts Payable	25,226			25,226	43,150			68,376
234 Accounts Payable to Associated Companies	-			-	-			-
235 Customer Deposits	4,768			4,768	5,536			10,304
236 Taxes Accrued	12,387	(903)	(5)	11,484	(1,571)			9,913
237 Interest Accrued	1,887			1,887	2,341			4,228
238 Dividends Declared	-			-	(40)			(40)
241 Tax Collections Payable	(105)			(105)	55			(50)
242 Miscellaneous Current & Accrued Liabilities	1,090			1,090	1,619			2,709
243 Obligations Under Capital Leases	1,614			1,614	43			1,657
Total Current Liabilities	<u>69,312</u>	<u>(903)</u>		<u>68,409</u>	<u>87,743</u>	<u>-</u>		<u>156,152</u>
Deferred Credits								
252 Customer Advances for Construction	1,577			1,577	258			1,835
253 Other Deferred Credits	7,263			7,263	7,345			14,608
254 Other Regulatory Liabilities	4,706			4,706	3,403			8,109
255 Accumulated Deferred Investment Tax Credits	4,371			4,371	1,464			5,835
282 Accumulated Deferred Federal Income Taxes	45,588			45,588	23,907			69,495
Total Deferred Credits	<u>63,505</u>	<u>-</u>		<u>63,505</u>	<u>36,377</u>	<u>-</u>		<u>99,882</u>
Total Liabilities And Other Credits	<u>\$491,381</u>	<u>\$37,790</u>		<u>\$529,171</u>	<u>\$276,653</u>	<u>\$ -</u>		<u>\$805,824</u>

* See Exhibit H for journal entries describing adjustments.

NUI Corporation and Subsidiaries
 Consolidating Pro-Forma Income Statement (Reflecting Financings)
 For Twelve-Month Period Ended June 30, 1998

(Dollars in Thousands)

	ETG	Financing Adjustments *	JE Reference	Adjusted ETG	All Other Companies	Financing Adjustments *	JE Reference	NUI Cons'd
<u>Utility Operating Income</u>								
400 Operating Revenue	\$347,736	\$ -		\$347,736	\$116,347	\$ -		\$464,083
<u>Operating Expenses</u>								
401 Operation Expenses	274,469			274,469	84,053			358,522
402 Maintenance Expenses	4,788			4,788	2,751			7,539
403 Depreciation	12,880			12,880	7,922			20,802
406 Amortization of Utility Plant Acquisition Adjustment	-			-	5			5
407.2 Amortization	-			-	33			33
408.1 Taxes Other Than Income Taxes	18,009			18,009	11,844			29,853
409.1 Income Taxes-Federal	5,568	(903)	(5)	4,665	5,323			9,988
410.1 Provision for Deferred Income Taxes	5,756			5,756	(4,301)			1,455
411.4 Investment Tax Credit Adjustments-Net	(315)			(315)	(31)			(346)
Total Operating Expenses	321,155	(903)		320,252	107,599	-		427,851
Net Operating Income	26,581	903		27,484	8,748	-		36,232
<u>Other Income (Deductions)</u>								
415-								
421.1 Other Income (Deductions)	(64)			(64)	4,539			4,475
425 Misc. Amortization	-			-	(1,421)			(1,421)
426.1 Donations	(1)			(1)	(14)			(15)
426.5 Other Deductions	(183)			(183)	(133)			(316)
408.2 Taxes Other Than Income Taxes	(64)			(64)	(813)			(877)
409.2 Income Taxes-Federal	124			124	(922)			(798)
411.2 Provision for Deferred IT - Other	-			-	222			222
Net Other Income (Deductions)	(188)	-		(188)	1,458	-		1,270
<u>Interest Charges</u>								
427 Interest on Long-Term Debt	8,862	2,200	(3)	11,062	4,095			15,157
428 Amortization of Debt Discount and Expense	170	10	(4)	180	156			336
428.1 Amortization of Loss on Reacquired Debt	142			142	43			185
431 Other Interest Expense	1,838			1,838	3,174			5,012
432 Allow. for Borrowed Funds Used During Construction	(131)			(131)	-			(131)
Net Interest Charges	10,881	2,210		13,091	7,468	-		20,559
Net Income (Loss)	\$15,512	(\$1,307)		\$14,205	\$2,738	\$ -		\$16,943

* See Exhibit H for journal entries describing adjustments.

NUI Corporation and Subsidiaries
 Consolidating Pro-Forma Statement of Capitalization (Reflecting Financings)
 As of June 30, 1998

(Dollars in Thousands)

	ETG Actual		ETG As Adjusted		NUI Consolidated Actual		NUI Consolidated As Adjusted	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Long-Term Debt								
Gas Facilities Revenue Bonds								
6.35% due October 1, 2022	\$ 46,500		\$ 46,500		\$ 46,500		\$ 46,500	
6.40% due October 1, 2024	-		-		20,000		20,000	
Variable rate due June 1, 2026	39,000		39,000		39,000		39,000	
5.7% due June 1, 2032	54,600		54,600		54,600		54,600	
New Issue - 5.5%			40,000				40,000	
Medium-Term Notes								
7.125% due August 1, 2002	-		-		20,000		20,000	
8.35% due February 1, 2005	20,000		20,000		50,000		50,000	
Long-Term Debt (Including Current Portion)	160,100		200,100		230,100		270,100	
Unamortized Debt Discount	(1,010)		(1,010)		(1,340)		(1,340)	
Funds for Construction Held by Trustee	(1,484)		(1,484)		(12,891)		(12,891)	
Total Long-Term Debt	157,606	51.25%	197,606	57.08%	215,869	47.60%	255,869	51.98%
Common Shareholders' Equity								
Common Stock Issued	-		-		207,243		207,243	
Miscellaneous Paid-in-Capital	42,504		42,504		-		-	
Retained Earnings	107,392		106,085		32,100		30,793	
Reacquired Capital Stock	-		-		(1,692)		(1,692)	
Total Proprietary Capital	149,896	48.75%	148,589	42.92%	237,651	52.40%	236,344	48.02%
Total Capitalization	\$307,502	100.00%	\$346,195	100.00%	\$453,520	100.00%	\$492,213	100.00%

**NUI Corporation and Subsidiaries
Journal Entries to Record Financings**

21-Sep
02:33 PM

The following journal entries reflect the issuance of the Company's 5.5% Gas Facilities Revenue Bonds at an assumed interest rate of 5.5% as if the Bonds were issued as of July 1, 1997 (one year ago). This financing will be reflected on the separate divisional books of Elizabethtown Gas Company.

Entry Number 1

131	DR Cash	\$40,000,000	
221	CR Long-Term Debt - Bonds		\$40,000,000

To record the issuance of 5.5% Gas Facilities Revenue Bonds.

Entry Number 2

181	DR Unamortized Debt Expense	\$300,000	
131	CR Cash		\$300,000

To record estimated financing cost.

Entry Number 3

427	DR Interest Expense on Long-Term Debt	\$2,200,000	
131	CR Cash		\$2,200,000

To reflect the annual interest expense as a result of the issuance of 5.5 % Gas Revenue Bonds.

Entry Number 4

428	DR Amortization of Debt Discount and Expense	\$10,000	
181	CR Unamortized Debt Expense		\$10,000

To reflect the annual amortization of new debt issuance costs over the life of the new bonds (30 years)

Entry Number 5

236	DR Taxes Payable	\$903,000	
409.1	CR Income Taxes - Federal		\$903,000

To record the tax affect of the above entries.

NUI Corporation and Subsidiaries
Interest Charges Coverage Ratio
For the Twelve-Month Period ended June 30, 1998

(Dollars in Thousands)

	NUI Consolidated	
	<u>Actual</u>	<u>Proforma</u>
Earnings		
Income from Operations	\$18,250	\$16,943
Provision for Income Taxes	12,576	11,673
Interest Expense Before Reduction for Amounts Capitalized	21,546	23,756
Interest Element of Rents Charged to Expense	3,255	3,255
	<u>\$55,627</u>	<u>\$55,627</u>
Fixed Charges		
Interest Expense Before Reduction for Amounts Capitalized	\$21,546	\$23,756
Interest Element of Rents Charged to Expense	3,255	3,255
	<u>\$24,801</u>	<u>\$27,011</u>
Interest Charges Coverage Ratio	<u>2.24</u>	<u>2.06</u>

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF	:	
NUI CORPORATION FOR AUTHORITY	:	
TO ENTER INTO A LOAN AGREEMENT	:	
WITH THE NEW JERSEY ECONOMIC	:	ORDER
DEVELOPMENT AUTHORITY FOR THE	:	
ISSUANCE AND SALE OF \$40,000,000	:	DOCKET NO. GF9810 _____
PRINCIPAL AMOUNT OF	:	
GAS FACILITIES REVENUE BONDS	:	

LeBoeuf, Lamb, Greene & MacRae, L.L.P.
Newark, New Jersey
By: Stephen B. Genzer and Mark L. Mucci
for NUI Corporation

BY THE BOARD:

NUI Corporation (Petitioner) filed a petition on October 14, 1998 seeking authority to enter into an agreement and execute such other documents as necessary in order to obtain \$40,000,000 in financing through the New Jersey Economic Development Authority ("NJEDA"), which will issue \$40,000,000 principal amount of tax-exempt Gas Facilities Revenue Bonds.

Based on our Staff's review of the proposed financing, the Board has concluded that the proposed issuance of the bonds is appropriate. Under the proposed plan of financing, Petitioner will enter into an agreement with NJEDA. The bonds will be sold through NJEDA, providing the financing for Petitioner. The method of sale appears to be the most appropriate for Petitioner at this time and

should provide-Petitioner the ability to obtain financing at the lowest possible cost.

The Board, after investigation in this matter, FINDS that the proposed transactions are to be made in accordance with law, are in the public interest and approving the purposes hereof,

The Board, after investigation, having considered the record and exhibits submitted in this proceeding, being satisfied with the action proposed to be taken by Petitioner as indicated above, hereby FINDS that the transaction is to be made in accordance with law, is in the public interest, and approving the purposes thereof, HEREBY ORDERS that NUI Corporation be and is HEREBY AUTHORIZED to:

- 1) Execute and deliver the Loan Agreement with the NJEDA substantially in the form submitted to the Board for the purpose set forth in said loan agreements.
- 2) Execute and deliver such other related agreements and instruments with banks, insurance companies and remarketing agents as may be required to permit consummation of the transactions as hereinabove described.

This Order is issued subject to the following provisions:

1. Upon completion of the transactions herein approved, Petitioner shall submit conformed copies of the Loan Agreement and all other documents as executed.

2. - This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
3. This Order shall not be construed as a certificate that the securities offered for sale will be represented by tangible or intangible assets of commensurate value or investment cost.
4. This Order shall not affect or in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceedings with respect to rates, franchises, services, financing (including the method of sale of securities), accounting, capitalization, depreciation or in any other matter affecting Petitioner.

DATED:

BOARD OF PUBLIC UTILITIES

(SEAL)

BY:

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by City Gas
Company of Florida for authority
to issue and sell securities
during the twelve months ending
September 30, 1999.

DOCKET NO. 981378-GU
ORDER NO. PSC-98-1581-FOF-GU
ISSUED: November 25, 1998

The following Commissioners participated in the disposition of
this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

ORDER GRANTING CITY GAS COMPANY OF FLORIDA AUTHORITY TO ISSUE AND
SELL SECURITIES DURING THE PERIOD FROM NOVEMBER 17, 1998, THROUGH
SEPTEMBER 30, 1999

BY THE COMMISSION:

City Gas Company of Florida (City Gas or Company), a division
of NUI Corporation (NUI), filed an application on October 21, 1998,
seeking Commission approval for NUI to issue and sell securities
for the twelve month period ending September 30, 1999. The
Company's last authority to issue securities, approved in Order No.
PSC-97-1537-FOF-GU issued December 8, 1997, in Docket No. 971389-
GU, expired on September 30, 1998. The Company does not currently
have authority from the Commission to issue securities. In Docket
No. 971389-GU, the Company filed an application to seek approval
for authority for NUI to issue securities for the twelve month
period ending September 30, 1998 on October 17, 1997. This is the
second year in a row that the Company has allowed its authority to
issue securities to lapse.

In addition to the applications relating to Docket Nos.
981378-GU and 971389-GU not being filed in a timely manner, the
Company's application in Docket No. 960547-GU had to be brought
before the Commission on three occasions due to Company requested
changes, modifications, and extensions. The final revision,

A TRUE COPY

Ray J. [Signature]

DOCUMENT NUMBER-DATE

13322 NOV 25 98

approved in Order No. PSC-97-0822-FOF-GU issued July 8, 1997, required a Special Agenda Conference to allow the Company to extend its authority an additional three months to take advantage of a refinancing opportunity.

Applications for authority to issue and sell securities are generally handled once a year as consent items at regular Agenda Conferences. We are concerned that the number of revisions and the lapses in the authority for City Gas and NUI to issue securities could result in the Company missing windows of opportunity to take advantage of favorable changes in market conditions.

In its application, City Gas requested authority for NUI to issue short-term notes in an amount up to \$110,000 and issue long-term notes in an amount up to \$40,000,000. However, in a letter dated October 28, 1998, signed by Daniel D. Richardson on behalf of the Company, Mr. Richardson noted that the amount of short-term indebtedness to be issued by NUI as shown in the application was in error. Rather than \$110,000 of short-term debt, NUI seeks authority to issue \$110,000,000 of short-term debt. With his letter, Mr. Richardson provided corrected pages which were substituted for the existing pages in the Company's application.

The stated purpose for the short-term debt for which NUI seeks authority would be to finance portions of NUI's construction programs and to refinance existing securities depending upon prevailing market conditions. The stated purpose for the long-term debt for which NUI seeks authority would be to finance portions of NUI's construction programs outside the State of Florida and proceeds would not be used within the State of Florida. The Company further represents that "the purposes for which NUI seeks authority to issue the described securities are consistent with and will not impair the proper performance by City Gas as a public utility."

NUI is rated BBB by Standard & Poor's (S&P). Staff's preliminary analysis of NUI's financial condition for the twelve months ended March 31, 1998, indicates that its equity ratio of 46.2% is above the mean and median for A rated gas distribution companies (LDCs) followed by S&P but its pre-tax interest coverage ratio of 2.1x is below the mean and median for this measure for BBB rated LDCs. Based upon this preliminary analysis, the issuance and sale of the above described securities should not impair the ability of City Gas to perform the services of a public utility.

ORDER NO. PSC-98-1581-FOF-GU
DOCKET NO. 981378-GU
PAGE 3

Our approval of the proposed issuance of securities by City Gas does not indicate specific approval of any rates, terms, or conditions associated with the issuance. Such matters are properly reserved for review by the Commission within the context of a rate proceeding. We approve the subject financing, but we retain the right to disallow any of the costs incurred for ratemaking purposes. Our approval of City Gas's application to issue and sell securities became effective November 17, 1998, upon our vote at Agenda Conference. This results in an effective period of November 17, 1998 through September 30, 1999.

It is therefore

ORDERED by the FLORIDA PUBLIC SERVICE COMMISSION that City Gas Company of Florida, a Division of NUI Corporation's application for authority to issue and sell securities for the twelve month period September 30, 1998 through September 30, 1999, with an effective period of November 17, 1998 to September 30, 1999, is approved. It is further

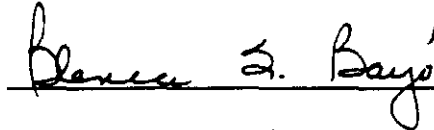
ORDERED that City Gas Company of Florida may issue and sell short-term notes in an amount up to \$110,000,000, as requested in City Gas Company of Florida's revised application pages. It is further

ORDERED that City Gas Company of Florida may issue long-term notes in an amount up to \$40,000,000. It is further

ORDERED that Pursuant to Rule 25-8.009, Florida Administrative Code, this docket should remain open until January 15, 2000.

ORDER NO. PSC-98-1581-FOF-GU
DOCKET NO. 981378-GU
PAGE 4

By ORDER of the Florida Public Service Commission this 25th
day of November, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

GAJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of Records and reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.



**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265**

OCT 16 1998

**IN REPLY PLEASE
REFER TO OUR FILE**

October 13, 1998

**MICHAEL D KLEIN
LEBOEUF LAMB GREENE & MACRAE
200 N THIRD ST SUITE 300
PO BOX 12105
HARRISBURG PA 17108-2105**

Abbreviated Securities Certificate of NUI Corporation for the issuance of a note, in a principal amount not to exceed \$40 million, to the New Jersey Economic Development Authority.

S-00980705

Date Filed: September 29, 1998

Dear Mr. Klein:

Please be advised that as of the date of this letter:

1. Pursuant to 52 Pa. Code § 3.602., no order of rejection has been entered by the Commission with respect to the above-captioned Abbreviated Securities Certificates; and
2. The Secretary has not extended the 10-day consideration period set forth in 52 Pa. Code § 3.602; and
3. No written order of the Commission has been entered pursuant to 66 Pa. C.S. § 1903 extending the 30-day consideration period established therein.

It is therefore the view of the Pennsylvania Public Utility Commission that the above-captioned Abbreviated Securities Certificate is deemed, in fact and in law, to have been registered pursuant to the provisions of 66 Pa. C. S. § 1903 and 52 Pa. Code § 3.602.

Very truly yours,

A handwritten signature in cursive script that reads "James J. McNulty".

James J. McNulty
Secretary

GIBBONS, DEL DEO, DOLAN, GRIFFINGER & VECCHIONE

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

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December 8, 1998

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New Jersey Economic Development Authority
36 West State Street
P.O. Box 990
Trenton, New Jersey 08625

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the New Jersey Economic Development Authority (the "Authority") of its 5.25% Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project), in the aggregate principal amount of \$40,000,000 (the "1998 Series A Bonds").

The 1998 Series A Bonds are being issued by the Authority pursuant to Chapter 80 of the Pamphlet Laws of the State of New Jersey of 1974, approved on August 7, 1974 as amended and supplemented (the "Act"), resolutions adopted by the Authority on June 9, 1998 and October 13, 1998 (the "Resolutions") and a Trust Indenture dated as of December 1, 1998 (the "Indenture") between the Authority and First Union National Bank, as trustee (the "Trustee").

The 1998 Series A Bonds are dated December 1, 1998, mature on November 1, 2033 and are subject to redemption prior to their maturity at the times, in the amounts and at the redemption prices described therein. The 1998 Series A Bonds bear interest at the rate of 5.25 % per annum.

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New Jersey Economic Development Authority
December 8, 1998
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The 1998 Series A Bonds are issued for the purpose of financing the acquisition, construction and equipping of certain gas facilities and functionally related equipment located in Union and Middlesex Counties, New Jersey (the "Project").

The Authority and NUI Corporation (the "Company") have entered into a Loan Agreement, dated as of December 1, 1998 (the "Loan Agreement") providing for the making of a loan by the Authority to the Company in an amount equal to the principal amount of the 1998 Series A Bonds, for the purpose of financing the costs of the Project. Pursuant to the Loan Agreement, the Company is obligated to make payments in amounts sufficient to pay when due the principal of and interest and any premium on the 1998 Series A Bonds.

As the basis for the opinions which are set forth below, we have examined executed counterparts of the Indenture, the Loan Agreement and the forms of the 1998 Series A Bonds. We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

Based upon the foregoing, we are of the opinion that:

1. The Authority has been duly created and is validly existing under the Act, and has full power and authority to enter into the Loan Agreement and the Indenture, to adopt the Resolution, to execute and deliver the Loan Agreement and the Indenture, to perform its obligations thereunder, to carry out all of the transactions contemplated thereby and to issue and sell the 1998 Series A Bonds.

2. Resolutions have been duly adopted by the Authority and the Loan Agreement and the Indenture have been duly and validly authorized, executed and delivered by the Authority, and, assuming due execution and delivery by the other parties thereto, each constitutes the legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its respective terms, except as may be limited by any applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights generally from time to time in effect and the scope of equitable remedies which may be available.

New Jersey Economic Development Authority

December 8, 1998

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3. The 1998 Series A Bonds have been duly and validly authorized, executed and delivered by the Authority. The 1998 Series A Bonds are legal, valid and binding, special and limited obligations of the Authority enforceable against the Authority in accordance with their terms, and the 1998 Series A Bonds are entitled to the benefits of the Indenture, except as may be limited by any applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights generally from time to time in effect and to the scope of equitable remedies which may be available.

4. The 1998 Series A Bonds are special and limited obligations of the Authority payable only from revenues and other moneys of the Authority derived from payments under the Loan Agreement, and neither the full faith and credit nor the taxing power of the State of New Jersey, or any political subdivision thereof, is pledged to the payment of the principal of, premium, if any, or interest on the 1998 Series A Bonds.

5. All of the right, title and interest of the Authority in the Loan Agreement (except certain rights reserved by the Authority under the terms of the Indenture) have been validly assigned and pledged to the Trustee under the Indenture.

6. Under existing statutes, regulations, rulings and court decisions, (a) interest on the 1998 Series A Bonds is not includable for Federal income tax purposes in the gross income of the owners of the 1998 Series A Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") except that no opinion is expressed as to such exclusion of interest on any 1998 Series A Bond for any period during which such 1998 Series A Bond is held by a person who, within the meaning of Section 147(a) of the Code is a "substantial user" of the facilities financed with the proceeds of the 1998 Series A Bonds or a "related person," and (b) the 1998 Series A Bonds are "specified private activity bonds," as such term is defined under Section 57 of the Code, and, as such, interest on the 1998 Series A Bonds is an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax for individuals and corporations. We express no opinion regarding any other Federal income tax consequences arising with respect to the 1998 Series A Bonds.

7. Based upon existing law, interest on the 1998 Series A Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act.

The Code imposes certain requirements which may have to be met or must be met on a continuing basis subsequent to the issuance of the 1998 Series A Bonds in order for interest on the 1998 Series A Bonds to be excluded from gross income for Federal income tax purposes

New Jersey Economic Development Authority
December 8, 1998
Page 4

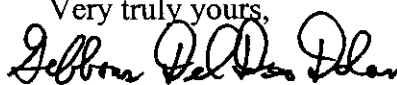
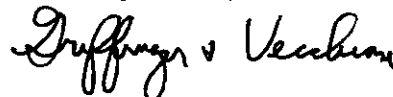
pursuant to Section 103 of the Code. The Authority and the Company have covenanted to comply with the provisions of the Code applicable to the 1998 Series A Bonds and have covenanted not to take any action or fail to take any action which would cause the interest on the 1998 Series A Bonds to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code. We have assumed continuing compliance by the Authority and the Company with the above covenants in rendering our opinion with respect to treatment of interest on the 1998 Series A Bonds for Federal income tax purposes.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the Authority other than the certified copies of the proceedings and proofs referred to hereinabove, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of said 1998 Series A Bonds.

The opinions stated herein are based upon current authorities, and there can be no assurance that future legislative or administrative changes or court decisions will not affect said opinions. We undertake no obligation to inform you of any matter occurring after the date of this letter which affects in any way the opinion given herein.

Except as stated above, we express no opinion as to any Federal or state tax consequences with respect to the 1998 Series A Bonds.

We have examined one of the executed 1998 Series A Bonds in registered form and, in our opinion, the form of said 1998 Series A Bond and its execution are regular and proper.

Very truly yours,



GIBBONS, DEL DEO, DOLAN, GRIFFINGER & VECCHIONE

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December 8, 1998

Merrill Lynch & Co.
World Financial Center
North Tower - 9th Floor
New York, New York 10281

First Union National Bank
21 South Street
Morristown, New Jersey 07960

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the New Jersey Economic Development Authority (the "Authority") of its \$40,000,000 Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project), dated December 1, 1998 (the "1998 Series A Bonds").

The 1998 Series A Bonds are authorized by bond resolutions of the Authority adopted on June 9, 1998 and on October 13, 1998 (the "Resolutions"), and are being issued under and secured by a Trust Indenture dated as of December 1, 1998 (the "Trust Indenture") by and between the Authority and First Union National Bank, as trustee. The proceeds of the 1998 Series A Bonds will be loaned to NUI Corporation (the "Company") pursuant to a Loan Agreement dated as of December 1, 1998, by and between the Authority and the Company (the "Loan Agreement").

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Merrill Lynch & Co.
First Union National Bank
December 8, 1998
Page 2

In our capacity as bond counsel, we have examined such documents, records of the Authority and other instruments as we deemed necessary to enable us to express the opinions set forth below, including original or certified copies of the Trust Indenture, the official statement dated December 3, 1998 prepared in connection with the sale of the 1998 Series A Bonds (the "Official Statement") and the accepted Form of Bid dated December 3, 1998, and the attached Terms of Purchase relating to the 1998 Series A Bonds (collectively, the "1998 Series A Agreement").

Based on the foregoing, we are of the opinion that:

1. The Official Statement and the 1998 Series A Agreement have been duly authorized, executed and delivered by the Authority. The descriptions and summaries of the 1998 Series A Bonds, the Loan Agreement and the Trust Indenture contained in the Official Statement under the captions "Introductory Statement", "The 1998 Series A Bonds", "The Loan Agreement", and "The Indenture" present a fair summary of the information purported to be described with respect thereto. Nothing has come to our attention which gives us reason to believe that such statements relating to the 1998 Series A Bonds, the Loan Agreement or the Trust Indenture under such captions or the statements relating to the tax-exempt status of the 1998 Series A Bonds contained in the Official Statement under the caption "Tax Matters", contain an untrue statement of a material fact or omit to state a material fact necessary in order to make such statements therein, in light of the circumstances under which they were made, not misleading.
2. The statements relating to the Authority contained in the Official Statement under the caption "The Authority" are correct in all material respects.
3. The execution and delivery by the Authority of the Loan Agreement, the Trust Indenture, the 1998 Series A Bonds and the 1998 Series A Agreement, and its performance thereunder will not violate any provisions of the Act.
4. The 1998 Series A Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933 (the "Securities Act") and Section 304(a)(4) of the Trust Indenture Act of 1939 (the "Trust Indenture Act"), and it is not necessary in connection with the offering and sale of the 1998 Series A Bonds to register the 1998 Series A Bonds under the Securities Act or to qualify the Trust Indenture under the Trust Indenture Act.

Very truly yours,

*Gibbons Del Deo Dolan
Griffinger & Vecchione*

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December 8, 1998

Merrill Lynch & Co.
World Financial Center
North Tower - 9th Floor
New York, New York 10281

First Union National Bank
21 South Street
Morristown, New Jersey 07960

Ladies and Gentlemen:

We deliver to you herewith a copy of our final approving opinion dated December 8, 1998, relating to the authorization and issuance of the \$40,000,000 5.25% Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project) of the New Jersey Economic Development Authority. You are entitled to rely on such opinion to the same extent as if it were addressed to you.

Very truly yours,
*Gibbons Del Deo Dolan
Griffinger & Vecchione*

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060471-33357

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IN ASSOCIATION WITH
TAVARES GUERREIRO ADVOGADOS

December 8, 1998

Merrill Lynch & Co.
World Financial Center
North Tower
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New York, New York 10281

Attention: Mr. Trevor McPherson

Re: \$40,000,000 Principal Amount of
New Jersey Economic Development Authority
5.25% Gas Facilities Revenue Bonds
1998 Series A (NUI Corporation Project)

Ladies and Gentlemen:

We, together with James R. Van Horn, Vice President, General Counsel for and Secretary of NUI Corporation, a New Jersey corporation (the "Company"), have acted as counsel to the Company in connection with the issuance and sale by the New Jersey Economic Development Authority (the "Issuer") of \$40,000,000 principal amount of its 5.25% Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project) (the "Bonds"), to you under a Bid and Terms of Purchase, dated December 3, 1998 between the Issuer, the Company and you (the "Bond Purchase Agreement"). This opinion is rendered to you at the request of the Company.

In our capacity as such counsel, we have either participated in the preparation of, or have examined and are familiar with: (a) the Company's Amended and Restated Certificate of Incorporation and By-Laws, each as amended; (b) the Indenture; (c) the Loan Agreement; (d) the Continuing Disclosure Agreement; and (e) the proceedings before the New Jersey Board of Public Utilities (the "BPU"), the Florida Public Service Commission (the "FPSC") and the Pennsylvania Public Utility Commission (the "PPUC") relating to the proposed transaction. We have also examined such other documents and have satisfied ourselves as to such other matters as we have deemed necessary in order to render this opinion. We have also participated

December 8, 1998

Page 2

in the preparation of, or have examined and are familiar with, the Official Statement, dated December 3, 1998, including the appendices thereto and the documents incorporated by reference therein, relating to the Bonds (the "Official Statement"). We have not examined the Bonds, except a specimen thereof, and we have relied upon a certificate of the Trustee as to the execution and authentication thereof. Capitalized terms used herein but not defined herein have the meanings set forth in the Bond Purchase Agreement.

In rendering the opinions expressed below, we have also assumed: (i) the valid existence of all parties to the Loan Agreement and Continuing Disclosure Agreement (other than the Company); (ii) the legal right and power of each such other party under all applicable laws, regulations and organizational documents to execute, deliver and perform their respective obligations under the Loan Agreement and the Continuing Disclosure Agreement; and (iii) the due authorization, execution, and delivery by each such other party of the respective Loan Agreement and Continuing Disclosure Agreement to which they are parties .

Subject to the foregoing and to the further exceptions and qualifications set forth below, we are of the opinion that:

1. The Loan Agreement and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the Company and (assuming they are valid and legally binding obligations of the other parties thereto) are valid and legally binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as limited by bankruptcy, insolvency, fraudulent conveyance, reorganization or other laws affecting the enforcement of creditors' rights and by general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).
2. The Bond Purchase Agreement and the 1998 Series A Letter of Representations have been duly authorized, executed and delivered by the Company.
3. The offer and sale of the Bonds do not require registration of any security on which the Company is the obligor under the Securities Act of 1933, and the Indenture is not required to be qualified under the Trust Indenture Act of 1939.
4. The statements contained in the Official Statement under the headings "The 1998 Series A Bonds" (except the statements under the subheading "The DTC Book-Entry-Only System"), "The Loan Agreement", "The Indenture" and "Continuing Disclosure", insofar as such statements summarize the provisions of the documents referred to therein, accurately and fairly present the information purported to be shown.
5. Appropriate orders have been issued by the BPU, the FPSC and the PPUC authorizing the execution, delivery and performance by the Company of the Loan Agreement, and the Continuing Disclosure Agreement, and such orders, to the best of our knowledge, remain in effect; such orders are sufficient for the execution and delivery by the Company of the Loan Agreement and the Continuing Disclosure Agreement and no other approval or consent of any governmental body (other than in connection or compliance with the provisions of the securities or blue sky laws of any jurisdiction) is legally required for the execution, delivery and performance by the Company of the Loan Agreement and the Continuing Disclosure Agreement.

December 8, 1998

Page 3

6. The Company is a regulated public utility corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey, has all corporate power and authority necessary to conduct its business as the same is described in the Official Statement, is duly qualified to conduct such business in the States of Florida and the Commonwealth of Pennsylvania, and has adequate, valid and subsisting franchises, licenses and permits for the conduct of such business in such States, such States being the only jurisdictions in which the conduct of its business requires qualification.

While we have, for purposes of this opinion, examined and are familiar with the Official Statement, we do not necessarily assume the correctness and completeness of the statements made or furnished by the Company and information included in the Official Statement and take no responsibility therefor except as set forth in paragraph 4 above. In the course of preparation of this opinion and the Official Statement, we had conferences with certain officers, employees and representatives of the Company, with other counsel for the Company, with Bond Counsel, with your representatives and counsel and with the independent certified public accountants of the Company who examined certain of the financial statements included, or incorporated by reference, in the Official Statement. Our examination of the Official Statement and our discussions in the above-mentioned conferences did not disclose to us any information that gives us reason to believe that the Official Statement at the date hereof (except the information contained therein under the headings "The Authority", "Tax Matters" and "The 1998 Series A Bonds-The DTC Book-Entry-Only System" and in Appendix B, and other than the financial statements and other financial and statistical data included, or incorporated by reference, therein, as to all of which we express no opinion herein) contains any 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.

We are members of the Bars of the States of Florida and New Jersey and the Commonwealth of Pennsylvania and do not hold ourselves out as experts on the laws of any other state. Accordingly, as to matters involving the laws of the States Maryland, New York and North Carolina, we have, with your approval, relied upon the opinion of James R. Van Horn, Esq., Vice President, General Counsel and Secretary of the Company. We have not examined and are not passing upon matters relating to the incorporation of the Company. In rendering the opinion of paragraph 3, we have, with your approval, relied upon an opinion of even date herewith of Bond Counsel that, to the extent stated therein, interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes.

In rendering the foregoing opinions we wish to advise you that our engagement has been limited to specific matters as to which we were consulted by the Company, and there may exist matters of a legal or factual nature with respect to the Company as to which we have not been consulted and have no knowledge. We have, however, undertaken such review as we deem necessary in order to render the foregoing opinions.

We wish to point out that provisions of the Loan Agreement that permit Authority and the Bond Purchase Agreement that permit you to take action or make determinations, or provide for indemnities or similar undertakings of the Company in favor of the Trustee or for limitations of their liability to the Company or other persons, may be subject to requirements that such action be taken or such determinations be made, or that any action or inaction by the Authority or you that may give rise to a claim under such indemnities or similar undertakings or to such liability, be taken or not taken, on a reasonable basis and in good faith or may

December 8, 1998
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otherwise be limited by public policy.

The opinion set forth above is solely for the benefit of the addressee of this letter in connection with the Bond Purchase Agreement and the transaction contemplated thereunder, and may not be relied upon in any manner by any other person or for any other purpose without our prior written consent.

This opinion relates solely to matters existing as of the date hereof and we disclaim any obligation to revise this opinion based on facts or events coming to our attention after the date of this opinion.

Very truly yours,

LeBoeuf, Lamb, Greene & MacRae, L.L.P.
LEBOEUF, LAMB, GREENE & MACRAE, L.L.P.

McMANIMON & SCOTLAND, L.L.C.

ATTORNEYS AT LAW

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December 8, 1998

First Union National Bank
Morristown, New Jersey

Gibbons, Del Deo, Dolan, Griffinger & Vecchione
Newark, New Jersey

New Jersey Economic Development Authority
Trenton, New Jersey

Ladies and Gentlemen:

We have acted as counsel to First Union National Bank (the "Trustee"), a national banking association organized and existing under the laws of the United States with trust powers in the State of Jersey and having a corporate trust office in Morristown, New Jersey, in connection with the Trustee's acceptance of the offices of trustee, paying agent and registrar and the performance by the Trustee of the obligations created under the Trust Indenture by and between the New Jersey Economic Development Authority (the "Authority") and the Trustee, dated as of December 1, 1998 (the "Indenture") regarding the issuance of the Authority's Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project) in the aggregate principal amount of \$40,000,000 (the "Bonds").

In our capacity as counsel to the Trustee, we have examined certificates of public officials, bank officers or other representatives of the Trustee, such documents and records and such statutes, regulations and judicial decisions as exist on the date hereof as we deemed relevant and necessary as the basis for the opinions expressed herein. In such examinations, we have assumed the genuineness of all signatures and the conformity to original documents of all copies submitted to us as certified or conformed copies.

Based upon the foregoing, we are of the opinion that:

1. The Trustee is a banking corporation duly organized and validly existing under the laws of the United States and is authorized to do business and in good standing under the laws of the State of New Jersey.
2. The Trustee is duly authorized and empowered to serve as trustee, paying agent and registrar under the Indenture and to discharge the duties and responsibilities imposed upon it under the provisions of and to accept the trust contemplated by the Indenture.
3. The Trustee has duly accepted the trust contemplated by the Indenture.

First Union National Bank
New Jersey Economic Development Authority
Gibbons, Del Deo, Dolan, Griffinger & Vecchione
December 8, 1998
Page 2

4. The Trustee has duly authorized all necessary actions to be taken by it for the execution, delivery and performance of the Indenture and the authentication of the Bonds.

5. The Indenture is a legal, valid and binding obligation of the Trustee and, assuming the due authorization, execution and delivery thereof by the other party thereto, is enforceable against the Trustee in accordance with its terms.

6. The acceptance by the Trustee of the duties and obligations of the offices of trustee, paying agent and registrar under the terms of the Indenture and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any law or administrative regulation or the Trustee's articles of incorporation or by-laws.

7. All approvals, consents and orders of any governmental authority or agency having jurisdiction in the manner which would constitute a condition precedent to the performance by the Trustee of its obligations under the terms of the Indenture have been obtained and are in full force and effect.

8. The Bonds have been duly authenticated by the Trustee.

The foregoing opinions are subject to the following exceptions, qualifications and limitations:

1. The foregoing opinion regarding the enforceability of the Indenture, and to the extent applicable, the security interests created thereby, are subject to: (a) bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance, bulk sales, and other similar laws and equitable principles relating to or affecting the rights of creditors and secured parties generally or providing for the relief of debtors, (b) the refusal of a particular court to grant (i) equitable remedies, including without limitation the remedy of specific performance or injunctive relief or (ii) a particular remedy sought by the Trustee under the Indenture as opposed to another remedy provided for therein or another remedy available at law or in equity, and (c) general principles of equity, including, without limitation, the concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether such remedies are sought in a proceeding in equity or at law).

2. Without limiting the foregoing, we express no opinion as to (a) any limitations based on statute or public policy limiting a person's right to waive the benefits of statutory provisions or common law rights, (b) any provision relating to indemnification to the extent prohibited by public policy, and (c) the enforceability of (i) any non-judicial foreclosure or sale or other self-help remedies provided for in the Indenture, (ii) provisions which purport to restrict access to legal or equitable remedies or waive any rights or which purport to establish evidentiary standards, and (iii) provisions relating to subrogation rights, suretyship, delay or omission of enforcement of rights or remedies, agreements to agree on future matters, waivers or ratification of future acts, prohibitions against the transfer, alienation or hypothecation of property, severance, consent judgments or marshaling of assets.

First Union National Bank
New Jersey Economic Development Authority
Gibbons, Del Deo, Dolan, Griffinger & Vecchione
December 8, 1998
Page 3

3. Our opinion is limited to the date hereof and we do not undertake to advise you of any facts or circumstances occurring or coming to our attention subsequent to the date hereof.

4. We are admitted to practice law in the State of New Jersey, and we express no opinion as to the applicable laws of any jurisdiction other than those of the State of New Jersey and the United States of America.

5. This opinion may be relied upon only by you and may not, without our prior written consent, be relied upon in any manner, or used by any other person.

Very truly yours,

McManimon & Scotland, L.L.C.

WINTHROP, STIMSON, PUTNAM & ROBERTS

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CITIBANK PLAZA
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December 8, 1998

Merrill Lynch & Co.
World Financial Center
North Tower, 9th Floor
New York, New York 10281

Ladies and Gentlemen:

We have acted as counsel for you in connection with your several purchases from the New Jersey Economic Development Authority (the "Authority") of \$40,000,000 aggregate principal amount of the Authority's 5.25% Gas Facilities Refunding Revenue Bonds, 1998 Series A (NUI Corporation Project) (the "1998 Series A Bonds"), pursuant to the accepted 1998 Series A Bid, dated December 3, 1998, and the attached Terms of Purchase (collectively, the "1998 Series A Agreement") among the Authority, NUI Corporation, a New Jersey corporation (the "Company"), and you.

We have examined the documents delivered at the Closing and such other documents and certificates, and have conducted such further investigation, as we deemed necessary to enable us to express this opinion. We have not examined the 1998 Series A Bonds, except a specimen thereof, and have relied upon a certificate of First Union National Bank, as trustee (the "Trustee") under a Trust Indenture dated as of December 1, 1998 between the Authority and the Trustee (the "Indenture"), as to the due authentication and delivery thereof. Capitalized terms used herein and not otherwise defined herein have the meanings assigned thereto in the 1998 Series A Agreement.

We are members of the New York bar and, for purposes of this opinion, do not hold ourselves out as experts on the laws of any jurisdiction other than the State of New York and the United States of America. We have, with your consent, relied upon an opinion of even date herewith addressed to you by James R. Van Horn, Vice President, General Counsel and Secretary of the Company, as to all matters of New Jersey law related to this opinion.

With respect to the opinion expressed in paragraph 1 below, we have assumed the correctness of the opinions of even date herewith addressed to you by Gibbons, Del Deo, Dolan, Griffinger & Vecchione, as Bond Counsel, that interest on the 1998 Series A Bonds, to the extent stated therein, will be excluded from the gross income of the owners thereof for federal income tax purposes. As to various questions of fact material to this opinion, we have relied upon representations of the Company and statements in the Official Statement under the headings "THE 1998 SERIES A BONDS", "THE LOAN AGREEMENT" and "THE INDENTURE."

Subject to the foregoing and to the further exceptions and qualifications set forth below, we are of the opinion that:

1. The 1998 Series A Bonds constitute exempted securities under the Securities Act of 1933 and it is not necessary in connection with the offering, sale and delivery of the 1998 Series A Bonds to register the 1998 Series A Bonds under the Securities Act of 1933 or to qualify the Indenture under the Trust Indenture Act of 1939.
2. The statements made in the Official Statement under "THE LOAN AGREEMENT" insofar as they purport to constitute a summary of the terms of the document referred to therein constitute an accurate summary of the terms of the document in all material respects.
3. The Loan Agreement has been duly authorized, executed and delivered by the Company and constitutes a legal, valid and binding instrument of the Company enforceable against the Company in accordance with its terms, except as limited by bankruptcy, insolvency, fraudulent conveyance, reorganization or other similar laws affecting enforcement of creditors' rights and general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).
4. The 1998 Series A Agreement and the 1998 Series A Letter of Representation have been duly authorized, executed and delivered by the Company.

While we have, for purposes of this opinion, examined and are familiar with the Official Statement, we necessarily assume the correctness and completeness of the statements made or furnished by the Company and information included, or incorporated by reference, in the Official Statement and take no responsibility therefor, except as set forth in paragraph 2 above or insofar as such statements relate to us. We did not participate in the preparation of any of the documents incorporated by reference in the Official Statement or Appendix A thereto (the "Incorporated Documents"). In the course of the preparation of the Official Statement (excluding the Incorporated Documents), we had conferences with certain officers, employees and representatives of the Company, with Arthur Andersen LLP, the independent certified public accountants of the Company who examined certain of the financial statements included, or incorporated by reference, in the Official Statement or Appendix A thereto, with your representatives, with counsel for the Company and with Gibbons, Del Deo, Dolan, Griffinger & Vecchione, as Bond Counsel. Our examination of the Official Statement and our discussions in the above-mentioned conferences did not disclose to us any information which gives us reason to believe that the Official Statement (other than the information contained therein under the headings "THE AUTHORITY", "THE 1997 SERIES A BONDS - The DTC Book-Entry-Only System", "TAX MATTERS" and in Appendix B thereto and other than the financial statements and other financial and statistical data included, or incorporated by reference, therein, as to all of which we express no opinion), on the date hereof, 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 is solely for your benefit in connection with the 1998 Series A Agreement and the transactions contemplated thereunder and may not be relied upon in any manner by any other person or for any other purpose without our prior written consent.

Very truly yours,

Winter, Stinson, Putnam & Roberts



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www.nui.com

NUI Corporation (NYSE: NUI)

December 8, 1998

Merrill Lynch & Co.
World Financial Center
North Tower
9th Floor
New York, New York 10281

Attention: Mr. Trevor McPherson

Re: \$40,000,000 Principal Amount of
New Jersey Economic Development Authority
5.25 % Gas Facilities Revenue Bond
1998 Series A (NUI Corporation Project)

Ladies and Gentlemen:

I, together with LeBeouf, Lamb, Greene & MacRae, L.L.P., of Newark, New Jersey, have acted as counsel to NUI Corporation, a New Jersey corporation (the "Company"), in connection with the issuance and sale by the New Jersey Economic Development Authority (the "Issuer") of \$40,000,000 principal amount of its 5.25% Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project) (the "Bonds") to you, under a Bid and Terms of Purchase, dated December 3, 1998, between the Company, the Issuer and you (the "Bond Purchase Agreement"). This opinion is rendered to you at the request of the Company.

In my capacity as such counsel, I have either participated in the preparation of or have examined originals, or copies duly certified or otherwise authenticated to my satisfaction, of and am familiar with: (a) the Company's Amended and Restated Certificate of Incorporation and By-Laws, each as amended; (b) the Indenture; (c) the Loan Agreement; (d) the Continuing Disclosure Agreement; and (e) the proceedings before the New Jersey Board of Public Utilities (the "BPU"), the Florida Public Service Commission (the "FPSC") and the Pennsylvania Public Utility Commission (the "PPUC") relating to the proposed transaction. I have also examined or caused to be examined such records of the Company, certificates of public officials and officers of the Company, and other documents, instruments and agreements, and have satisfied myself as to

NUI Companies and Affiliates:

City Gas Company of Florida
Elizabethtown Gas
Elkton Gas
North Carolina Gas

NUI Capital Corp.
NUI Energy
NUI Energy Brokers
NUI Environmental Group

TIC Enterprises, LLC
Utility Business Services
Valley Cities Gas
Waverly Gas

December 8, 1998

Page 2

such other matters, as I have deemed necessary for the purpose of rendering the opinions set forth herein. I have also participated in the preparation of, or have examined and am familiar with, the Official Statement, dated December 3, 1998, including the appendices thereto and the documents incorporated by reference therein, relating to the Bonds (the "Official Statement"). I have not examined the Bonds, except a specimen thereof, and have relied upon a certificate of the Trustee as to the execution and authentication thereof. Capitalized terms used herein but not defined herein have the meanings set forth in the Bond Purchase Agreement.

Subject to the foregoing and to the further exceptions and qualifications set forth below, I am of the opinion that:

1. The Company is a regulated public utility corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey, has all corporate power and authority necessary to conduct its business as the same is described in the Official Statement, is duly qualified to conduct such business in the States of Florida, Maryland, New York and North Carolina and the Commonwealth of Pennsylvania, and has adequate, valid and subsisting franchises, licenses and permits for the conduct of such business in such States, such States being the only jurisdictions in which the conduct of its business requires qualification.

2. The Loan Agreement and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the Company and (assuming they are valid and legally binding obligations of the other parties thereto) are valid and legally binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as limited by bankruptcy, insolvency, fraudulent conveyance, reorganization or other laws affecting the enforcement of creditors' rights and by general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).

3. The Bond Purchase Agreement and the 1998 Series A Letter of Representations have been duly authorized, executed and delivered by the Company.

4. The execution, delivery and performance by the Company of the Loan Agreement and the Continuing Disclosure Agreement and the consummation of the transactions contemplated thereby will not conflict with or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, any corporate restriction or any indenture, agreement or instrument to which the Company is bound, any order, rule or regulation applicable to the Company of any court, federal or state regulatory body, administrative agency or other governmental body having jurisdiction over the Company or any of its properties or operations, or (except as contemplated thereby) will not result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Company under the terms of any such restriction, indenture, agreement, instrument, order, rule or regulation.

5. Appropriate orders have been issued by the BPU, the FPSC and the PPUC authorizing the execution, delivery and performance by the Company of the Loan Agreement and the Continuing Disclosure Agreement, and such orders, to the best of my knowledge, remain in effect; such orders

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are sufficient for the execution and delivery by the Company of the Loan Agreement and the Continuing Disclosure Agreement and no other approval or consent of any governmental body (other than in connection or compliance with the provisions of the securities or blue sky laws of any jurisdiction) is legally required for the execution, delivery and performance by the Company of the Loan Agreement and the Continuing Disclosure Agreement.

6. The statements contained in the Official Statement under the headings "The 1998 Series A Bonds" (except for the statements under the subheading "The DTC Book-Entry-Only System"), "The Loan Agreement", "The Indenture" and "Continuing Disclosure", insofar as such statements summarize the provisions of the documents referred to therein, accurately and fairly present the information purported to be shown.

I have not independently verified the accuracy, completeness or fairness of the statements made or included in the Official Statement and take no responsibility therefor, except as and to the extent set forth in paragraph 6 above. In the course of preparation of this opinion and the Official Statement, I have conferred with certain officers, employees and representatives of the Company and other counsel for the Company, with Bond Counsel, with your representatives and counsel and with the independent certified public accountants of the Company who examined certain of the financial statements included, or incorporated by reference, in the Official Statement. My examination of the Official Statement and my discussions in the above-mentioned conferences did not disclose any information that gives me reason to believe that the Official Statement at the date hereof (except the information contained therein under the headings "The Authority", "The 1998 Series A Bonds - The DTC Book-Entry-Only System" and "Tax Matters" and in Appendix B and other than the financial statements and other financial and statistical data included, or incorporated by reference, therein, as to all of which I express no opinion herein) contains any 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.

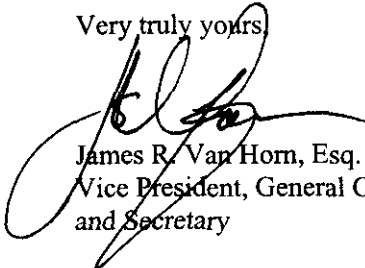
My opinions are expressed as of the date hereof, and I do not assume any obligation to update or supplement them to reflect any fact or circumstance that hereafter comes to my attention, or any change in law that hereafter occurs.

I am a member of the Bar of the State of New Jersey and do not hold myself out as an expert on the law of any other state for the purpose of this opinion. In rendering the opinions in paragraphs 1 and 5, as to matters involving the application of the laws of the States of Maryland, New York and North Carolina, I have, with your approval, relied upon opinions of local counsel to the Company that have been furnished to you herewith and in rendering this opinion in paragraphs 1 and 5 as to matters involving the application of the laws of the State of Florida and the Commonwealth of Pennsylvania, I have, with your approval, relied upon opinion of LeBoeuf, Lamb, Greene & MacRae; I believe that such opinions are satisfactory and that you are justified in relying thereon.

December 8, 1998
Page 4

The opinions set forth above are solely for the benefit of the addressee hereof in connection with the Bond Purchase Agreement and the transactions contemplated thereunder and may not be relied upon in any manner by any other person or for any other purpose without my prior written consent, except that Winthrop, Stimson, Putnam & Roberts may rely upon this opinion as to all matters of New Jersey law in rendering their opinions of even date herewith.

Very truly yours,



James R. Van Horn, Esq.
Vice President, General Counsel
and Secretary

AMOS, JEFFRIES & ROBINSON, L.L.P.

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December 8, 1998

James R. Van Horn, Esquire
General Counsel and Secretary
NUI Corporation
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Bedminster, New Jersey 07921-0760

LeBoeuf, Lamb, Greene & Macrae, L.L.P.
One River Front Plaza
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Merrill Lynch & Co.
Attention: Mr. Trevor McPherson
World Financial Center
North Tower, 9th Floor
New York, New York 10281

Winthrop, Stimson, Putnam & Robert
One Battery Park Plaza
New York, New York 10004-1490

Re: \$40,000,000 New Jersey Economic Development Authority, Gas Facilities
Revenue Bonds, 1998 Series A

Ladies and Gentlemen:

We have acted as special North Carolina counsel for NUI Corporation, a New Jersey corporation ("NUI" or the "Company") in connection with the sale on the date hereof of \$40,000,000 aggregate principal amount of New Jersey Economic Development Authority, Gas Facilities Revenue Bonds, 1998 Series A ("1998 Series A Bonds").

In giving the opinions set forth below, we have relied on certifications and representations provided to us by public officials, including certifications from the Secretary of State of North Carolina and the North Carolina Utilities Commission. As to matters of fact which form the basis of any opinion set forth below, we have relied solely on certifications and representations of officers and employees of the Company and upon information contained in the Trust Indenture, the Loan Agreement, the 1998 Series A Bond Purchase Agreement and such other documents and instruments as we have deemed necessary or appropriate. Subject to the qualifications and limitations set forth herein, we are of the opinion that:

1. The Company is duly qualified to do business in the state of North Carolina, and has full power and authority under the laws of the state of North Carolina to transact the business in which it is engaged in the state of North Carolina and to own and operate the properties used by it in such business.
2. No approval or consent is required to be obtained, nor is any filing with any governmental authority required to be made by the Company under the laws of the State of North Carolina in connection with the execution, delivery and

performance of the Loan Agreement, the 1998 Series A Bond Purchase Agreement or the consummation of the transactions contemplated thereby; provided, however, that we express no opinion with respect to the necessity for any qualification or other action under the Blue Sky or securities laws of any jurisdiction.

The foregoing opinion and all statements set forth in this letter are expressly limited and qualified as follows:

- a. The opinions expressed herein are limited to matters of North Carolina law. No opinion is expressed as to any matter which is governed by the laws of any other jurisdiction.
- b. Except to the extent expressly stated herein, we have not undertaken any independent investigation or inquiry to determine the existence or absence of any facts, and no inference as to our knowledge of the existence of facts *should be drawn from the fact of our representation of the Company as North Carolina local counsel.*
- c. Our opinions are limited to the matters expressly stated herein, and no opinion may be inferred or implied beyond the matters expressly stated.
- d. We have performed no independent factual investigation and therefore express no opinion with respect to compliance by the Company or of any of its subsidiaries or of any other person with any Environmental Laws. For purposes of this opinion, Environmental Laws shall be deemed to include any local, state, or federal statute, regulation, rule, order, approval, license, permit, authorization, certification or ordinance which regulates, controls or manages (1) the generation, use, storage, treatment or disposal of hazardous materials, hazardous substances, hazardous wastes, toxic substances, oils and solid wastes (however such terms may be defined under any Environmental Laws), (2) the discharge of pollutants into the waters of the state of North Carolina or of the United States, (3) the discharge of any air emissions, (4) the release or discharge of any substance into land, and (5) the use of any water, air or land resources.
- e. We express no opinion with respect to compliance by the Company or any of its subsidiaries or any other person with respect to any federal or state tax laws or regulations, or as to the priority, perfection or enforceability of any lien or security interest that may be provided for in the 1998 Series A Bond Purchase Agreement or Loan Agreement.
- f. *Our opinions herein are delivered solely for your benefit. No other person shall be entitled to rely on our opinions herein, and you are not entitled to rely on such opinions in any other context. No copy of this letter or any portion thereof may be delivered to any other person without our prior written consent.*

James R. Van Horn, *et al.*

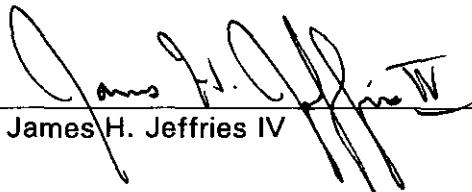
December 8, 1998

Page 3

- g. Our opinions herein are limited to matters in existence as of the date hereof, and we undertake no responsibility to revise or supplement this letter or our opinions herein to reflect any change in the laws or facts after the date hereof.

Amos, Jeffries & Robinson, L.L.P.

By:


James H. Jeffries IV

PIPER & MARBURY

L.L.P.

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FAX: 410-539-0489

WASHINGTON
NEW YORK
PHILADELPHIA
EASTON

December 8, 1998

James R. Van Horn, Esquire
General Counsel and Secretary
NUI Corporation
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Bedminster, New Jersey 07921-0760

Lebouf, Lamb, Greene & MacRae, L.L.P.
One Riverfront Plaza
Newark, New Jersey 07102-5490

Merrill Lynch & Co.
World Financial Center
North Tower, 9th Floor
New York, New York 10281
Attention: Mr. Trevor McPherson

Winthrop, Stimson, Putnam & Robert
One Battery Park Plaza
New York, New York 10004-1490

Re: \$40,000,000 New Jersey Economic Development Authority,
5.25% Gas Facilities Refunding Revenue Bonds, 1998
Series A (NUI Corporation Projects)

Ladies and Gentlemen:

We have acted as local counsel to NUI Corporation ("the Company"), a New Jersey corporation, in connection with the sale on the date hereof of \$40,000,000 aggregate principal amount of New Jersey Economic Development Authority (the "Authority") 5.25% Gas Facilities Refunding Revenue Bonds, 1998 Series A (NUI Corporation Projects) (the "1998 Series A Bonds") to the Purchasers under the 1998 Series A Agreement. The proceeds of the 1998 Series A Bonds will be loaned by the

December 8, 1998

Page 2

Authority to NUI Corporation, a New Jersey corporation (the "Company"), pursuant to a Loan Agreement dated as of December 1, 1998, between the Authority and the Company (the "Loan Agreement"). The 1998 Series A Bonds will be payable from amounts payable by the Company to First Union National Bank (the "Trustee") under the Loan Agreement, which correspond to the principal, redemption premium, if any, and interest payments on the 1998 Series A Bonds, provided that such payments will be reduced to the extent that other moneys on deposit with the Trustee are available for such purpose at the respective times such payments on the 1998 Series A Bonds are due. The 1998 Series A Bonds are being used to provide funds for the acquisition, construction and equipping of certain gas facilities and functionally related and subordinate equipment including supply mains, distribution mains, service lines, meters and miscellaneous equipment located in Union and Middlesex Counties, New Jersey.

In such capacity, we have examined originals or copies, identified to our satisfaction, of the 1998 Series A Agreement, the Loan Agreement, the Continuing Disclosure Agreement (as defined in the 1998 Series A Agreement) and such other documents and instruments as we have deemed necessary or appropriate. We have also examined such certificates, documents and records of officers of the Company and public officials as we have deemed necessary in connection with the opinions hereinafter set forth.

Based upon the foregoing, we are of the opinion that:

1. The Company is duly qualified to do business in the State of Maryland and has full power and authority under the laws of the State of Maryland to transact the business in which it is engaged in the State of Maryland and to own and operate the properties used by it in such business.

2. No approval or consent is required to be obtained, nor is any filing with any governmental authority required to be made, by the Company under the laws of the State of Maryland in connection with the execution, delivery and performance of the Loan Agreement, the Continuing Disclosure Agreement or the 1998 Series A Agreement or the consummation of the transactions contemplated thereby; provided, however, that we express no opinion with respect to the necessity for any qualification or other action under the Blue Sky or securities laws of any jurisdiction.

Very truly yours,

Piper & Marbury L.L.P.

Cullen and Dykman
177 Montague Street
Brooklyn, New York 11201-3611

(718) 855-9000
Fax (718) 855-4282

December 7, 1998

Merrill Lynch & Co.
North Tower
9th Floor
New York, New York 10281
Attn: Mr. Trevor McPherson

LeBoeuf, Lamb, Greene & MacRae, L.L.P.
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One Battery Park Plaza
New York, New York 10004-1490

James R. Van Horn, Esquire
Vice President and General Counsel
NUI Corporation
550 Route 202-206
Bedminster, New Jersey 07921

Ladies and Gentlemen:

We have acted as special New York Counsel to NUI Corporation, a New Jersey Corporation ("the Company"), in connection with the sale of \$40,000,000 aggregate principal amount of New Jersey Economic Development Authority ("the Authority") Gas Facilities Revenue Bonds, 1998 Series A (the "1998 Series A Bonds"). Pursuant to a loan agreement between the Company and the Authority dated December 1, 1998 (the "Loan Agreement"), the Authority is lending the proceeds of the sale of certain 1998 Series A Bonds, other than accrued interest, to the Company to finance the costs of the acquisition, construction and equipping of certain gas facilities and functionally related equipment including supply mains, distribution mains, service lines, meters and miscellaneous equipment within the Counties of Union and Middlesex, New Jersey.

In such capacity, we have examined originals or copies, identified to our satisfaction, of the Loan Agreement, dated December 1, 1998; the Trust Indenture, dated December 1, 1998; the Official Statement, dated December 3, 1998, the Form of Bid, dated December 3, 1998 and the Statement of Terms and Conditions Relating to Bids, dated November 25, 1998, and such other documents and instruments as we have deemed necessary or appropriate. In addition, we have examined and relied as to matters of fact upon originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the Company, and have made such other and further investigations, as we have deemed relevant and necessary as a basis for the opinions hereinafter set forth. Specifically, we have relied upon the representation of the Company's Vice President and Treasurer, Robert Lurie, that none of the proceeds from the sale of the 1998 Series A Bonds will be used to finance the Company's utility operations in the State of New York, and the previous opinion of the General Counsel of the Public Service Commission of the State of New York (the "Commission") to the effect that the approval of the Commission is not required under similar circumstances.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of such letter documents.

Based upon the foregoing and subject of the qualifications and limitations stated therein, we are of the opinion that:

1. The Company is duly qualified as a foreign corporation to transact business and is in good standing in the State of New York, has full power and authority under the laws of the State of New York to transact the business in which it is engaged in the State of New York and to own and operate the properties used by it in such business.

2. No approval or consent is required to be obtained, nor is any filing with any governmental authority required to be made, by the Company under the laws of the State of New York in connection with the execution, delivery and performance of the Loan Agreement or the consummation of the transactions contemplated thereby; provided, however, that we express no opinion with respect to the necessity for any qualification or other action under the Blue Sky or securities laws of any jurisdiction of the United States of America.

December 7, 1998

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We express no opinion regarding any law other than the law of the State of New York. This letter may be relied upon by you only in connection with the transactions contemplated by the Loan Agreement and may not be relied upon by any other person for any purpose whatsoever.

Yours truly,

Cullen and Dykman
Cullen and Dykman

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

to

FIRST UNION NATIONAL BANK,

as Trustee

TRUST INDENTURE

Dated as of December 1, 1998

Gas Facilities Revenue Bonds, 1998 Series A

(NUI Corporation Project)

TRUST INDENTURE
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THIS TRUST INDENTURE, dated as of December 1, 1998, between NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY (the "Authority"), a public body corporate and politic constituting an instrumentality of the State of New Jersey, and FIRST UNION NATIONAL BANK, as Trustee (together with any successor thereto, the "Trustee"), a national banking corporation organized, existing and authorized to accept and execute trusts of the character herein set out, having a corporate trust office at Newark, New Jersey.

RECITALS

A. In furtherance of the statutory purposes of the New Jersey Economic Development Authority Act, Chapter 80 of the Laws of New Jersey, 1974 (N.J.S.A. 34:1B-1 et seq.) (as the same may be amended from time to time, the "Act"), the Authority has entered into a Loan Agreement dated as of December 1, 1998 (as the same may be amended or supplemented from time to time as permitted therein, the "Agreement"), with NUI Corporation (together with any successor permitted under the Agreement, the "Company") providing for the undertaking by the Authority of the financing of the costs of the acquisition, construction and equipping by the Company of certain gas facilities and functionally related and subordinate equipment, including supply mains, distribution mains, service lines, meters and miscellaneous equipment located in Union and Middlesex Counties, New Jersey (the "Project"). The Authority has found that the Project constitutes, for the purposes of the Act, properties real or personal used or useful in the distribution of gas and a "project" under the Act. Further, based on representations made by the Company, the Authority has determined that the financing, construction and improvement of the Project, as provided under the Agreement, will tend to promote the employment and general welfare of the residents of the State of New Jersey.

B. The Agreement provides that to finance the Costs of the Project, the Authority will issue and sell its Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project) in the aggregate principal amount of \$40,000,000 (the "1998 Series A Bonds"); that the Authority will loan the proceeds of such 1998 Series A Bonds to the Company, to be repaid at maturity and bear interest over the life of such 1998 Series A Bonds, such payments to equal the payments of the debt service on such 1998 Series A Bonds.

C. The execution and delivery of this Trust Indenture (as the same may be amended or supplemented from time to time as permitted herein, the "Indenture") have been in all respects duly and validly authorized by resolution duly adopted by the Authority.

D. In order to provide the funds needed for the Costs of the Project, the Authority, pursuant to the Act, has duly authorized the issuance and sale of the 1998 Series A Bonds.

E. The Authority also desires to provide for the issuance from time to time in the future of Additional Bonds (and together with the 1998 Series A Bonds, the "Bonds") by the Authority for the purpose of defraying the costs of completing, improving or expanding the Project or for refunding Bonds of any series then outstanding.

F. The execution and delivery of the 1998 Series A Bonds and of this Indenture have been duly authorized and when executed by the Authority and authenticated by the Trustee, all things necessary to make the 1998 Series A Bonds valid and binding legal obligations of the Authority and to make this Indenture a valid and binding agreement have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that to provide for and secure the payment of principal or redemption price (as the case may be) in respect of all Bonds issued and Outstanding under this Indenture, together with interest thereon, the rights of the Bondholders and the performance of the covenants contained in said Bonds and herein, the Authority does hereby sell, assign, transfer, set over and pledge unto First Union National Bank, as Trustee, its successors in trust and its assigns forever all of the right, title and interest of the Authority in and to the "Revenues" as hereinafter defined, the Agreement and the moneys payable thereunder (except the Authority's rights under Sections 2.5 (with respect to indemnification), 3.4 (with respect to certain payments, indemnification and amounts in the Rebate Fund), 4.2 (with respect to notice or consent), 5.5, 5.6, 5.8, 5.13, 7.2, 7.5 and 8.7 of the Agreement and its rights under the Agreement to receive notices, reports, opinions and other statements).

TO HAVE AND TO HOLD in trust, nevertheless, for the equal and ratable benefit and security of all present and future holders of the Bonds issued and to be issued under the Indenture, without preference, priority or distinction as to lien or otherwise (except as herein expressly provided) of any one Bond over any other Bond.

PROVIDED, HOWEVER, that when the principal of and premium, if any, and interest on all of the Bonds secured hereby has been paid or provided for in accordance with the terms and provisions of the Agreement and this Indenture, then this Indenture and the rights hereby granted shall cease, determine and be void; otherwise, this Indenture shall be in full force and effect.

THIS INDENTURE FURTHER WITNESSETH and it is expressly declared that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said Revenues, and other income and moneys, hereby pledged or assigned are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Authority has agreed and covenanted and does hereby agree and covenant with the Trustee and with the respective holders and owners, from time to time, of the said Bonds or any part thereof, as follows, that is to say:

ARTICLE I
DEFINITIONS

Section 1.01. **Definitions.** In this Indenture and any indenture supplemental hereto (except as otherwise expressly provided or unless the context otherwise requires) the singular includes the plural, the masculine includes the feminine, and the following terms shall have the meanings specified in the foregoing recitals as specified: "Act", "Agreement", "Bonds", "Company", "Indenture", "Authority", "Project", "1998 Series A Bonds" and "Trustee."

In addition, the following terms shall have the meanings specified in this Article, unless the context otherwise requires:

"Additional Bonds" means the Bonds of the Authority (other than the 1998 Series A Bonds) so described and issued pursuant to Section 3.02 hereof.

"Affirmative Action and Prevailing Wage Requirements" means collectively, the requirements of the Authority set forth in the Regulations and any other affirmative action and prevailing wage requirements of the Authority from time to time announced as the same may be from time to time revised, amended or supplemented.

"Affirmative Action Requirement" means the requirements of the Authority set forth in the Regulations.

"Authorized Authority Representative" means any officer of the Authority and, with respect to any particular act or document, any other person authorized by resolution of the Authority, a certified copy of which has been delivered to the Trustee, to perform any such act or execute such document.

"Authorization Denomination" means denominations of \$5,000 or any integral multiple thereof.

"Bondholder" or "Holder" or "Owner" means the registered owner of any Bond. For so long as the Bonds are held by DTC in book-entry form, such terms shall mean Cede & Co., as nominee of DTC.

"Bond Counsel" means any Counsel selected by the Company and satisfactory to the Authority and listed in the List of Municipal Bond Attorneys as published semiannually by The Bond Buyer, or any successor publication.

"Bond Fund" means the fund so designated which is established pursuant to Section 5.02 hereof.

"Bond Redemption Fund" means the fund so designated which is established pursuant to Section 7.04 hereof.

“Business Day” means any day other than (i) Saturday or Sunday or (ii) a day on which banking institutions in the State of New Jersey are authorized by law or executive order to close.

“Certified Resolution” means a copy of one or more resolutions certified by the Secretary or Assistant Secretary of the Authority under its seal to have been duly adopted by the Authority and to be in effect on the date of such certification.

“Code” means the Internal Revenue Code of 1986, as amended.

“Construction Contract” means (i) in connection with the Affirmative Action Requirement, any contract, subcontract or agreement, whether written or oral, for construction, reconstruction, demolition, alteration, repair work, maintenance work or construction related to installation of equipment, undertaken in connection with the Project and (ii) in connection with the Prevailing Wage Requirement, any contract or subcontract, in the amount of Two Thousand Dollars (\$2,000) or more, for construction, reconstruction, demolition, alteration, or repair work, or maintenance work, undertaken in connection with the Project and paid for in whole or in part with funds received through the assistance of the Authority.

“Construction Fund” means the fund so designated which is established pursuant to Section 4.01 hereof.

“Contractor” means any contractor who has entered into a Construction Contract.

“Contractor’s Certificate” means the document referred to as a Contractor’s Certificate in Section 4.02 hereof.

“Cost” or “Costs” means any cost in respect of the Project permitted under the Act. Without limiting the generality of the foregoing, such costs may include: (i) amounts paid or payable to contractors and suppliers (including fees for designing the Project where the designs are provided by the contractor or supplier); (ii) costs of labor, services, materials, supplies, equipment and permits furnished by the Company (including shipping costs), plus the Company’s standard overhead charge; (iii) engineering, legal and other professional fees; and (iv) the cost of financing, including bond discount and interest on the Bonds to the extent permitted by the Act and by the Code.

“Counsel” means an attorney at law or law firm (who may be counsel for the Authority or counsel for, or an employee of, the Company) reasonably satisfactory to the Trustee.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as securities depository for the Bonds.

“Event of Default” means any of the events described in Section 9.01 hereof.

“Interest Payment Date” means any date on which is due the payment of interest on the Bonds as specified in the form of Bond set forth in Article XIV hereof.

“Office of Affirmative Action” means the office so designated within the Authority or any successor office performing the function thereof.

“Outstanding”, in connection with Bonds means, as of the time in question, all Bonds authenticated and delivered under the Indenture except:

A. Bonds theretofore cancelled or required to be cancelled under Section 2.08 hereof;

B. Bonds for the payment or redemption of which the necessary amount shall have been or shall concurrently be deposited with the Trustee or for which provision for the payment of which shall have been made in accordance with Section 13.01 hereof; provided that, if such Bonds are being redeemed prior to maturity, the required notice of redemption shall have been given or provisions satisfactory to the Trustee shall have been made therefor; and

C. Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to Article II hereof.

“Prevailing Wage Requirement” means the requirements of the Authority set forth in the Regulations.

“Rebate Expert” means any of the following chosen by the Company: (a) Bond Counsel, (b) any nationally recognized firm of certified public accountants, (c) any reputable firm which offers to the tax-exempt bond industry rebate calculation services and holds itself out as having expertise in that area, or (d) such other person as is approved by Bond Counsel.

“Rebate Fund” means the fund so designated which is established pursuant to Section 5.05 hereof.

“Record Date” means the fifteenth (15th) day (whether or not a business day) of the calendar month next preceding each Interest Payment Date.

“Regulations” means the Authority Regulations on Prevailing Wage/Affirmative Action Program dated March 1, 1980 (revised August 8, 1990) constituting N.J.A.C. 19:30-4.1 et seq. and 19:30-3.1 et. seq. as the same may be further revised, amended and supplemented.

“Revenues” means (i) any and all amounts due under the Agreement other than certain amounts excluded thereunder, including any income or gain from the investment thereof, (ii) any proceeds of Bonds originally deposited with the Trustee for the payment of accrued interest, if any, on the Bonds, (iii) moneys remaining in the Construction Fund following completion of the Project that have been deposited in the Bond Fund pursuant to Section 4.03 hereof, (iv) investment income in respect of any moneys held by the Trustee in the Bond Fund

and Construction Fund, and (v) any amounts deposited into the Bond Fund and Construction Fund from whatever source.

“Subcontractor” means any subcontractor who has entered into a Construction Contract.

“Subcontractor’s Certificate” means the document referred to as a subcontractor’s certificate in Section 4.02 hereof.

The words “hereof”, “herein”, “hereto”, “hereby”, and “hereunder” (except in the form of Bond) refer to the entire Indenture.

Every “request”, “order”, “demand”, “application”, “appointment”, “notice”, “statement”, “certificate”, “consent” or similar action hereunder by the Authority shall, unless the form thereof is specifically provided, be in writing signed by the Executive Director or Deputy Director of the Authority.

[This is the end of Article I]

ARTICLE II

FORMS, REGISTRATION, TRANSFER AND EXECUTION OF THE BONDS

Section 2.01. Forms, Amounts and Terms. The Bonds shall be substantially in the form of the Bond set forth in Article XIV hereof, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture or the applicable supplemental indenture relating to such Bonds. Each Bond shall bear upon its face the designation so determined for the series of Bonds of which it is a part. The aggregate principal amount of Bonds which may be authenticated, executed and delivered under this Indenture is not limited except as is or may hereafter be provided in this Indenture or as may be limited by law. All Bonds shall provide that principal of, premium, if any, and interest on such Bonds shall be payable only out of the Revenues. The Authority may cause a copy of the text of the opinion of Bond Counsel to be printed on any of its Bonds. The Bonds shall be issued in the form of fully registered bonds without coupons in Authorized Denominations and shall be dated as set forth in Section 2.02 hereof. The Bonds of each series other than the 1998 Series A Bonds shall mature on such date or dates and bear interest at such rate or rates payable on such dates so set forth in the applicable supplemental indenture relating to the Bonds of such series. The Bonds of each series shall be numbered from one upward preceded by the letter "R" prefixed to the number. The Bonds of any series may bear such other endorsement or legend satisfactory to the Trustee as may be required to conform to usage or law with respect thereto.

The principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debt. The principal of, premium, if any, and interest due at maturity (or earlier redemption pursuant to the terms hereof) on all Bonds shall be payable upon presentation of such Bonds at the corporate trust office of the Trustee. Subject to Section 2.09 hereof, payment of interest (except interest due at maturity or earlier redemption) on the Bonds shall be made to the Owner as of the Record Date by check or draft mailed to such registered owner at the address as it appears on the registration books maintained by the Trustee. Payment of interest on the Bonds shall be deemed timely made if mailed on the due date (or, if such due date is not a Business Day, the Business Day next following such due date). Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

In the event any such interest is not deposited with the Trustee on or before any such Interest Payment Date, such defaulted interest shall cease to be payable to the Owners of the Bonds on the Record Date and shall be payable to the registered Owners at the close of business on a special record date fixed by the Trustee as established by notice by the Trustee to the Owners of the Bonds. Such notice shall be mailed, postage prepaid, not less than 15 days preceding such special record date to the Owners of the Bonds on the fifth day (whether or not a Business Day) preceding the date of mailing.

The Bonds Outstanding from time to time are limited and special obligations of the Authority, the principal of, premium, if any, and interest on which are payable solely from the amounts to be paid under the Agreement and otherwise as provided herein and in the Agreement, which amounts are hereby specifically pledged to the payment thereof in the manner and to the extent herein specified, and shall not be deemed to constitute a general obligation or liability of the Authority, its officers or employees. THE STATE OF NEW JERSEY IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR PREMIUM, IF ANY, OF OR INTEREST ON THE BONDS. THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THIS INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THIS INDENTURE FOR THE PAYMENT OF THE BONDS. THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Section 2.02. Interest Accrual. The Bonds of each series shall be dated and bear interest from the Interest Payment Date to which interest has been paid next preceding the date of authentication, unless the date of authentication (i) is an Interest Payment Date to which interest has been paid, in which event such Bonds shall be dated and bear interest from the date of authentication, or (ii) is prior to the first Interest Payment Date for the Bonds, in which event the 1998 Series A Bonds shall be dated and bear interest as set forth in Section 3.01(B) and, in the case of Bonds of a series other than the 1998 Series A Bonds, shall be dated and bear interest from the date set forth in the applicable supplemental indenture relating to the Bonds of such series.

Section 2.03. Registration, Transfer, Exchange and Ownership. Subject to the provisions of Section 2.09 hereof, the Authority shall cause books for the registration and transfer of the Bonds to be kept at the corporate trust office of the Trustee and hereby appoints the Trustee its registrar and transfer agent to keep such books and to make such registrations and transfers under such reasonable regulations as the Authority or the Trustee may prescribe.

Upon surrender for transfer of any Bond at such office, the Authority shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same series, maturity and interest rate of any Authorized Denomination for the aggregate principal amount which the owner is entitled to receive.

Any Bond shall be exchangeable for a Bond or Bonds of any Authorized Denomination, but in an aggregate principal amount equal to the unpaid amount of the Bonds presented for exchange. Bonds to be exchanged shall be surrendered at the corporate trust office of the Trustee, and the Authority shall execute and the Trustee shall authenticate and deliver in exchange therefor the Bond or Bonds which the Bondholder making the exchange shall be entitled to receive.

All Bonds presented for transfer, exchange, redemption or payment (if so required by the Authority or the Trustee), shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Trustee, duly executed by the holder or by his duly authorized attorney.

No service charge shall be made for any exchange or transfer of Bonds, but the Authority may require payment of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Authority and the Trustee shall not be required to issue, transfer or exchange Bonds during the period commencing on the tenth day before the mailing of a notice of partial redemption and ending on the date of such mailing or make any transfer or exchange of Bonds called for redemption.

New Bonds delivered upon any transfer or exchange shall be valid obligations of the Authority, evidencing the same debt as the Bonds surrendered, shall be secured by this Indenture and entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

The Authority and the Trustee may deem and treat the person in whose name any Bond shall be registered upon the books of the Authority maintained by the Trustee as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of or premium, if any, and interest on such Bond and for all other purposes, and all such payments so made to any such owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Authority nor the Trustee shall be affected by any notice to the contrary.

Section 2.04. Execution. The Bonds shall be executed by the manual or facsimile signature of the Executive Director or the Deputy Director of the Authority or any other Authorized Authority Representative, and the corporate seal of the Authority shall be affixed, imprinted, lithographed or reproduced thereon and shall be attested by the manual or facsimile signature of the Secretary or the Assistant Secretary of the Authority.

Bonds executed as above provided may be issued and shall, upon request of the Authority, be authenticated by the Trustee, notwithstanding that any officer signing such Bonds or whose facsimile signature appears thereon shall have ceased to hold office at the time of issuance of authentication or shall not have held office at the date of the Bond.

Section 2.05. Authentication. No Bond shall be valid for any purpose until the certificate of authentication endorsed thereon shall have been duly executed by the manual signature of an authorized signatory of the Trustee, and such authentication shall be conclusive proof that such Bond has been duly authenticated and delivered under this Indenture and that the holder thereof is entitled to the benefit of the trust hereby created.

Section 2.06. Mutilated, Destroyed, Lost or Stolen Bonds. If any Bond shall become mutilated, the Authority shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of such mutilated Bond for cancellation, and the Authority and the Trustee may require reasonable indemnity therefor. If any Bond shall be reported lost, stolen or destroyed, evidence as to the ownership thereof and the loss, theft or destruction thereof shall be submitted to the Authority and the Trustee; and if such evidence shall be satisfactory to both and indemnity satisfactory to both shall be given, the Authority shall execute, and thereupon the Trustee shall authenticate and deliver, a new Bond of like tenor and denomination bearing the same number as the original Bond, but carrying such additional marking as will enable the Trustee to identify such Bond as a replacement Bond. The cost of providing any substitute Bond under the provisions of this Section shall be borne by the Bondholder for whose benefit such substitute Bond is provided. If any such mutilated, lost, stolen or destroyed Bond shall have matured or be about to mature, the Authority may, with the consent of the Trustee and upon provision of evidence as to ownership thereof and the loss, theft or destruction thereof and indemnification of the Authority and the Trustee, pay to the Owner the interest amount due on, principal amount and premium, if any, of such Bond upon the maturity thereof and the compliance with the aforesaid conditions by such owner, without the issuance of a substitute Bond thereof.

Every substituted Bond issued pursuant to this Section 2.06 shall constitute an additional contractual obligation of the Authority, whether or not the Bond alleged to have been destroyed, lost or stolen shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Bonds duly issued hereunder.

All Bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or investment or other securities without their surrender.

Section 2.07. Temporary Bonds. Pending preparation of definitive Bonds of any series, or by agreement with the purchasers of all Bonds of such series, the Authority may issue and, upon its request, the Trustee shall authenticate in lieu of definitive Bonds, one or more temporary printed or typewritten Bonds in denominations of \$5,000 and multiples thereof of substantially the tenor recited above. Upon request of the Authority, the Trustee shall authenticate definitive Bonds in exchange for and upon surrender of an equal principal amount of temporary Bonds. Until so exchanged, temporary Bonds shall have the same rights, remedies and security hereunder as definitive Bonds.

Section 2.08. Cancellation and Destruction of Surrendered Bonds. Bonds surrendered for payment or redemption, and Bonds purchased from any moneys held by the Trustee hereunder or surrendered to the Trustee by the Company, shall be cancelled and

destroyed by the Trustee. The Trustee shall deliver to the Authority a certificate of destruction in respect of all Bonds so destroyed.

Section 2.09. Book Entry System.

1. Except as provided in subparagraph (3) of this Section 2.09, the registered Holder of all of the Bonds shall be, and the Bonds shall be registered in the name of, Cede & Co. ("Cede"), as nominee of DTC. Payment of principal, premium, if any, and interest for any Bond, as applicable, shall be made by wire transfer of same day funds to the account of Cede on the Interest Payment Dates or other applicable payment date as provided herein or in the form of Bond for the Bonds at the address indicated for Cede in the registry books of the Authority kept by the Trustee.

2. The Bonds shall be initially issued in the form of a separate single fully registered Bond. Upon initial issuance, the ownership of the Bond shall be registered in the registry books of the Authority kept by the Trustee in the name of Cede, as nominee of DTC, and the Authority and the Trustee shall have no responsibility or obligation to any DTC participant or to any beneficial owner of such Bond. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any DTC participant with respect to any beneficial ownership interest in the Bond, (ii) the delivery to any DTC participant, beneficial owner or other person, other than DTC, of any notice with respect to the Bond, or (iii) the payment to any DTC participant, beneficial owner or other person, other than DTC, of any amount with respect to the principal of, or interest on, the Bond. The Authority and the Trustee may treat as, and deem DTC to be, the absolute owner of the Bond for all purposes whatsoever, including (but not limited to) (i) payment of the principal of, and interest on, such Bond, (ii) giving notices of matters with respect to the Bond and (iii) registering transfers with respect to such Bond. The Trustee shall pay the principal of, and interest on, the Bond only to or upon the written order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to such principal and interest to the extent of the sum or sums so paid. No person other than DTC shall receive a Bond evidencing the obligation of the Authority to make payments of principal of, and interest on, the Bond pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions hereof, the word "Cede" in this Indenture shall refer to such new nominee of DTC.

3. (a) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law.

(b) The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Authority determines, and shall terminate the services of DTC with respect to the Bonds upon receipt by the Authority and the Trustee of written notice from DTC to the effect that DTC has received written notice from DTC participants having interests, as shown in the records of DTC, in an

aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding Bonds to the effect, that: (i) DTC is unable to discharge its responsibilities with respect to the Bonds or to keep records that establish the beneficial owners of interests therein, which satisfy the requirements of Section 163(f)(3) of the Code; or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, is not in the best interest of the beneficial owners of the Bonds.

(c) Upon termination of the services of DTC with respect to the Bonds pursuant to subsection 2.09(3)(b)(ii) hereof, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection 2.09(3)(a) or subsection 2.09(3)(b)(i) hereof after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede as nominee of DTC, but may be registered in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of Article II hereof; provided, however, that said system of registration satisfies the requirements of Section 149(a) of the Code.

(d) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to the principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the representation letter of the Authority addressed to DTC with respect to the Bonds.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to this Indenture by the Authority or the Trustee with respect to any consent or other action to be taken by Bondholders, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

[This is the end of Article II]

ARTICLE III
ISSUE OF BONDS

Section 3.01. Issue of 1998 Series A Bonds. (A) The Authority may issue the 1998 Series A Bonds in the aggregate principal amount of \$40,000,000 for the purpose of financing the Costs of the Project following the execution of this Indenture; and the Trustee shall, at the Authority's request, authenticate any such 1998 Series A Bonds so issued and deliver them as specified in the request.

Prior to the authentication and delivery by the Trustee of the 1998 Series A Bonds, there shall be filed with the Trustee:

(1) A Certified Resolution authorizing the issuance of the 1998 Series A Bonds and approving the Agreement and this Indenture.

(2) An original executed counterpart of the Agreement.

(3) An original executed counterpart of this Indenture.

(4) A written request and authorization to the Trustee executed by an Authorized Authority Representative to authenticate and deliver the 1998 Series A Bonds to the purchasers thereof upon payment to the Trustee, for the account of the Authority, of the purchase price of the 1998 Series A Bonds plus accrued interest, if any, to the date of delivery thereof.

(5) An opinion of Bond Counsel to the effect that interest on the 1998 Series A Bonds is excludable from gross income for purposes of Federal income taxation under existing law, except for interest on any 1998 Series A Bond for any period during which such 1998 Series A Bond is held by a person who, within the meaning of Section 147 of the Code, is a "substantial user" of the Project or a "related person" thereto; provided that such opinion may assume continued compliance by the Authority and the Company with certain tax-related covenants and the accuracy of certain representations of fact made by the Authority, the Company or others; and, provided further, that no opinion need be expressed with respect to exemption from the alternative minimum tax.

(B) The 1998 Series A Bonds will be initially dated December 1, 1998 and shall bear interest at a rate of 5.25% per annum from such date payable on May 1, 1999 and semiannually thereafter on November 1 and May 1 in each year. The 1998 Series A Bonds shall mature on November 1, 2033. The 1998 Series A Bonds shall be issued in fully registered form without coupons in Authorized Denominations.

(C) The 1998 Series A Bonds are subject to redemption prior to maturity at any time on or after November 1, 2008, at the option of the Authority, upon the written direction of the Company, in whole or in part, from the Bond Fund and from moneys otherwise available for such purpose, upon receipt by the Trustee of a written certificate from the Company stating that it will prepay the loan under the Agreement and thereby effect redemption of the 1998 Series A

Bonds (and, if in part, by random selection in any manner deemed by the Trustee to be fair and appropriate). Such certificate shall be delivered to and received by the Trustee at least 60 days prior to the redemption date with a copy of the direction provided by the Company to the Authority any such redemption to be made at the applicable optional redemption price shown below as a percentage of the principal amount, plus interest accrued to the redemption date:

<u>Redemption Period</u>	<u>Optional Redemption Price</u>
November 1, 2008 to October 31, 2009	101 ½%
November 1, 2009 to October 31, 2010	101%
November 1, 2010 and thereafter	100%

(D) The 1998 Series A Bonds are subject to extraordinary optional redemption at any time prior to maturity at the option of the Authority, upon the written direction of the Company, in whole or in part, but if in part, by random selection in any manner deemed by the Trustee to be fair and appropriate, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the redemption date, following the occurrence of any of the following events:

- (1) the Company shall have determined that operation of the Project or some part of the Project is impracticable, uneconomical or undesirable for any reason; or
- (2) all or substantially all of any part of the Project shall have been condemned or taken by eminent domain; or
- (3) operation of the Project, or any part of the Project, shall have been enjoined or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any federal, state or local regulatory body, administrative agency or other governmental body.

The Trustee shall have received a written certificate of the Company at least 40 days prior to the date set forth for such redemption setting forth the event giving rise to such redemption and stating that it will effect redemption of all or part of the 1998 Series A Bonds. Such certificate shall have attached thereto a copy of the direction provided by the Company to the Authority instructing the Authority to redeem all or part of the 1998 Series A Bonds not later than 180 days following the occurrence of any such event.

(E) The 1998 Series A Bonds are subject to mandatory redemption by the Authority prior to maturity at any time, in whole, at a redemption price equal to 100% of the principal amount thereof plus interest accrued to the redemption date, if it is finally determined

by the Internal Revenue Service or a court of competent jurisdiction that, as a result of a failure by the Company to observe any covenant or agreement in the Agreement to be observed by the Company or of the inaccuracy of any representation of the Company contained in the Agreement the interest payable on the 1998 Series A Bonds is includable for federal income tax purposes in the gross income of any Holder of a 1998 Series A Bond, other than a Holder who, within the meaning of Section 147 of the Code, is a "substantial user" of the Project or a "related person" thereto; provided, that if, in the opinion of Bond Counsel, redemption of less than all of the 1998 Series A Bonds will preserve the tax-exempt status of interest payable on the remaining 1998 Series A Bonds, then only such amount as will accomplish such preservation need be redeemed. The Authority shall notify the Trustee of such amount and the 1998 Series A Bonds to be redeemed are to be selected randomly in any manner deemed by the Trustee to be fair and appropriate, or otherwise as specified in the determination. No such determination will be considered final for this purpose unless the Company has been given written notice and, if it so desires, has been afforded the opportunity to contest the same, either directly or in the name of any Holder of a 1998 Series A Bond, or to direct the contesting of the same by such Holder, and until the conclusion of any appellate review, if sought. Any such redemption shall be on the earliest practicable date within 180 days following the date of such final determination and if so redeemed within such 180-day period, Bondholders will have no other remedy. Such failure by the Company to observe such covenant or agreement, or the inaccuracy of such representation, in the Agreement shall not in and of itself constitute an Event of Default under the Agreement or this Indenture.

If the Trustee receives written notice from any Bondholder or former Bondholder stating that (i) the Bondholder has been notified in writing by the Internal Revenue Service that it proposes to include the interest on any 1998 Series A Bond in the gross income of such Bondholder for the reasons described in the immediately preceding paragraph, or any other proceeding has been instituted against such Bondholder which may lead to a final determination as described in the immediately preceding paragraph, and (ii) such Bondholder will afford the Company the opportunity to contest the same, either directly or in the name of such Bondholder, or direct the contesting of the same by such holder, and until the conclusion of any appellate review, if sought, then the Trustee shall promptly give notice thereof to the Company and the Authority and to the Owner of each 1998 Series A Bond then Outstanding. The Trustee shall coordinate any similar notices it may have received from other Bondholders and shall keep informed of the progress of any administrative proceedings or litigation. If a final determination thereafter occurs, the Trustee shall give notice to Bondholders of the redemption of the appropriate amount (as determined in the prior paragraph) of 1998 Series A Bonds on the earliest practicable date within the required period provided in Section 7.02 hereof. In taking any action or making any determination under this subsection, the Trustee may rely on an opinion of Counsel, and shall be compensated for any such action or determination in accordance with the provisions of Section 10.04 hereof.

(F) The 1998 Series A Bonds are subject to mandatory redemption prior to maturity at any time at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the redemption date, if the Authority has notified the Trustee and the Company that (i) the Company has ceased to operate the Project or to cause the Project to be

operated as an authorized project under the Act for 12 consecutive months without first obtaining the written consent of the Authority, or (ii) any representation or warranty of the Company in the Agreement or in any other document furnished in connection with the Agreement proves to have been false or misleading in any material respect when made.

Section 3.02. Issue of Additional Bonds. The Authority may issue Additional Bonds of any series from time to time hereunder for any of the following purposes: (i) to finance the Costs of completing the Project; (ii) to finance the Costs of acquiring, constructing and equipping of additional facilities comprising part of a project for the local furnishing of gas within the meaning of Section 142(a)8 of the Code; (iii) to refund any Bonds; and (iv) for any combination of such purposes. All Additional Bonds shall be secured by this Indenture and shall rank on a parity of security in all respects with the Bonds issued and to be issued hereunder.

In any such event the Trustee shall, at the request of the Authority, authenticate the Additional Bonds and deliver them as specified in the request, but only upon receipt of:

- (1) A Certified Resolution and an indenture supplemental hereto:
 - (a) establishing the series to be issued and providing the terms of the Bonds thereof,
 - (b) authorizing the execution and delivery of the Bonds to be issued,
 - (c) stating the purpose of the issue,
 - (d) if the purpose is refunding, authorizing the payment and redemption of the Bonds to be refunded, and
 - (e) setting forth any other matters relating to the issuance of the Additional Bonds or the purpose for which they are to be issued;
- (2) A certificate of the Authority:
 - (a) stating that no Event of Default hereunder has occurred and is continuing, and
 - (b) if the purpose is refunding, stating (i) if applicable, that notice of redemption of the Bonds to be refunded has been duly given or that provision has been made therefor and (ii) that provision for the payment of the Bonds to be refunded has been made in accordance with Article XIII hereof;
- (3) A certificate of the Company:

- (a) approving the issuance and delivery of such Additional Bonds, and
- (b) stating that no Event of Default under the Agreement has occurred and is continuing;
- (4) An executed counterpart of an amendment or supplement to the Agreement not previously delivered;
- (5) The proceeds of the Additional Bonds; and
- (6) An opinion of Bond Counsel to the effect that:
 - (a) the purpose of the issue is one for which Bonds may be issued under this Section,
 - (b) all conditions prescribed herein as precedent to the issuance have been fulfilled,
 - (c) the Additional Bonds have been validly authorized and executed and, when authenticated and delivered pursuant to the request of the Authority, will be valid obligations of the Authority entitled to the benefit of the trust created hereby,
 - (d) all consents or approvals of electors or any governmental authorities required to be obtained by the Authority in connection with the issuance have been obtained, and
 - (e) the issuance of such Additional Bonds will not adversely affect the tax-exempt status of interest on the Bonds then Outstanding under the federal income tax laws, as enacted and construed on the date of the opinion, except as to any such Bond held by a substantial user of the Project or by a related person within the meaning of the Code.

Section 3.03. Disposition of Proceeds of Bonds. From the proceeds of the 1998 Series A Bonds, there shall first be set aside with the Trustee as Revenues in the Bond Fund an amount representing the accrued interest, if any, received on the sale of the 1998 Series A Bonds. Thereafter, the Trustee shall forthwith transfer the balance of the net proceeds of the 1998 Series A Bonds, to the Construction Fund. The disposition of the proceeds of any series of Additional Bonds issued pursuant to Section 3.02 shall be deposited into separate accounts in the Bond Fund and Construction Fund with respect to each series.

[This is the end of Article III]

ARTICLE IV

PROJECT CONSTRUCTION

Section 4.01. Establishment of Construction Fund. The Trustee shall establish the Construction Fund for the payment of the Costs of the Project. The Trustee shall establish a separate account in the Construction Fund for each series of Additional Bonds. The Construction Fund shall consist of the amounts deposited therein pursuant to this Indenture and any other amounts the Authority may deposit therein. The amounts in the Construction Fund, until applied as hereinafter provided, shall be held for the security of all Bonds Outstanding hereunder.

The Trustee shall maintain records sufficient to permit calculation of the income on investments and interest earned on deposit of amounts held in the Construction Fund held by the Trustee as Revenues. Such income or interest, if any, may be expended at any time or from time to time to pay Costs of the Project in the same manner as the proceeds of Bonds deposited in the Construction Fund are expended.

Section 4.02. Payments from Construction Fund. Except during the continuance of an Event of Default, the Trustee shall make payments from the Construction Fund upon receipt of a requisition from the Company, signed by its President, any Vice-President or Treasurer, or any other person designated by any of such officers, stating:

- (a) The classification or portion of the Project to which the payment relates and the nature of the payment;
- (b) The payee, which may be (i) the Company or at the Company's order for work done by Company personnel or for reimbursement of payments made by the Company (other than payments made by way of set-off of mutual claims between the Company and a third party), and (ii) the Trustee for a requisition for payment of interest on the Bonds during the period of the construction of the Project;
- (c) The amount;
- (d) That the payment is due, is a proper charge against the Construction Fund and has not been the subject of any previous withdrawal therefrom or any other funds representing proceeds of Bonds issued by the Authority on the Company's behalf;
- (e) That the amount was incurred by the Company not earlier than June 9, 1998 or, if it constitutes a preliminary expenditure, a description of the item and a total of all preliminary expenditures that have hitherto been requisitioned; and
- (f) That, after giving effect to such requisition, not less than ninety-five percent (95%) of the proceeds of the applicable series of Bonds withdrawn from the Construction Fund will have been used to provide facilities for the local furnishing of gas (including property functionally related and subordinate thereto) within the meaning of Section 142(a)(8) of the Code.

In addition, as to the first disbursement from the Construction Fund of funds to be used to pay for work done in performance of each and every Construction Contract, the Trustee shall receive a Contractor's Certificate and/or Subcontractor's Certificate, as applicable, from the Contractor or Subcontractor, including the Company if acting in such capacity, setting forth such provisions as are necessary to evidence compliance with the Affirmative Action and Prevailing Wage Requirements.

The Trustee shall retain copies or records of each requisition for the Issuer and prior to a date 3 years after the date all Bonds of the applicable series have been retired shall not destroy such records for a period of 7 years after receipt without the prior consent of the Authority, which consent will not be unreasonably withheld.

The establishment of the Construction Fund shall be for the benefit of the Company, and, except during the continuance of an Event of Default hereunder, the Company may enforce payments therefrom upon compliance with the procedures set forth in this Section 4.02.

Section 4.03. Procedure Upon Completion of Project. Upon the completion of the Project, the Company shall deliver a certificate announcing Project completion to the Trustee and the Authority. Any amounts remaining in the Construction Fund (including the earnings from investments thereof) shall, as soon as practicable, but in no event later than ninety (90) days thereafter, at the direction of the Company be: (i) used by the Trustee for the purchase, redemption or retirement of Bonds at the earliest possible date and pending such use deposited in the Bond Fund and invested in obligations having a yield not exceeding the yield on the Bonds by any amount, or (ii) paid to the Company on its order or applied in any other prescribed manner, including payment of rebatable arbitrage pursuant to Section 3.4 of the Agreement, if in either case in the opinion of Bond Counsel such payment will not adversely affect the exclusion of interest on the Bonds from federal gross income under the Code. The Trustee shall, at the direction of the Company, retain moneys in the Construction Fund for payment of Costs of the Project not then due and payable. Any balance of such retained funds remaining after full payment of such Costs of the Project shall be used by the Trustee as directed by the Company in the manner specified in clauses (i) or (ii) of this subsection.

[This is the end of Article IV]

ARTICLE V

REVENUES AND APPLICATION THEREOF

Section 5.01. Revenues to Be Paid Over to Trustee. The Authority has provided that the Revenues be paid directly to the Trustee. If, notwithstanding these arrangements, the Authority receives any payments pursuant to the Agreement (other than payments to the Authority under Sections 2.5, 3.4, 5.5, 5.6, 7.5 and 8.7 thereof), the Authority shall immediately pay over the same to the Trustee to be held as Revenues. All Revenues shall be deposited in the Bond Fund.

Section 5.02. Bond Fund. There is hereby established with the Trustee a Bond Fund, from which the Trustee shall pay the principal and premium, if any, of Bonds as they mature, upon surrender thereof, and the interest on Bonds as it becomes payable. The Trustee shall establish a separate account in the Bond Fund for each series of Additional Bonds. When Bonds are redeemed or purchased, the amount, if any, in the Bond Fund representing interest thereon shall be applied to the payment of accrued interest in connection with such redemption or purchase. Whenever the amount in the Bond Fund is sufficient to redeem all of the Outstanding Bonds and to pay interest accrued to the redemption date, the Authority will, upon request of the Company, cause the Trustee to redeem all such Bonds on the redemption date specified by the Company. Any amounts remaining in the Bond Fund after payment in full of the principal or redemption price and interest on the Bonds (or provision for payment thereof) and the fees, charges and expenses of the Authority and the Trustee shall be paid to the Company.

Section 5.03. Non-presentment of Bonds. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay the principal, premium, if any, and interest on such Bond or Bonds shall be held by the Trustee for the benefit of the Holder or Holders thereof, all liability of the Authority to the Holder or Holders thereof for the payment of such Bond or Bonds shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds without liability for interest thereon, for the benefit of such Holder or Holders who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Bond. Any moneys held by the Trustee for the payment of the principal of, premium, if any, or interest on any Bond and remaining unclaimed for one year after such principal, premium, if any, or interest has become due and payable shall be paid to the Company unless otherwise provided by State of New Jersey law. After the payment of such unclaimed moneys to the Company, the Owner of such Bond shall thereafter look only to the Company for the payment thereof, and all liability of the Trustee with respect to such moneys shall thereupon cease.

Section 5.04. Revenues to Be Held for All Bondholders; Certain Exceptions. Revenues and investments thereof shall, until applied as provided in this Indenture, be held by the Trustee for the benefit of the Holders of all Outstanding Bonds, except that any portion of the Revenues representing principal or redemption price of, and interest on, any Bonds previously

called for redemption in accordance with Article VII of this Indenture, shall be held for the benefit of the Holders of such Bonds only and any amounts held in the Rebate Fund shall not be held for the benefit of the Holders of the Bonds.

Section 5.05. Rebate Fund. There is hereby established with the Trustee a Rebate Fund which shall be held by the Trustee. The Trustee shall establish a separate account in the Rebate Fund for each series of Additional Bonds. There shall be paid into the Rebate Fund the amount required to be so paid under Section 3.4 of the Agreement. All income or gain from moneys deposited in the Rebate Fund shall be deposited in the Rebate Fund.

Section 5.06. Application of Moneys in the Rebate Fund. The Rebate Fund and the amounts deposited therein shall not be subject to a claim and charge in favor of the Trustee or any Owners of Bonds and shall be applied solely in accordance with the provisions of this Article and shall not be available for the payment of Bonds within the meaning of the Indenture.

The Trustee, upon receipt of written instructions from the Company in accordance with Section 3.4 of the Agreement, shall pay to the United States of America out of amounts in the Rebate Fund (a) not later than 30 days after the end of each five-year period following the date of each series of Bonds, an amount that is certified to the Trustee by the Company and confirmed, if so required by Section 3.4 of the Agreement, by a statement of a Rebate Expert to be sufficient so that, together with amounts previously so paid, the total amount paid to the United States is equal to 90% of the rebate owing as of the end of the most recent anniversary of the date of each series of Bonds, and (b) not later than 30 days after the date on which all of each series of Bonds have been paid or redeemed, 100% of the rebate owing, as of the retirement of each series of Bonds.

The Company agrees to file with the Trustee and the Authority a written certification indicating whether the Company has complied with an exception to the arbitrage rebate requirement in accordance with Section 3.4 of the Agreement. The Trustee shall have no further obligation for the preparation of the rebate calculation or the filing or payment thereof.

If on the first day of any anniversary of the date of each series of Bonds, the amount on deposit in the Rebate Fund exceeds the total amount of rebate owing, then the Trustee, upon the receipt of written instructions from the Company specifying the amount of such excess, shall withdraw such excess amount and deposit it in the Construction Fund prior to the completion of the Project, or, after any such completion that has been evidenced by the completion certificate referred to in Section 4.03 hereof, deposit it in the Bond Fund.

Pending such application, such moneys may be invested at the direction of the Company in accordance with the provisions of 6.02 hereof.

[This is the end of Article V]

ARTICLE VI

SECURITY FOR AND INVESTMENT OR DEPOSIT OF FUNDS

Section 6.01. Deposits and Security Therefor. All moneys received by the Trustee under this Indenture shall, except as hereinafter provided, be deposited with the commercial or trust department of the Trustee, until or unless invested or deposited as provided in Section 6.02. All deposits with the Trustee hereunder (whether original deposits under this Section 6.01 or deposits or re-deposits in time accounts under Section 6.02) shall, to the extent not insured, be secured by a pledge of securities to the extent required by applicable law for such trust deposits. The Trustee may deposit such moneys with any other depository which is authorized to receive them and is subject to supervision by public authorities. All deposits in any other depository in excess of the amount covered by insurance (whether under this Section or under Section 6.02 as aforesaid) shall, to the extent permitted by law, be secured by a pledge of direct obligations of the United States of America having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance so deposited. Such security shall be deposited with a Federal Reserve Bank, with the trust department of the Trustee as authorized by law with respect to trust funds or with a bank or trust company having combined capital and surplus of not less than \$25,000,000.

Section 6.02. Investment or Deposit of Funds. The Trustee shall, at the request and direction of the Company, invest moneys held in the Construction Fund, the Bond Fund and the Rebate Fund established under this Indenture in obligations listed below as long as such obligations are authorized investments for fiduciaries under the laws of the State of New Jersey or in time accounts (including accounts evidenced by time certificates of deposit), which may be maintained with the commercial or trust department of the Trustee secured as provided in Section 6.01 above and under terms permitted by law; provided, that all investments shall mature or be subject to redemption by the holder at not less than the principal amount thereof or the cost of acquisition, whichever is lower -- and all deposits in time accounts shall be subject to withdrawal without penalty -- not later than the date when the amounts will foreseeably be needed for purpose of this Indenture. The investments permitted hereunder shall include: (i) obligations issued or guaranteed by the United States of America; (ii) obligations issued or guaranteed by any person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by the Congress of the United States; (iii) obligations rated at the time of purchase not less than "A" or equivalent by Moody's Investors Service, Inc. or Standard & Poor's Ratings Group, issued or guaranteed by any State of the United States or the District of Columbia; (iv) commercial or finance company paper rated at the time of purchase in the single highest classification, "A-1+" by Standard & Poor's Ratings Group and "P-1" by Moody's Investors Service and which matures not more than 270 days after the date of purchase; (v) United States dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's Ratings Group and "P-1" by Moody's Investors Service, Inc. and maturing no more than 360 days after the date of purchase; (vi) repurchase agreements fully secured by any obligation set forth in (i) and (ii) above; (vii) shares in regulated investment companies substantially all of the assets of which are invested in

investments described in (i) through (vi) above, including any such investment company for which the Trustee acts as advisor; (viii) investment agreements with a bank or insurance company, which has an unsecured, uninsured and unguaranteed obligations (or claims-paying ability) rated "A-3" or better by Moody's Investors Service, Inc., or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, or an affiliate of any such bank or insurance company and either (x) such affiliate meets the applicable rating requirement or (y) such bank or insurance company guarantees the obligations of such affiliate under such investment agreement provided; (a) interest is paid at least semi-annually at a fixed rate during the entire term of the agreement, consistent with Bond payment dates; (b) moneys invested thereunder may be withdrawn without any penalty, redemption premium, or charge upon not more than one day's notice (provided such notice may be amended or canceled at any time prior to the withdrawal date); (c) the agreement is not subordinated to any other obligations of such insurance company or bank; (d) the same guaranteed interest rate will be paid on any future deposits made to restore the reserve to its required amount; and (e) the Company receives an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank; and (ix) open-ended diversified money market funds consisting of obligations set forth in (i) and (ii) above, including any such fund from which the Trustee may receive compensation and/or is managed by the Trustee or an affiliate of the Trustee.

If no request and direction of the Company is received by the Trustee for investment of moneys held in the Construction Fund, the Bond Fund and the Rebate Fund, the Trustee may hold such moneys uninvested as cash or in investments described in clause (ix) of the preceding paragraph.

The interest and income received upon such investments held in the Construction Fund, the Bond Fund and the Rebate Fund and any profit or loss resulting from the sale of any investment shall be added or charged to the respective Fund, as the case may be.

[This is the end of Article VI]

ARTICLE VII

REDEMPTION OF BONDS

Section 7.01. Bonds Subject to Redemption: Selection of Bonds to Be Called for Redemption. The 1998 Series A Bonds are subject to redemption as set forth in Article III hereof. Each series of Additional Bonds shall be subject to redemption by the Authority on such dates and at such prices as may be provided in the supplemental indenture of the Authority establishing such series. Unless otherwise provided in respect of a series of Bonds, if less than all the Bonds of a maturity are to be redeemed, the particular Bonds of such maturity to be called for redemption shall be randomly selected by the Trustee in such manner as the Trustee shall deem fair and appropriate. In the case of a Bond of a denomination greater than \$5,000, the Trustee shall treat each such Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000, and if a portion of such Bond shall be called for redemption, a new Bond in principal amount equal to the unredeemed portion thereof shall be issued to the owner upon surrender thereof. The Authority shall direct the Trustee to call Bonds for optional redemption when and only when and to the extent that it shall have been notified by the Company to do so.

Section 7.02. Notice of Redemption. When required to redeem Bonds under any provision of this Indenture, the Trustee shall give notice of such redemption, by registered or certified mail not less than thirty (30) nor more than sixty (60) days prior to the redemption date, to each Owner of Bonds to be redeemed at his registered address as it appears on the registration books kept by the Trustee, but failure to mail any such notice or any defect in the mailing thereof shall not affect the validity of the redemption. Any such notice shall be given in the name of the Authority, shall identify the Bonds or portions thereof to be redeemed, shall specify the redemption date and the redemption price, and shall state that on the redemption date the Bonds called for redemption or specified portions thereof, will be payable at the principal corporate trust office of the Trustee and that from that date interest will cease to accrue.

The Trustee shall use "CUSIP" numbers on notices of redemption as a convenience to Bondholders provided that any such notice shall state that no representation is being made as to the correctness of such numbers either as printed on the Bonds or as contained in any notice of redemption and that reliance may be placed only on the identification numbers containing the prefix established under the Indenture.

If at the time of mailing of notice of an optional or extraordinary optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that it is conditional, that is, subject to the deposit of the redemption moneys with the Trustee not later than the opening of business of the redemption date and the satisfaction of other conditions required hereunder. If such moneys shall not have been so received by the Trustee, the redemption notice shall be deemed to have no effect and no redemption shall occur. In that case, the Authority shall not redeem such Bonds and the Trustee shall give notice to the Owners that such moneys were not so received and that the redemption will not occur.

Section 7.03. Payment of Redemption Price. If notice has been given in the manner provided in Section 7.02, and the redemption moneys have been duly deposited with the Trustee, then the Bonds called for redemption shall be payable on the redemption date at the applicable redemption price. The Bonds or portions thereof thus called for redemption shall cease to bear interest from and after the redemption date, shall no longer be protected by this Indenture (including any supplement hereto) and shall not be deemed to be Outstanding. Payment of the redemption price together with accrued interest shall be made by the Trustee to or upon the order of the Holders of the Bonds called for redemption upon surrender of such Bonds. The redemption price in respect of Bonds, the expenses of giving notice and any other expenses of redemption, shall be paid out of the Bond Fund from which redemption is to be made or from other moneys which the Authority makes available for such purpose. Accrued interest shall be paid out of the Bond Fund.

Section 7.04. Bond Redemption Fund for Refunding Issues. Whenever the Authority issues Additional Bonds hereunder for refunding purposes, the Authority may, by supplemental indenture of the Authority establishing such Additional Bonds, direct the Trustee to establish a separate Bond Redemption Fund and to deposit therein the proceeds of the refunding Bonds. The supplemental indenture shall specify the investment and application of amounts so deposited including, without limitation, the transfer thereof to any other fiscal agent or trustee of the Authority and the time and conditions for such transfer.

[This is the end of Article VII]

ARTICLE VIII

COVENANTS OF THE AUTHORITY

Section 8.01. Payment of Principal of, Premium, if any and Interest on Bonds.

The Authority shall promptly pay or cause to be paid the principal of, premium, if any, and the interest on every Bond issued hereunder according to the terms thereof, but shall be required to make such payment only out of Revenues. The Authority shall appoint one or more paying agents for such purpose, each such agent to be a national banking association, a bank and trust company or a trust company. The Authority hereby appoints the Trustee to act as paying agent in respect of the Bonds and designates the principal corporate trust office of such agent as the place of payment in respect of the Bonds. The aforesaid appointment and designation shall remain in effect until notice of change is filed with the Trustee.

Section 8.02. Corporate Existence; Compliance with Laws.

The Authority shall maintain its corporate existence; shall use its best efforts to maintain and renew all its rights, powers and privileges; and shall comply with all valid and applicable laws, acts, rules, regulations, permits, orders, requirements and directions of any legislative, executive, administrative or judicial body pertaining to the Bonds.

Section 8.03. Enforcement of Agreement; Notice of Default.

The Authority shall cooperate with the Trustee in enforcing the payment of all amounts payable under the Agreement and may require the Company to perform its obligations thereunder. Notwithstanding any other provision contained in this Indenture or in the Agreement, the Authority, may take any action at law or in equity, including the right to seek specific performance, to enforce the covenants and undertakings of the Company expressed in the Agreement. The Authority shall give prompt notice to the Trustee of any Default (as defined in the Agreement) known to the Authority under the Agreement or any amendment or supplement thereto.

Section 8.04. Performance of Covenants.

The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings of the Authority pertaining thereto. The Authority represents that it is duly authorized under the Constitution and Laws of the State of New Jersey, including, particularly and without limitation, the Act, to issue the Bonds authorized hereby, to execute this Indenture, to execute and assign the Agreement and to pledge the Revenues in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds, the execution and delivery of this Indenture and the execution and assignment of the Agreement has been duly and effectively taken; and that the Bonds in the hands of the Holders and Owners thereof are and the Bonds will be valid and enforceable obligations of the Authority according to the import thereof.

Section 8.05. Further Assurances.

Except to the extent otherwise provided in this Indenture, the Authority shall not enter into any contract or take any action by which the rights of the Trustee or the Bondholders may be impaired and shall, from time to time, execute and deliver

such further instruments and take such further action as may be required to carry out the purposes of this Indenture.

Section 8.06. Bonds not to Become Arbitrage Bonds. The Authority covenants that it will not take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 8.07. Financing Statements. The Authority pursuant to Section 5.14 of the Agreement has caused the Company to have this Indenture or a financing statement relating thereto to be filed, in such manner and at such places as may be required to protect the security of the Holders of the Bonds and the right, title and interest of the Trustee in and to the rights and interests assigned to the Trustee under this Indenture. The Authority and the Company shall execute or cause to be executed any and all further instruments as may be required by law or as shall reasonably be requested by the Trustee for such protection of the interests of the Trustee and the Bondholders, and the Company shall furnish satisfactory evidence to the Trustee of filing and refiling of such instruments and of every additional instrument which shall be necessary to preserve the lien of this Indenture upon the rights and interests assigned to the Trustee under this Indenture until the principal of, premium, if any, and interest on the Bonds issued hereunder shall have been paid. The Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised, by an opinion of Counsel, will preserve the lien of this Indenture upon the rights and interests assigned to the Trustee under this Indenture until the principal of, premium, if any, and interest on the Bonds shall have been paid.

[This is the end of Article VIII]

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.01. Events of Default Defined. Each of the following shall be an "Event of Default" hereunder:

A. Any payment of the principal of or premium, if any, or interest on any Bond is not made when it becomes due, whether on an Interest Payment Date, at maturity or upon call for redemption; or

B. A "Default" or an "Event of Default" under the Agreement as defined therein; or

C. Failure to perform or observe any other of the covenants or agreements on the part of the Authority contained in this Indenture or in the Bonds, and the continuance thereof for a period of forty-five (45) days after written notice given to the Authority by the Trustee or to the Trustee and the Authority by the holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding unless such failure can not be cured by the Authority within such 45-day period, it shall not constitute an Event of Default if certain action is instituted by the Authority during such 45 day period and thereafter is diligently pursued until such Default is cured.

Section 9.02. Acceleration and Annulment Thereof. If an Event of Default (other than an Event of Default under Section 7.1(d) or (e) of the Agreement) shall have occurred and is continuing, the Trustee may in its discretion, and upon request of the Holders of 25% in principal amount of the Bonds then Outstanding, shall, by notice in writing to the Authority and the Company, declare the principal of all Bonds then Outstanding to be immediately due and payable; and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in this Indenture or in said Bonds to the contrary notwithstanding. Upon any declaration of acceleration hereunder, the Trustee shall immediately exercise such rights as it may have under the Agreement to declare all payments thereunder to be immediately due and payable. If an Event of Default specified in Section 7.1(d) or (e) of the Agreement shall have occurred and is continuing, then all of the principal of all Bonds then Outstanding, together with interest accrued thereon, shall *ipso facto* become and be immediately due and payable without any declaration or other act on the part of either the Trustee or any Holder.

If, after the principal of said Bonds has been so declared to be due and payable, all arrears of interest upon said Bonds (and to the extent permitted by law, interest on overdue installments of interest at the rate borne by the Bonds) are paid or caused to be paid by the Authority or the Company, and the Authority also performs or causes to be performed all other things in respect to which it may have been in default hereunder and the Company pays or causes to be paid the reasonable charges of the Trustee and the Bondholders, including reasonable attorneys' fees, then, and in every such case, the Holders of a majority in principal amount of the Bonds then Outstanding by notice to the Authority and to the Trustee, may annul such

declaration and its consequences and such annulment shall be binding upon the Trustee and upon all Holders of Bonds issued hereunder; but no such annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon. In each case, the Trustee shall also annul any declaration theretofore made declaring all payments under the Agreement to be due and payable immediately.

Section 9.03. Other Remedies. If any Event of Default shall have occurred and is continuing, the Trustee, before or after declaring the principal of the Bonds immediately due and payable, may enforce each and every right granted to the Authority or the Trustee under the Act or the Agreement or any supplements or amendments thereto. In exercising such rights and the rights given the Trustee under this Article IX, the Trustee shall take such action as, in the judgment of the Trustee, satisfies the standards described in Section 10.06 hereof.

Section 9.04. Legal Proceedings by Trustee. If any Event of Default shall have occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, shall:

- A. By mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the Authority or the Company to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act;
- B. Bring suit upon the Bonds;
- C. By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

Section 9.05. Discontinuance of Proceedings by Trustee. If any proceeding taken by the Trustee on account of any Event of Default is discontinued or is determined adversely to the Trustee, the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder as though no such proceeding had been taken, but subject to the limitations of any such adverse determination.

Section 9.06. Bondholders May Direct Proceedings. The Holders of a majority in principal amount of the Bonds Outstanding hereunder shall have the right, by written instrument duly executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee hereunder.

Section 9.07. Limitations on Actions by Bondholders. No Bondholder shall have any right to pursue any remedy hereunder unless:

- (a) the Trustee shall have been given written notice of an Event of Default,
- (b) the Holders of at least twenty-five percent (25%) in principal amount of the Bonds then Outstanding respecting which there has been an Event of Default shall have

requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names,

(c) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities, including but not limited to legal expenses and

(d) the Trustee shall have failed to comply with such request within a reasonable time.

Nothing herein shall affect or impair the right of action, which is absolute and unconditional, of a Bondholder to enforce the payment of principal of, premium, if any, and interest on the Bonds held by such Bondholder.

Section 9.08. Trustee May Enforce Rights Without Possession of Bonds. All rights under the Indenture and the Bonds may be enforced by the Trustee without the possession of any Bonds or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Trustee shall be brought in its name for the ratable benefit of the Holders of the Bonds.

Section 9.09. Delays and Omissions not to Impair Rights. No delay or omission in respect of exercising any right or power accruing upon any Event of Default shall impair such right or power or be a waiver of such Event of Default and every remedy given by this Article IX may be exercised from time to time and as often as may be deemed expedient.

Section 9.10. Application of Moneys in Event of Default. Any moneys received by the Trustee under this Article IX shall be applied:

First: to the payment of the expenses of the Trustee, including but not limited to reasonable attorneys' fees, any disbursements of the Trustee with interest thereon and its reasonable compensation;

Second: to the payment of principal, premium, if any, and interest then owing on the Bonds, including any interest on overdue interest, and in case such moneys shall be insufficient to pay the same in full, then to the payment of principal, premium, if any, and interest ratably, without preference or priority of one over another or of any installment of interest over any other installment of interest; and

Third: to the payment of expenses of the Authority, including reasonable attorneys' fees, actually incurred in connection with the financing of the Costs of the Project or the refunding of any series of Bonds and remaining unpaid.

The surplus, if any, shall be paid to the Company or the person lawfully entitled to receive the same as a court of competent jurisdiction may direct.

Section 9.11. Trustee's Right to Receiver. As provided by the Act, the Trustee shall be entitled as of right to the appointment of a receiver; and the Trustee, the Bondholders

and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as may be contained in or permitted by the Act.

Section 9.12. Trustee and Bondholders Entitled to All Remedies Under Act; Remedies not Exclusive. It is the purpose of this Article IX to provide to the Trustee and Bondholders all rights and remedies lawfully granted under the provisions of the Act; but should any remedy herein granted be held unlawful, the Trustee and the Bondholders shall nevertheless be entitled to every remedy permitted by the Act. It is further intended that, insofar as lawfully possible, the provisions of this Article IX shall apply to and be binding upon any trustee or receiver appointed under the Act.

No remedy herein conferred is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

[This is the end of Article IX]

ARTICLE X
THE TRUSTEE

Section 10.01. Acceptance of Trust. The Trustee accepts and agrees to execute the trust hereby created, but only upon the additional terms set forth in this Article X, to all of which the parties hereto and the Bondholders agree.

Section 10.02. No Responsibility for Recitals, etc. The recitals, statements and representations in this Indenture and in the Bonds, save only the Trustee's Certificate of Authentication upon the Bonds, have been made by the Authority and not by the Trustee; and the Trustee shall be under no responsibility for the correctness thereof.

Section 10.03. Trustee May Act Through Agents; Answerable Only for Willful Misconduct or Negligence. The Trustee may exercise any powers hereunder and perform any duties required of it through attorneys, agents, officers or employees, and shall be entitled to advice of Counsel concerning all questions hereunder. The Trustee shall not be answerable for any misconduct or negligence on the part of any attorney or agent appointed by it with due care. The Trustee shall not be answerable for any action or inaction hereunder except for its own willful misconduct or negligence or that of its agents, officers and employees.

Section 10.04. Compensation. Pursuant to Section 5.4 of the Agreement, the Company is required to pay the Trustee reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements. No provision of this Indenture shall require the Trustee to advance, expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder.

Section 10.05. Notice of Default; Right to Investigate. The Trustee shall, within thirty (30) days after the occurrence of a default known to the Trustee, give written notice by first class mail to the Holders of the Bonds and send a copy of such notice to the Authority and the Company, unless such defaults have been remedied (the term "defaults" for purposes of this Section and Section 10.06 hereof being defined to include the events specified in Clauses A through C of Section 9.01 hereof, including any notice or periods of grace provided for therein); provided that, except in the case of a default under Clause A of Section 9.01, the Trustee may withhold such notice so long as it in good faith determines that such withholding is in the interest of the Bondholders. The Trustee may at any time require of the Authority full information as to the performance of any covenant hereunder of the Authority; and, if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made an investigation into the affairs of the Authority related to this Indenture, and the affairs of the Company related to the Agreement.

Section 10.06. Obligation to Act on Defaults. If any default shall have occurred and be continuing, the Trustee shall exercise such of the rights and remedies vested in it by this Indenture and shall use the same degree of care in their exercise as a prudent person would exercise or use in the circumstances in the conduct of his or her own affairs.

Section 10.07. Reliance on Requisition, etc. The Trustee may act on any requisition, resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Indenture; and the Trustee shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement.

Section 10.08. Trustee May Own Bonds. The Trustee may in good faith buy, sell, own and hold any of the Bonds and may join in any action which any Bondholders may be entitled to take with like effect as if the Trustee were not a party to this Indenture. The Trustee may also engage in or be interested in any financial or other transaction with the Authority or the Company; provided, that if the Trustee determines that any such relation is in conflict with its duties under this Indenture, it shall eliminate the conflict or resign as Trustee.

Section 10.09. Resignation of Trustee. The Trustee may resign and be discharged of the trusts created by this Indenture by written resignation filed with the Authority and the Company not less than sixty (60) days before the date when such resignation is to take effect. Such resignation shall take effect only upon the appointment of a successor trustee.

Section 10.10. Removal of Trustee. Any Trustee hereunder may be removed at any time except during an Event of Default by an instrument appointing a successor to the Trustee so removed, executed by the Holders of a majority in principal amount of the Bonds then Outstanding and filed with the Trustee, the Authority and the Company.

Section 10.11. Appointment of Successor Trustee. If the Trustee or any successor trustee is dissolved or if its property or business is taken under the control of any state or federal court or administrative body or, if the Trustee resigns, a vacancy shall forthwith exist in the office of the Trustee, and a successor trustee shall be appointed by the Company. If the Company fails to make such appointment within sixty (60) days after the date notice of resignation is filed, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee.

Section 10.12. Qualification of Successor. A successor trustee shall be a national bank with trust powers or a bank and trust company or a trust company, in each case having capital and surplus of at least \$75,000,000, if there be one able and willing to accept the trust on reasonable and customary terms.

Section 10.13. Instruments of Succession. Any successor trustee shall execute, acknowledge and deliver to the Authority an instrument accepting such appointment hereunder; and thereupon such successor trustee, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named Trustee herein. The Trustee ceasing to act hereunder shall pay over to the successor trustee all moneys and other property held by it hereunder; and, upon request of the successor trustee, the Trustee ceasing to

act and the Authority shall execute and deliver an instrument transferring to the successor trustee all the estates, properties, rights, powers and trusts hereunder of the Trustee ceasing to act. The Company shall be provided with a copy of each instrument mentioned herein.

Section 10.14. Merger of Trustee. Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee hereunder shall be a party, shall be the successor trustee under this Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

Section 10.15. Separate or Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction denying or restricting the right of banking corporations or associations to transact business as trustees in such jurisdiction. Therefore, in the event of the incapacity or lack of authority of the Trustee, as determined by the Trustee, by reason of any present or future law of any jurisdiction, to exercise any of the powers, rights or remedies herein granted to the Trustee or to hold title to the property in trust as herein granted or to take any other action which may be necessary or desirable in connection therewith in such jurisdiction, the Trustee may appoint an additional individual or institution as a separate Trustee or Co-Trustee, and each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in conveyed to the Trustee with respect thereto shall be exercised by and vested in such separate Trustee and Co-Trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate Trustee or Co-Trustee shall run to and be enforceable by either of them.

Should any conveyance or instrument in writing from the Authority be required by the separate Trustee or Co-Trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate Trustee or Co-Trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate Trustee or Co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new Trustee or successor to such separate Trustee and Co-Trustee.

Section 10.16. Duties of Trustee with Respect to Agreement. The Trustee shall perform the following acts and enforce the following rights of the Authority provided in the Agreement:

A. The Trustee shall, on behalf of and at the written direction of the Authority, grant or deny any approvals or consents requested by the Company under the Agreement.

B. The Trustee shall accept and verify delivery of the reports, statements and certifications to be furnished by the Company to the Trustee, on behalf of the Authority pursuant

to Section 5.7 of the Agreement. The Trustee shall promptly notify the Authority of any (i) default of the Company disclosed by any default certificate described in Section 5.7(a) and (c) of the Agreement and (ii) noncompliance by the Company disclosed by any certificate described in Section 5.7(d) of the Agreement.

[This is the end of Article X]

ARTICLE XI

ACTS OF BONDHOLDERS; EVIDENCE OF SIGNATURES OF BONDHOLDERS AND OWNERSHIP OF BONDS

Section 11.01. Acts of Bondholders: Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent or other instrument which this Indenture may require or permit to be executed by the Bondholders may be in one or more instruments of similar tenor and shall be signed by such Bondholders in person or by their attorneys duly appointed in writing. Proof of the execution of any such instrument or of an instrument appointing any such attorney or the holding by any person of such Bonds shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

A. The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Trustee or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice-president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

B. The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registration books maintained by the Trustee. Any request, consent or vote of the Holder of any Bond shall bind all future Holders of such Bond.

[This is the end of Article XI]

ARTICLE XII

AMENDMENTS AND SUPPLEMENTS

Section 12.01. Amendments and Supplements Without Bondholders' Consent.

This Indenture may be amended or supplemented at any time and from time to time, without notice to or consent of the Bondholders by a supplemental indenture authorized by a Certified Resolution filed with the Trustee, for one or more of the following purposes:

- A. to set forth any or all of the matters in connection with the issuance of Additional Bonds;
- B. to add additional covenants of the Authority or to surrender any right or power herein conferred upon the Authority; and
- C. to cure any ambiguity or to cure, correct or supplement any defective provision of this Indenture or otherwise to amend in such manner as shall not be inconsistent with this Indenture and shall not impair the security hereof or adversely affect the Bondholders.

Section 12.02. Amendments with Bondholders' Consent. This Indenture may be amended and supplemented from time to time, by a supplemental indenture approved by the holders of not less than 66-2/3% in aggregate principal amount of the Bonds then Outstanding; provided, that no amendment shall be made which affects the rights of some but less than all the Outstanding Bonds without the consent of the Holders of not less than 66-2/3% in aggregate principal amount of the Bonds then Outstanding so affected; and provided, further, that with respect to (1) a decrease in the principal or interest payable upon any Bond, (2) the dates of maturity or other redemption provisions of any Bonds, and (3) this Article XII, this Indenture may be amended and supplemented only with the consent of the holders of 100% in aggregate principal amount of the Bonds then Outstanding.

Section 12.03. Amendment of Agreement. The Agreement may be amended with the consent of the Trustee, provided that any amendment which would adversely affect any Bondholders may be consented to by the holders of not less than 66-2/3% in aggregate principal amount of the Bonds then Outstanding so affected. The Trustee shall not consent to any amendment to the Agreement which would (1) decrease the amounts payable under the Agreement, (2) change the date of payment or prepayment provisions under the Agreement, or (3) change any provision with respect to amendment unless it receives the consent of the Holders of 100% in aggregate principal amount of the Bonds then Outstanding to such amendment, and no amendment shall be consented to which affects the rights of some but less than all of the Outstanding Bonds without the consent of the holders of at least 66-2/3% in aggregate principal amount of the Bonds then Outstanding so affected.

Section 12.04. Trustee Authorized to Join in Amendments and Supplements; Reliance on Counsel. The Trustee is authorized to join with the Authority in the execution and delivery of any supplemental indenture or amendment permitted by this Article XII and in so doing shall be fully protected by an opinion of Counsel that such supplemental indenture or

amendment is so permitted and has been duly authorized by the Authority and that all things necessary to make it a valid and binding agreement have been done.

Section 12.05. Company's Consent. Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XII shall not become effective unless and until the Company shall have consented to the execution and delivery of such supplemental indenture. Such consent may be evidenced by the certificate of the Chairman of the Board, the President, or any authorized officer of the Company.

[This is the end of Article XII]

ARTICLE XIII

DEFEASANCE

Section 13.01. Defeasance. When the principal of, or premium, if any, and interest on, all Bonds issued hereunder have been paid, or provision has been made for payment of the same, together with all other sums payable hereunder by the Authority, the Trustee's right, title and interest in the Agreement except for any provision which provides expressly that it survives any defeasance of the Bonds hereunder and the moneys payable thereunder shall thereupon cease, terminate and become void and the Trustee shall release this Indenture in respect thereto except with respect to any provision hereof which provides expressly that it survives any defeasance of the Bonds hereunder and shall execute such documents to evidence such release as may be reasonably required by the Authority and the Company and shall turn over to the Company or its assigns all balances then held by it hereunder not required for the payment of the Bonds and such other sums. If such payment or provision therefor has been made with respect to less than all the Bonds, the interest of the Trustee in the Agreement shall cease in respect of such Bond or Bonds, and the Trustee shall take similar action for the release of this Indenture.

Provision for the payment of any Bond or Bonds shall be deemed to have been made upon the delivery to the Trustee of (i) cash in an amount sufficient to make all payments specified above, or (ii) non-callable obligations issued or guaranteed by the United States of America ("Government Obligations"), maturing on or before the date or dates when the payments specified above shall become due, the principal amount of which and the interest thereon, when due, is or will be, in the aggregate, sufficient without reinvestment to make all such payments, or (iii) Government Obligations which have been stripped of their unmatured interest coupons or interest coupons which have been stripped from Government Obligations, provided that such Governmental Obligations are maintained under the book-entry system operated by the Federal Reserve Banks; or receipts or certificates evidencing payments from such Government Obligations or stripped interest coupons; or (iv) any combination of cash and such obligations. In the event provision for payment is made pursuant to (ii), (iii), or (iv) hereof, the related Bonds shall not be deemed paid unless there shall have been rendered an opinion of Bond Counsel to the effect that said provision for payment and defeasance of Bonds hereunder does not impair the exclusion of the interest on the Bonds for purposes of Federal income taxation. Neither the obligations nor moneys deposited with the Trustee pursuant to this Section shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal of, premium, if any, and interest on said Bonds. In the event that such moneys or obligations are to be applied to the payment of principal of, and premium, if any, on any Bonds more than 90 days following the deposit thereof with the Trustee, the Trustee shall give notice to the owners of the Bonds in the manner set forth in Section 7.02 hereof, which notice shall state that such moneys or obligations have been deposited and identifying the Bonds for the payment of which such moneys or obligations are being held.

[This is the end of Article XIII]

ARTICLE XIV

FORM OF BONDS

Section 14.01. Form of Bonds and Certificate of Authentication. The Bonds and the Certificate of Authentication are to be in substantially the form set forth in this Section 14.01 with such insertions, omissions or variations (including the printing of portions of the text on the reverse side) as may be necessary or appropriate or as may be permitted by the Indenture or the Act.

[FORM OF 1998 SERIES A BOND]

THE STATE OF NEW JERSEY IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THIS BOND. THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR PAYMENT OF THE BOND. THE BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

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NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
[]% GAS FACILITIES REVENUE BOND, 1998 SERIES A
(NUI Corporation Project)

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY (the "Authority"), a public body corporate and politic constituting an instrumentality of the State of New Jersey duly organized and existing under the New Jersey Economic Development Authority Act, constituting Chapter 80 of the Laws of the State of New Jersey of 1974, N.J.S.A. 34:1B-1 et. seq. (the "Act"), under and by virtue of the laws of the State of New Jersey, for value received, hereby promises to pay (but only out of the sources hereinafter mentioned) to _____, or registered assigns, on November 1, 2033 unless this Bond shall have been duly called for previous redemption in whole or in part and payment of the redemption price shall have been duly made or provided for, upon surrender hereof the principal sum of _____ Dollars and to pay to the registered owner hereof (but only out of the sources hereinafter mentioned) interest thereon from the date hereof until payment of said principal sum has been made or provided for, at the rate of []% per annum and, to the extent permitted by law, to pay interest on overdue interest at the rate per annum above specified. Principal of, premium, if any, and interest due at maturity (or earlier redemption pursuant to the terms thereof) on this Bond shall be paid at the corporate trust office of First Union National Bank, as the Trustee and the Paying Agent, or at the duly designated office of

any duly appointed alternate or successor paying agent, in any coin or currency of the United States of America, which, at the time of payment, is legal tender for the payment of public and private debts. Interest on this Bond (except interest due at maturity or earlier redemption) will be payable on each May 1 and November 1, commencing May 1, 1999, by check or draft mailed to the person who is the registered owner as of the fifteenth day of the calendar month immediately preceding an interest payment date (the "Record Date").

This Bond is one of a duly authorized issue of bonds of the Authority designated as its "[]% Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project)" (the "1998 Series A Bonds") limited in aggregate principal amount to \$40,000,000 executed under a Trust Indenture dated as of December 1, 1998 (the "Indenture") between the Authority and First Union National Bank, as Trustee (the "Trustee"). The 1998 Series A Bonds are issued by the Authority pursuant to and in full compliance with the laws of the State of New Jersey, including the New Jersey Economic Development Authority Act, constituting Chapter 80 of the Laws of New Jersey, 1974, as amended (the "Act"), to accomplish the public purposes of the Act by aiding in financing the acquisition, construction and equipping by NUI Corporation (the "Company") of certain gas facilities, including functionally related and subordinate equipment, consisting of supply mains, distribution mains, service lines, meters and miscellaneous equipment located in Union and Middlesex Counties, New Jersey (the "Project"). The 1998 Series A Bonds are payable solely from revenues derived by the Authority from a Loan Agreement between the Authority and the Company dated as of December 1, 1998 (the "Agreement") and from any other moneys held by the Trustee under the Indenture for such purpose, and there shall be no other recourse against the Authority or any other property now or hereafter owned by it. The Indenture provides for the issuance of Additional Bonds (the "Additional Bonds" and, together with the 1998 Series A Bonds, the "Bonds") under certain conditions. The Indenture assigns to the Trustee, as security for the Bonds, the Authority's rights under the Agreement (except for the Authority's rights to payment of certain costs and expenses, indemnification, consents, and receipt of certain notices, reports, opinions, and statements and, unless the Trustee has declared that the payment of all amounts due under the Agreement has been accelerated, enforcement of the Company's covenants therein). Except as otherwise specified in the Indenture, this Bond is entitled to the benefits of the Indenture equally and ratably as to principal (and premium, if any) and interest with all other Bonds issued and to be issued under the Indenture, to which reference is made for a description of the rights of the holders of the Bonds; the rights and obligations of the Authority; the rights, duties and obligations of the Trustee and the provisions relating to amendments to and modifications of the Indenture. The holder of this Bond shall have no right to enforce the provisions of the Indenture or the Agreement or to institute action to enforce the covenants thereof or rights or remedies thereunder except as provided in the Indenture.

The Act provides that neither the members of the Authority nor any person executing bonds of the Authority shall be liable personally on said Bonds by reason of the issuance thereof.

OPTIONAL REDEMPTION

The 1998 Series A Bonds are subject to redemption prior to maturity at any time on or after November 1, 2008, at the option of the Authority, upon the written direction of the Company, in whole or in part, from the Bond Fund established under the Indenture and from moneys otherwise available for such purpose, upon receipt by the Trustee of a written certificate from the Company stating that it intends to repay the loan under the Agreement and thereby effect redemption of the 1998 Series A Bonds (and, if in part, by random selection in any manner deemed by the Trustee to be fair and appropriate). Such certificate shall be delivered to and received by the Trustee at least 60 days prior to the redemption date, any such redemption to be made at the applicable optional redemption price shown below as a percentage of the principal amount, plus interest accrued to the redemption date:

<u>Redemption Period</u>	<u>Optional Redemption Price</u>
November 1, 2008 to October 31, 2009	101 ½%
November 1, 2009 to October 31, 2010	101%
November 1, 2010 and thereafter	100%

EXTRAORDINARY OPTIONAL REDEMPTION

The 1998 Series A Bonds are subject to extraordinary optional redemption at any time prior to maturity at the option of the Authority, upon the written direction of the Company, in whole or in part, but if in part, by random selection in any manner deemed by the Trustee to be fair and appropriate, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the redemption date, following the occurrence of any of the following events:

- (1) the Company shall have determined that operation of the Project or some part of the Project is impracticable, uneconomical or undesirable for any reason; or
- (2) all or substantially all of any part of the Project shall have been condemned or taken by eminent domain; or
- (3) operation of the Project, or any part of the Project, shall have been enjoined or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any federal, state or local regulatory body, administrative agency or other governmental body.

MANDATORY REDEMPTION

The 1998 Series A Bonds are subject to mandatory redemption by the Authority prior to maturity at any time, in whole, at a redemption price equal to 100% of the principal amount thereof plus interest accrued to the redemption date, if it is finally determined by the

Internal Revenue Service or a court of competent jurisdiction that, as a result of (i) a failure by the Company to observe any covenant or agreement in the Agreement to be observed by the Company or (ii) the inaccuracy of any representation of the Company contained in the Agreement, the interest payable on the 1998 Series A Bonds is includable for federal income tax purposes in the gross income of any holder of a 1998 Series A Bond, other than a holder who, within the meaning of Section 147 of the Internal Revenue Code of 1986, as amended (the "Code"), is a "substantial user" of the Projects or a "related person" thereto; provided, that if in the opinion of Bond Counsel redemption of less than all of the 1998 Series A Bonds will preserve the tax-exempt status of interest payable on the remaining 1998 Series A Bonds, then only such amount as will accomplish such preservation need be redeemed. The Authority shall notify the Trustee of such amount and the 1998 Series A Bonds to be redeemed are to be selected randomly in any manner deemed by the Trustee to be fair and appropriate, or otherwise as specified in the determination. No such determination will be considered final for this purpose unless the Company has been given written notice and, if it so desires, has been afforded the opportunity to contest the same, either directly or in the name of any holder of a 1998 Series A Bond, or to direct the contesting of the same by such holder, and until the conclusion of any appellate review, if sought. Any such redemption shall be on the earliest practicable date within 180 days following the date of such final determination and if so redeemed within such 180-day period, Bondholders will have no other remedy. Such failure by the Company to observe such covenant or agreement, or the inaccuracy of such representation in the Agreement, shall not in and of itself constitute an Event of Default under the Agreement or the Indenture. The Trustee is required to receive and coordinate notices from Bondholders in connection with such event.

The 1998 Series A Bonds are subject to mandatory redemption prior to maturity at any time at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, if the Authority has notified the Trustee and the Company that (i) the Company has ceased to operate the Project or to cause the Project to be operated as an authorized project under the Act for 12 consecutive months without first obtaining the written consent of the Authority, or (ii) any representation or warranty of the Company in the Agreement or in any other document furnished in connection with the Agreement proves to have been false or misleading in any material respect when made.

Any redemption under the preceding paragraphs shall be made by mailing a notice of such redemption, by registered or certified mail not less than thirty (30) nor more than sixty (60) days prior to the redemption date, to each owner of Bonds to be redeemed at his registered address as it appears in the registration books kept by the Trustee but failure to mail any such notice or any defect in such mailing will not affect the validity of such redemption. If the Authority deposits or causes to be deposited with the Trustee funds sufficient to pay the principal of and premium, if any, on any Bonds becoming due at maturity, by call for redemption, or otherwise, together with interest accrued to the due date, interest on such Bonds will cease to accrue on the due date, and thereafter the holders will be restricted to the funds so deposited as provided in the Indenture.

If at the time of mailing of notice of an optional or extraordinary optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all

the Bonds called for redemption, such notice shall state that it is conditional, that is, subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date and the satisfaction of other conditions required hereunder. If such moneys shall not have been so received by the Trustee, the redemption notice shall be deemed to have no effect and no redemption shall occur. In that case, the Authority shall not redeem such Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, that such moneys were not so received and that the redemption will not occur.

If an Event of Default, as defined in the Indenture, occurs, the principal of all Bonds issued under the Indenture may be declared due and payable upon the conditions and in the manner and with the effect provided in the Indenture.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this Bond, or for any claim based hereon or on the Indenture, against any officer, agent or employee, past, present or future, of the Authority or of any successor body, as such, either directly or through the Authority or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise.

This Bond is transferable by the owner hereof or his duly authorized attorney at the corporate trust office of the Trustee, upon surrender of this Bond, accompanied by a duly executed instrument of transfer in form and with guaranty of signature satisfactory to the Trustee, subject to such reasonable regulations as the Authority or the Trustee may prescribe, and upon payment of any tax, fee or other governmental charge incident to such transfer. Upon any such transfer a new Bond or Bonds in the same aggregate principal amount will be issued to the transferee. The person in whose name this Bond is registered shall be deemed the owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

The 1998 Series A Bonds are issuable in the form of fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The 1998 Series A Bonds may be exchanged for other fully registered 1998 Series A Bonds of any authorized denominations in the same aggregate principal amount, by surrender of such 1998 Series A Bonds to be exchanged at the corporate trust office of the Trustee.

The Authority and Trustee shall not be required to issue or make any exchange or transfer of Bonds during the period commencing on the tenth day before the mailing of a notice of partial redemption and ending on the date of such mailing or make any exchange or transfer of any Bonds called for redemption.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of New Jersey or the resolution of the Authority authorizing the issuance of the Bonds to exist, to have happened or to have been performed precedent to or in the issuance of this Bond exist, have happened and have been performed and that the issuance of

this Bond is within every debt and other limit prescribed by said Constitution, statutes or resolution.

This Bond is not valid unless the Trustee's Certificate of Authentication endorsed herein is duly executed.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed in its name by the facsimile signature of its Executive Director, and the facsimile of its seal to be printed hereon and attested by the facsimile signature of its Assistant Secretary, and this Bond to be dated December 1, 1998.

NEW JERSEY ECONOMIC
DEVELOPMENT AUTHORITY

ATTEST:

 (facsimile)
Assistant Secretary

By: (facsimile)
Executive Director

[FORM OF TRUSTEE'S CERTIFICATE
OF AUTHENTICATION FOR 1998 SERIES A BONDS]

This Bond is one of the 1998 Series A Bonds described in the within-mentioned
Indenture.

FIRST UNION NATIONAL BANK,
Trustee

By _____
Authorized Officer

[This is the end of Article XIV]

ARTICLE XV

MISCELLANEOUS PROVISIONS

Section 15.01. No Personal Recourse. No recourse shall be had for any claim based on this Indenture or the Bonds, including but not limited to the payment of the principal or redemption price of, or interest on, the Bonds, against any officer, agent or employee, past, present or future, of the Authority or of any successor body, as such, either directly or through the Authority or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or by any legal or equitable proceeding or otherwise.

Section 15.02. No Rights Conferred on Others. Nothing herein contained shall confer any right upon any person other than the parties hereto and the Holders of the Bonds.

Section 15.03. Illegal, etc. Provisions Disregarded. In case any provision in this Indenture of the Bonds shall for any reason be held invalid, illegal or unenforceable in any respect, this Indenture shall be construed as if such provision had never been contained herein.

Section 15.04. Substitute Notice. If for any reason it shall be impossible to make publication of any notice required hereby in a newspaper or newspapers, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

Section 15.05. Notices to Trustee and Authority. Any notice to or demand upon the Trustee may be served, presented or made at the corporate trust office of the Trustee located in Morristown, New Jersey. Any notice to or demand upon the Authority shall be deemed to have been sufficiently given or served by the Trustee for all purposes by being sent by registered mail, by telegram or by telephone confirmed in writing, to New Jersey Economic Development Authority, 36 West State Street, P.O. Box 990, Trenton, New Jersey 08625, Attn.: Director of Investment Banking, or such other address as may be filed in writing by the Authority with the Trustee. Any notice to the Company shall be given as provided in Section 8.1 of the Agreement.

Section 15.06. Successors and Assigns. All the covenants, promises and agreements in this Indenture contained by or on behalf of the Authority, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 15.07. Headings for Convenience Only. The descriptive headings in this Indenture are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 15.08. Counterparts. This Indenture may be executed in any number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 15.09. Information Under Commercial Code. The following information is stated in order to facilitate filings under the Uniform Commercial Code:

The secured party is First Union National Bank, Trustee. Its address from which information concerning the security interest may be obtained is 21 South Street, 3rd Floor, Morristown, New Jersey 07960 Attention: Corporate Trust Department. The debtor is New Jersey Economic Development Authority. Its mailing address is 36 West State Street, P.O. Box 990, Trenton, New Jersey 08625, Attn: Director of Investment Banking.

Section 15.10. Acceptance of Trust. The Trustee hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions hereinabove set forth.

Section 15.11. Payments Due on Saturdays, Sundays and Holidays. In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or a legal holiday or a day on which banking institutions in the city of payment are authorized by law to close, then payment of interest or principal or redemption price need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest on such payment shall accrue for the period after such date.

Section 15.12. Applicable Law. In the event it should become necessary to interpret or construe the meaning of any word, phrase or sentence or other provision or requirement of this Indenture, such interpretation and construction shall be in accordance with the laws and statutes of the State of New Jersey or the laws of the United States. If any question of validity or enforcement of this Indenture should arise, the laws and statutes of the State of New Jersey shall apply.

Section 15.13. Estoppel. It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of New Jersey, or the resolution of the Authority authorizing the issuance of the Bonds to exist, to have happened or to have been performed precedent to or in the issuance of the Bonds exist, have happened and have been performed and the issuance of the Bonds is within every debt and other limit prescribed by said Constitution, statutes or resolution.

Section 15.14. Computation of Interest. Interest on the Bonds shall be computed on the basis of a year of twelve thirty-day months.


[This is the end of Article XV]

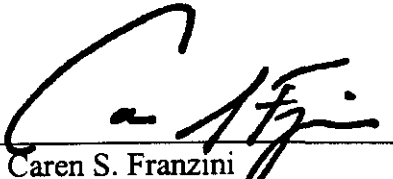
IN WITNESS WHEREOF, NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY has caused this Indenture to be executed by its Executive Director, and its corporate seal to be hereunto affixed and attested to by its Assistant Secretary, and First Union National Bank, as Trustee has caused this Indenture to be executed by one of its authorized signatories and its seal to be hereunto affixed, attested by one of its duly authorized officers, all as of the day and year first above written.

[SEAL]

NEW JERSEY ECONOMIC
DEVELOPMENT AUTHORITY

ATTEST:

By 
Assistant Secretary

By 
Caren S. Franzini
Executive Director

[SEAL]

FIRST UNION NATIONAL BANK,
as Trustee

By _____
Assistant Secretary

By _____
Authorized Signatory

IN WITNESS WHEREOF, NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY has caused this Indenture to be executed by its Executive Director, and its corporate seal to be hereunto affixed and attested to by its Assistant Secretary, and First Union National Bank, as Trustee has caused this Indenture to be executed by one of its authorized signatories and its seal to be hereunto affixed, attested by one of its duly authorized officers, all as of the day and year first above written.

[SEAL]

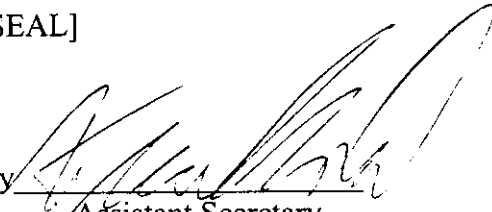
NEW JERSEY ECONOMIC
DEVELOPMENT AUTHORITY

ATTEST:

By _____
Assistant Secretary

By _____
Caren S. Franzini
Executive Director

[SEAL]

By  _____
Assistant Secretary

FIRST UNION NATIONAL BANK,
as Trustee

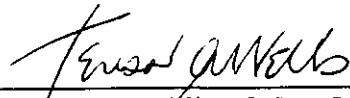
By  _____
Authorized Signatory

STATE OF NEW JERSEY)

SS:

COUNTY OF MERCER)

BE IT REMEMBERED, that on this 2nd day of December, 1998, before me, the subscriber, a Notary Public of New Jersey, personally appeared Caren S. Franzini who, being by me duly sworn on her oath, deposes and makes proof to my satisfaction, that she is the Executive Director of the NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY, the Authority named in the within Instrument; that the execution, as well as the making of this Instrument, has been duly authorized by a proper resolution of the Members of the Authority, that deponent well knows the seal of said Authority; and that the seal affixed to said Instrument is the proper seal and was thereto affixed by Beth E. Sztuk, and said Instrument was signed and delivered by said Assistant Secretary as and for the voluntary act and deed of said Authority.



Notary Public of New Jersey

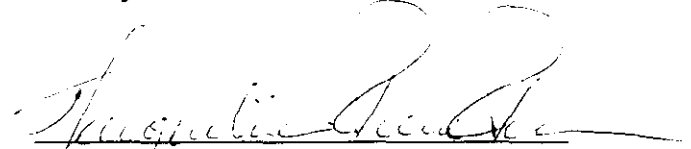
TERESA A. WELLS
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 3/11/02

ACKNOWLEDGMENT BY TRUSTEE

STATE OF NEW JERSEY)
 SS:
COUNTY OF MORRIS)

On this 8th day of December, 1998, before me, Jacqueline Pierre-Pierre
a Notary Public, in the State of New Jersey, personally appeared Rick Barnes, who
acknowledged himself to be an authorized signatory of First Union National Bank, a national
banking corporation, and that he, as such Assistant Vice President, being authorized so to do,
executed the foregoing instrument for the purposes therein contained, by signing the name of the
corporation by himself as an authorized signatory.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.


Notary Public
My Commission Expires:

JACQUELINE PIERRE-PIERRE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires March 20, 2000

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

TERMS OF PURCHASE (to be attached to Form of Bid)

1. Purchasers and Representative. If there shall be two or more persons, firms or corporations named in Schedule A to the attached Form of Bid (the "1998 Series A Bid"), the term "Purchasers", as used herein, shall be deemed to mean the persons, firms or corporations so named (including the Representative hereinafter mentioned), and the term "Representative", as used herein, shall be deemed to mean the representative or representatives by whom or on whose behalf the 1998 Series A Bid has been signed. Except as otherwise specified herein, all obligations of the Purchasers hereunder are several. If there shall be only one person, firm or corporation named in said Schedule A, the term "Purchasers" and the term "Representative", as used herein, shall mean such person, firm or corporation.

2. Background.

(a) The New Jersey Economic Development Authority (the "Authority") and NUI Corporation (the "Company") propose to enter into a Loan Agreement to be dated as of December 1, 1998 (the "Loan Agreement") pursuant to which the Authority will undertake to make a loan to the Company to provide funds to finance the costs of the acquisition, construction and equipping by the Company of certain gas facilities and functionally related and subordinate equipment, including supply mains, distribution mains, service lines, meters and miscellaneous equipment, located in Union and Middlesex Counties, New Jersey (the "Project"). The Authority, in order to provide a portion of the funds necessary to finance the cost of the Project as set forth above, proposes to issue and sell to the Purchasers \$40,000,000 aggregate principal amount of its ___% Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project) (the "1998 Series A Bonds"), bearing interest from December 1, 1998, at the annual interest rate and maturing (subject to prior redemption) on the date set forth in the Official Statement referred to below.

(b) The 1998 Series A Bonds will be issued pursuant to resolutions adopted by the Authority on June 9, 1998 and October 13, 1998 (the "Proceedings"), and will be secured under a Trust Indenture, dated as of December 1, 1998 (the "Indenture"), between the Authority and First Union National Bank, as trustee (the "Trustee"). The 1998 Series A Bonds will be payable solely out of the payments by the Company under the Loan Agreement and from certain other moneys available therefor as provided in the Loan Agreement and the Indenture. In order to secure the payment of the principal of and premium, if any, and interest on the Bonds, the Authority will pledge and assign to the Trustee all of its right, title and interest in and to the Revenues (as defined in the Indenture).

(c) It is intended that the Project will constitute "facilities for the local furnishing of . . . gas" for the purposes of Section 142(a)(8) of the Internal Revenue Code of 1986, as amended (the "Code"), including property functionally related or subordinate thereto as described in the applicable Treasury Regulations under Section 142 of the Code, so that the interest on the 1998 Series A Bonds will not be includable in gross income for purposes of Federal income taxation, and that the Purchasers may offer and sell the 1998 Series A Bonds to the public without registration of the 1998 Series A Bonds under the Securities Act of 1933 or qualification of the Indenture under the Trust Indenture Act of 1939.

3. Authority's Representations. The Authority makes the following representations, all of which will survive the purchase and offering of the 1998 Series A Bonds:

(a) That the Authority has approved and authorized the Official Statement, dated December 3, 1998, for use in connection with the sale and distribution of the 1998 Series A Bonds. Such Official Statement, together with the Appendices thereto and documents incorporated by reference therein, is hereinafter referred to as the "Official Statement". That the Authority has also approved and authorized the Preliminary Official Statement, dated November 25, 1998, which was "deemed final" as of such date by the Authority within the meaning of Rule 15c2-12(b)(1) under the Securities Exchange Act of 1934 (the "Exchange Act"), except for the information not required to be included in a Preliminary Official Statement as set forth in such Rule. Such Preliminary Official Statement has been distributed prior to the issuance of the Official Statement. Such Preliminary Official Statement, together with the Appendices thereto and documents incorporated by reference therein, is hereinafter referred to as the "Preliminary Official Statement". That the Authority will not at any time authorize an amendment or supplement to the Official Statement without prior notice to the Company, the Representative and Winthrop, Stimson, Putnam & Roberts, counsel for the Purchasers, or any such amendment or supplement to which the Company or the Representative shall reasonably object in writing. That the Authority hereby ratifies and confirms the use prior to the date hereof of the Preliminary Official Statement in connection with the offering of the 1998 Series A Bonds.

(b) That the Authority is a public body corporate and politic, constituting an instrumentality of the State of New Jersey, duly organized and validly existing under the constitution and laws of the State of New Jersey, and the members of its Board have been duly appointed.

(c) That the Authority has full power and authority under the New Jersey Economic Development Authority Act (the "Act") to issue, sell and deliver the 1998 Series A Bonds and loan the proceeds thereof to the Company as provided in the Loan Agreement, to enter into the Indenture, the Loan Agreement and the 1998 Series A Agreement (as hereinafter defined), to finance the cost of the Project, to assign and pledge to the Trustee, for the benefit of the holders of the 1998 Series A Bonds, all of its right, title and interest in and to the Revenues, all as provided in the Indenture, the Loan Agreement and the 1998 Series A Agreement, and to carry out and consummate all other transactions contemplated by each of the aforesaid documents; and that the Authority has taken all actions and obtained all approvals in connection therewith required by the Act and any other applicable laws or regulations.

(d) That the Authority has duly authorized (i) the execution and delivery of the 1998 Series A Bid and these Terms of Purchase (collectively, the "1998 Series A Agreement"), the 1998 Series A Notice of Sale, the Loan Agreement and the Indenture, (ii) the issuance and sale of the 1998 Series A Bonds upon the terms set forth herein and in the Official Statement, and (iii) all actions necessary or appropriate to carry out the same, and that the making of and performance by the Authority under each of the Loan Agreement, the 1998 Series A Agreement and the Indenture will not conflict with, violate or result in a breach of or constitute a default under the bylaws or the rules and regulations of the Authority or any indenture, agreement or other instrument by which the Authority or any of its properties may be bound or any constitutional or statutory provision or order, rule, regulation, decree or ordinance of any court, government or governmental body having jurisdiction over the Authority or any of its property; provided, however, that no representation is made concerning compliance with the Federal securities laws or the Blue Sky or other securities laws of the various states. The 1998 Series A Agreement has been duly executed and delivered by the Authority and constitutes the legal, valid and binding obligation of the Authority enforceable in accordance with its terms. As of the time of the Closing (as hereinafter defined), the Loan Agreement and the Indenture will have been duly executed and delivered by the Authority and will constitute legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

(e) That the 1998 Series A Bonds, when delivered to and paid for by the Purchasers in accordance with the terms of the 1998 Series A Agreement, will have been duly and validly authorized, executed, issued and delivered and, when authenticated by the Trustee, will constitute legal, valid and binding limited obligations of the Authority enforceable in accordance with their terms and will be entitled to the benefits of the Indenture.

(f) That as of the date hereof, the information under the caption "The Authority" in the Official Statement is true and correct in all material respects, and that the Authority has approved the Official Statement and consents to the use thereof by the Purchasers.

(g) That, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Authority, threatened against or affecting the Authority (or, to the knowledge of the Authority, any meritorious basis therefor) wherein any unfavorable decision, ruling or finding would adversely affect (i) the existence or powers of the Authority, the Authority's Board or the membership of the Authority's Board, (ii) the transactions contemplated hereby or by the Official Statement or the validity of the 1998 Series A Bonds, the Loan Agreement, the Indenture, the 1998 Series A Agreement or any agreement or instrument to which the Authority is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or by the Official Statement, or (iii) the exemption of the interest on the 1998 Series A Bonds from Federal income taxation and from taxation in the State of New Jersey under the present New Jersey Gross Income Tax Act.

(h) That the Authority has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

(i) THE STATE OF NEW JERSEY IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OF NEW JERSEY IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE 1998 SERIES A BONDS. THE 1998 SERIES A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR PAYMENT OF THE 1998 SERIES A BONDS. THE 1998 SERIES A BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

4. Purchase, Sale and Closing. On the terms and subject to the conditions and in reliance on the representations, warranties and covenants herein and in the Letter of Representation, dated December 3, 1998, from the Company to the Authority and the Purchasers to be delivered to the Authority and the Representative upon the acceptance of the 1998 Series A Bid in the form attached hereto as Exhibit A (the "1998 Series A Letter of Representation"), each Purchaser will severally buy from the Authority, and the Authority will sell to such Purchaser, the principal amount of the 1998 Series A Bonds set forth opposite the name of such Purchaser in Schedule A to the 1998 Series A Bid. The purchase price of the 1998 Series A Bonds will be the price set forth in the 1998 Series A Bid, plus interest accrued thereon, from December 1, 1998 to the Closing, and shall be payable in immediately available funds to the Trustee for the account of the Authority. Closing of the purchase and sale of the 1998 Series A Bonds (the "Closing") will be held at the offices of Gibbons, Del Deo, Dolan, Griffinger & Vecchione, One Riverfront Plaza, Newark, New Jersey at 10:00 A.M. local time on December 8, 1998, or such other place or other date or time as may be agreed on by the Authority, the Company

and the Representative. The 1998 Series A Bonds shall be issued in book-entry form through the facilities of The Depository Trust Company ("DTC").

5. Public Offering. Contemporaneously with the acceptance of the 1998 Series A Bid, the Representative shall advise the Authority and the Company of such details of the offering including the price to the public as are needed to complete the Official Statement.

6. Covenants of the Authority. The Authority agrees that it will:

(a) Cooperate in qualifying the 1998 Series A Bonds for offer and sale under the Blue Sky or other securities laws of such jurisdictions of the United States of America as are designated by the Representative; provided, however, that the Authority shall not be required to sign a general consent to service of process in any jurisdiction nor to incur any costs in connection with such qualification.

(b) Take any action necessary to assure or maintain the tax-exempt status of the interest on the 1998 Series A Bonds under the Code.

(c) Notify the Company and the Representative of any proposal to amend or supplement the Official Statement in connection with information therein with respect to the Authority, and not effect such amendment or supplementation without the consent of the Company and the Representative; also notify the Company and the Representative of the institution of any proceedings to which it is a party, or of which it has knowledge, by any governmental agency or otherwise affecting the use of the Official Statement in connection with the sale and distribution of the 1998 Series A Bonds.

(d) If at any time during the period designated in Section 2(b) of the 1998 Series A Letter of Representation, any event occurs which would require a change in the Official Statement in order to make the statements therein true and not misleading in connection with the offering of the 1998 Series A Bonds, cooperate in the making of such change.

7. Conditions of Purchasers' Obligation. The obligation of the Purchasers to purchase the 1998 Series A Bonds is subject to fulfillment of the following conditions at or before Closing:

(a) The Authority's representations hereunder and the Company's representations in the 1998 Series A Letter of Representation shall be true, in all material respects, on the date hereof and such representations, together with the Authority's representations in the Loan Agreement and the Indenture and the Company's representations in the Loan Agreement, shall be true, in all material respects, on and as of the date of Closing.

(b) Neither the Authority nor the Company shall have defaulted in the performance of any of its covenants hereunder or under the 1998 Series A Letter of Representation, respectively.

(c) At the time of Closing, the Indenture, the Continuing Disclosure Agreement (as defined herein) and the Loan Agreement, and the 1998 Series A Letter of Representation (substantially in the form attached hereto as Exhibit A, but with such changes as the Representative shall approve), shall be in full force and effect, and shall not have been amended, modified, or supplemented subsequent to the acceptance of the 1998 Series A Bid except as may have been agreed to in writing by the Representative.

(d) The 1998 Series A Bonds shall have been duly authorized, executed and authenticated in accordance with the provisions of the Indenture.

- (e) At or prior to Closing, the Representative shall have received:
- (i) certified copies or executed counterparts of the Loan Agreement, the Indenture and the Proceedings;
 - (ii) opinions of Gibbons, Del Deo, Dolan, Griffinger & Vecchione, a Professional Corporation, Bond Counsel, dated the Closing Date substantially to the effect set forth in Exhibits B and C;
 - (iii) opinions of Counsel for the Company dated the date of Closing substantially to the effect set forth in Exhibits D-1 and D-2;
 - (iv) a letter, dated the date of Closing, from the auditors of the Company substantially to the effect set forth in Exhibit E hereto if the Purchasers provide the Company and such auditors a representation letter in accordance with Statement of Auditing Standards No. 72 substantially to the effect set forth in Exhibit F attached hereto, or substantially to the effect set forth in covering the matters set forth in Exhibit G attached hereto if the Purchasers do not provide such representation letter, and a privity letter dated the date of Closing, from the auditors of the Company, in form and substance satisfactory to the Authority.
 - (v) opinion of Counsel to the Purchasers, dated the date of Closing substantially to the effect set forth in Exhibit H attached hereto;
 - (vi) a copy of the Official Statement including the Appendices thereto and the documents incorporated therein by reference;
 - (vii) a certificate, dated the date of Closing, executed by the Executive Director, Acting Executive Director, Deputy Director or Managing Director of Investment Banking of the Authority to the effect that each of the representations set forth herein and in the Loan Agreement and the Indenture is true, accurate and complete in all material respects as of Closing and each of the agreements of the Authority, as set forth herein or therein to be complied with at or prior to Closing, has been complied with in all material respects;
 - (viii) a certificate, dated the date of Closing, by the Executive Director, Acting Executive Director, Deputy Director or Managing Director of Investment Banking of the Authority to the effect that no litigation is pending against the Authority or, to his or her knowledge, threatened against the Authority in any court to restrain or enjoin the issuance or delivery of any of the 1998 Series A Bonds, or in any way contesting or affecting the validity of the 1998 Series A Bonds, the Indenture, the Loan Agreement or this 1998 Series A Agreement, or contesting the powers of the Authority to issue, or any authority for, the 1998 Series A Bonds, the Indenture or the Loan Agreement, which certificate shall be in form and substance acceptable to the Representative (but in lieu of such certificate the Representative may in its sole discretion accept opinions by Bond Counsel and Counsel for the Authority, acceptable to it and its counsel in form and substance, that in the opinion of such counsel the issues raised in any such pending or threatened litigation are without substance or that the contentions of any plaintiffs therein are without merit);
 - (ix) a certificate dated the date of Closing of the Chairman of the Board, the President, any Vice President or the Treasurer of the Company, satisfactory to the Representative, as follows:

(1) certifying that as of the date of Closing the Company's representations under the 1998 Series A Letter of Representation and the Loan Agreement are true, accurate and complete in all material respects and that the Company has complied in all material respects with all of its agreements contained therein;

(2) certifying that there has been no material adverse change in the general affairs or in the financial position or net assets of the Company or its subsidiaries as a whole, as shown in the Official Statement, other than changes disclosed by or contemplated in the Official Statement;

(3) stating that he has examined the Official Statement and that, in his opinion, the Official Statement does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(4) attaching true and complete copies of each order required from the Board of Public Utilities of the State of New Jersey, the Florida Public Service Commission, and the Public Utility Commission of the Commonwealth of Pennsylvania in connection with the issuance of the 1998 Series A Bonds;

(x) a continuing disclosure agreement dated as of December 1, 1998 executed and delivered by the Company to the Trustee for the benefit of the beneficial owners of the 1998 Series A Bonds in order to assist the Purchasers in complying with Rule 15c2-12 under the Exchange Act (the "Continuing Disclosure Agreement"); and

(xi) such additional documentation as Bond Counsel or the Representative may reasonably request to evidence compliance with applicable law and the validity of the 1998 Series A Bonds, the Loan Agreement, the Indenture, the Continuing Disclosure Agreement and this 1998 Series A Agreement, and to demonstrate the tax-exempt status of the interest on the 1998 Series A Bonds and the status of the offering under the Securities Act of 1933.

8. Events Permitting the Representative to Terminate. (a) The Representative may terminate the Purchasers' obligations to purchase the 1998 Series A Bonds at any time before Closing if any of the following occurs:

(i) any court decision or any legislative proposal, legislation, executive, or regulatory action or administrative action (other than as specifically disclosed in the Official Statement), which, if adopted or enacted, might in the reasonable judgment of the Representative, cast sufficient doubt on the legality of or the tax-exempt status of interest on obligations such as the 1998 Series A Bonds so as to materially impair the marketability or to reduce the market price of such obligations;

(ii) any action by the Securities and Exchange Commission (the "Commission") or a court which would require registration of the 1998 Series A Bonds under the Securities Act of 1933 in connection with the public offering thereof, or qualification of the Indenture under the Trust Indenture Act of 1939;

(iii) trading in securities of the New York Stock Exchange shall have been suspended or minimum prices shall have been established on the New York Stock Exchange, or a banking moratorium shall have been declared either by the United States or New York State authorities, or the United States shall have declared war in accordance with its constitutional processes or there shall have occurred any material outbreak or escalation of hostilities or other national or international calamity or crisis of such magnitude in its effect on the financial markets of the United States as, in the judgment of the Representative, to make it impracticable to market the 1998 Series A Bonds;

(iv) any event or condition which, in the reasonable judgment of the Representative, renders untrue or incorrect, in any material respect as of the time to which the same purports to relate, the information, including the financial statements, contained or incorporated by reference in the Official Statement, or which requires that information not reflected in such Official Statement should be reflected therein in order to make the statements and information contained therein not misleading in any material respect as of such time; or

(v) any material adverse change related to obligations or the financial condition of the Company, or the downgrading or withdrawal of any rating of the 1998 Series A Bonds or the rating of any class of security of the Company by a national rating service which, in the reasonable judgment of the Representative, may substantially impair the marketability or reduce the market price of the 1998 Series A Bonds.

(b) The 1998 Series A Agreement shall terminate upon the termination of the 1998 Series A Letter of Representation as provided in Paragraph 4 thereof.

(c) Any termination of this 1998 Series A Agreement pursuant to this Paragraph 9 shall be without liability of any party to any other party except as otherwise provided in Paragraph 3 of the 1998 Series A Letter of Representation.

9. Default by One or More Purchasers. If one or more of the Purchasers defaults, the remaining Purchasers, if any, are obligated to take up and pay for at Closing additional 1998 Series A Bonds not exceeding 1/9th of their respective participations. Should the total participation of the defaulting Purchaser or Purchasers exceed 10% of the total principal amount of the 1998 Series A Bonds, (a) the Representative shall use its best efforts to arrange for a substitute Purchaser or Purchasers within 24 hours of notice from the Company of such default, to purchase all, but not less than all, of the total participation of the defaulting Purchaser or Purchasers upon the terms set forth in this 1998 Series A Agreement, and (b) if the Representative shall fail to arrange for such a substitute Purchaser or Purchasers within such 24-hour period, the Company shall be entitled to an additional 24-hour period within which to arrange for a substitute Purchaser or Purchasers, to purchase all, but not less than all, of the total participation of the defaulting Purchaser or Purchasers upon the terms set forth in this Terms of Purchase. In either event, the Representative or the Company shall have the right to postpone the Closing for a period not to exceed five full business days from the date determined as provided in Paragraph 4 hereof, in order that the necessary changes in the Official Statement and any other documents and arrangements may be effected. If the Representative and the Company shall fail to procure a substitute Purchaser or Purchasers, as above provided, to purchase or agree to purchase all, but not less than all, of the total participation of the defaulting Purchaser or Purchasers, then the Authority, at the request of the Company, shall have the right to terminate this 1998 Series A Agreement. In the event of any such termination, the Company shall not be under any liability to any non-defaulting Purchaser (except to the extent, if any, provided in Paragraph 3 of the 1998 Series A Letter of Representation), nor shall any non-defaulting Purchaser be under any liability to the Company;

provided, however, that each defaulting Purchaser shall not be released from its liability to the Company for damages occasioned by such default under this 1998 Series A Agreement.

10. Notices and Other Actions. All notices, demands and formal actions hereunder will be in writing, mailed, telegraphed or delivered and, if to the Purchasers, shall be mailed, telegraphed or delivered to the Representative at the appropriate address set forth in the 1998 Series A Bid or, if to:

The Authority:

New Jersey Economic Development Authority
36 West State Street
P.O. Box 990
Trenton, New Jersey 08625
Attention: Executive Director

The Company:

NUI Corporation
550 Route 202-206
Bedminster, New Jersey 07921
Attention: Treasurer

11. Successors. This 1998 Series A Agreement shall inure to the benefit of and be binding upon the Authority, the Company and the Purchasers and their respective successors. Nothing in this 1998 Series A Agreement is intended or shall be construed to give any person, firm, or corporation, other than the parties hereto and their respective successors any legal or equitable right, remedy or claim under or in respect of this 1998 Series A Agreement or any provision herein contained. This 1998 Series A Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the parties hereto and their respective successors and for the benefit of no other person, firm or corporation. No purchaser of the 1998 Series A Bonds from any Purchaser shall be deemed to be a successor by reason merely of such purchase.

12. Governing Law. The validity, interpretation and performance of this 1998 Series A Agreement shall be governed by the laws of the State of New Jersey.

13. Time is of Essence. Time shall be of the essence for this 1998 Series A Agreement.

NUI Corporation

LETTER OF REPRESENTATION

December 3, 1998

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
36 West State Street
P.O. Box 990
200 South Warren Street
Trenton, New Jersey 08625

and

THE PURCHASERS

Listed in Schedule A to the accepted 1998 Series A Bid dated December 3, 1998 and the attached Terms of Purchase (the "Terms of Purchase") (collectively, the "1998 Series A Agreement") relating to the 1998 Series A Bonds referred to below

Ladies and Gentlemen:

In consideration of the issuance and sale by the New Jersey Economic Development Authority (the "Authority") of \$40,000,000 aggregate principal amount of its Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project) (the "1998 Series A Bonds") and the purchase of the 1998 Series A Bonds by the Purchasers listed in Schedule A to the accepted 1998 Series A Bid, dated the date hereof (the "Purchasers"), relating to the 1998 Series A Bonds, the Company represents, covenants to and agrees with the Authority and the Purchasers, and the Authority and the Purchasers by their acceptance hereof agree with the Company, as follows (all terms not specifically defined in this Letter of Representation which are defined in the 1998 Series A Agreement having the same meanings herein as in the 1998 Series A Agreement):

1. Company's Representations. The Company makes the following representations, all of which will survive the purchase and offering of the 1998 Series A Bonds:

(a) That the Company is a corporation duly organized and validly existing and in good standing under the laws of the State of New Jersey and duly qualified to do business in the States of Florida, Maryland, New York, North Carolina and the Commonwealth of Pennsylvania; that the Company has full power and authority to transact the business in which it is engaged, to own and operate the properties used by it in such business, to execute and deliver the Loan Agreement and this Letter of Representation and to perform its obligations thereunder and hereunder; that the Project constitutes a "project" within the Act; that the conduct of the Company's business does not make the qualification of licensing of the Company as a foreign corporation necessary in any other state or jurisdiction where failure to so qualify would adversely affect the transactions contemplated by the 1998 Series A Agreement or the Official Statement or have a material adverse effect on the

financial condition or results of operations of the Company; and that the Company has the franchises requisite to its business.

(b) That the Company has duly authorized the execution, delivery and performance of the Loan Agreement, the Continuing Disclosure Agreement and this Letter of Representation; that, as of the time of Closing, the Loan Agreement and the Continuing Disclosure Agreement will have been duly executed and delivered by the Company; that this Letter of Representation constitutes, and the Loan Agreement and the Continuing Disclosure Agreement, when executed and delivered by the Company, will constitute legal, valid and binding obligations of the Company in accordance with their respective terms, except as the same may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws relating to or affecting the enforcement of creditors' rights generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity; that all approvals or other actions by any governmental authority required in connection with the execution, delivery or performance by the Company of the same has heretofore been obtained or taken that neither the making of nor the performance by the Company under the Loan Agreement, the Continuing Disclosure Agreement or this Letter of Representation will conflict with or violate any statutory or constitutional provision or the Company's Articles of Incorporation or By-Laws or any indenture, mortgage, deed of trust, agreement or other instrument to which the Company is a party or by which it or any of its properties may be bound or any regulation, court order or consent decree to which the Company is subject; that the Company has duly authorized the taking of any and all other actions necessary to carry out and give effect to the transactions contemplated to be performed on its part by the Official Statement, the Loan Agreement, the Continuing Disclosure Agreement and this Letter of Representation; that the Company is not in default under any obligation for borrowed money; and that no default will exist under the provisions of the Loan Agreement when executed and delivered.

(c) That the documents incorporated by reference in the Official Statement, when they were filed with the Securities and Exchange Commission (the "Commission"), complied as to form in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission thereunder; and any further documents so filed and incorporated by reference, when they are filed with the Commission will comply as to form in all material respects to the requirements of the Exchange Act and the rules and regulations of the Commission thereunder.

(d) That the Official Statement, other than the information under the headings "The Authority" and "Tax Matters", is deemed final as of the date hereof for purposes of Rule 15c2-12 under the Exchange Act; that the Official Statement (including the Appendices thereto and the documents incorporated by reference therein but excluding any statements or omissions under the headings "The Authority" and "Tax Matters") is accurate and complete in all material respects and does not contain an untrue statement of a material fact or omit 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 as of the date thereof; that the Company has authorized and consents to the use of the Official Statement by the Purchasers, in connection with the public offering and sale of the 1998 Series A Bonds; that the financial statements included or incorporated by reference therein have been prepared in accordance with generally accepted accounting principles applied on a consistent basis (except as disclosed therein) and fairly present the financial position of the Company and the results of its operations at the dates and for the periods indicated; that the Company has contracted with a printer for the delivery to the Purchasers of up to 1,000 copies of the Official Statement and the Company will cooperate with the Authority and the Purchasers to secure the delivery thereof with reasonable promptness and within seven business days after the date of this Letter of Representation; and that any amendment or supplement to the Official Statement prepared and furnished by the Company pursuant to the terms hereof will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(e) That the written information supplied by the Company to the Authority, which has been relied upon by the Authority in furnishing certificates requested pursuant to the 1998 Series A Agreement, by Bond Counsel, by Counsel for the Company and by the Representative with respect to the tax-free status of the Bonds is correct and complete.

(f) That there has been no material adverse change in the business, properties or financial condition of the Company or its subsidiaries from that shown in the Official Statement.

(g) That, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Company, threatened against the Company (or, to the knowledge of the Company, any meritorious basis therefor) wherein an unfavorable decision, ruling or finding would have a material adverse effect on the operation of the Project, the transactions contemplated by the 1998 Series A Agreement and the Official Statement, the validity or enforceability of the Loan Agreement, the Indenture, the 1998 Series A Agreement, the Continuing Disclosure Agreement or this Letter of Representation, the corporate existence or powers of the Company, the financial condition of the Company or its subsidiaries, or the operation by the Company or its subsidiaries of its properties.

(h) That all governmental authorities, including those in the States of Florida, New Jersey and Pennsylvania, have issued appropriate orders or other authorizations and approvals and that no other filing, etc. is necessary to carry out and give effect to the transactions contemplated to be performed on its part by the Official Statement.

2. Company's Covenants. The Company will:

(a) Notify the Representative of any material adverse change in the business, properties or financial condition of the Company or other event occurring before Closing or during the period commencing at Closing and ending 25 days after the "end of the underwriting period", as such term is defined in Rule 15c2-12 under the Exchange Act, which would require a change in the Official Statement (including the Appendices thereto and the documents incorporated by reference therein), in order to make the statements therein true and not misleading in connection with the offering of the 1998 Series A Bonds. After any such notification, if, in the opinion of the Company or the Representative, a change would be required in the Official Statement (excluding the documents incorporated by reference therein) in order to make the statements therein true and not misleading, then the Company will make such change and the Official Statement as so amended will be supplied to the Representative for distribution. Thereafter, all references in the 1998 Series A Agreement and this Letter of Representation to the Official Statement shall refer to the Official Statement as so amended.

(b) Refrain from taking any action, or from permitting any action, with regard to which the Company may exercise control, to be taken, that would result in the loss of the tax-exempt status of the interest on the 1998 Series A Bonds.

3. Expenses. The Company will pay the costs of preparing and reproducing or printing and distributing the 1998 Series A Notice of Sale, the 1998 Series A Statement of Terms and Conditions, the 1998 Series A Bid, the Loan Agreement, the Indenture, the Continuing Disclosure Agreement, the 1998 Series A Bonds, the Proceedings and any other resolutions of the Authority, the Preliminary Official Statement, the Official Statement (including the cost, if any, of amending or supplementing and distributing the Official Statement pursuant hereto), the 1998 Series A Agreement, this Letter of Representation and the blue sky memorandum; the fees of rating agencies; the fees and disbursements of Bond Counsel, Counsel for the Company and accountants, engineers and other experts or consultants retained by the Company in connection with the Project and the issuance of the 1998 Series A Bonds; the fees and disbursements of the Trustee and Counsel for

the Trustee; and the costs (including counsel fees not to exceed \$5,000) of qualifying the 1998 Series A Bonds for sale under the Blue Sky or other securities laws of certain jurisdictions and of preparing the blue sky memorandum.

4. Conditions of the Company's Obligation. The obligation of the Company to participate in the transactions contemplated herein and in the Official Statement shall be subject to the condition that, on the Closing Date, there shall be in full force and effect the required authorizations with respect to the participation of the Company in such transactions, and containing no provisions unacceptable to the Company. In case the aforesaid condition shall not have been fulfilled, this Letter of Representation and the Company's obligation to participate in the transactions contemplated herein and in the Official Statement may be terminated by the Company, upon mailing or delivering written notice thereof to the Representative.

5. Representation of the Authority. The acceptance and confirmation of this Letter of Representation by the Authority shall constitute a representation and warranty by the Authority to the Company that the representations and warranties contained in Paragraph 3 of the Terms of Purchase are true in all material respects as of the date hereof and will be true in all material respects as of the Closing Date.

6. Indemnity by the Company and the Purchasers. (a) The Company agrees to indemnify, defend and hold harmless the Authority, its members, officers, directors, officials, agents, attorneys and employees, past, present and future (the "Authority Indemnified Parties"), each Purchaser and any person who controls any Purchaser within the meaning of Section 20 of the Exchange Act, from and against any loss, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, the Authority or any of the Authority Indemnified Parties, or any such Purchaser or such controlling person may incur under the Exchange Act or otherwise insofar as such loss, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Official Statement or Official Statement or any amendment or supplement thereto, or arises out of or is based upon any omission or alleged omission to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, except insofar as any such loss, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in and in conformity with information furnished in writing by any Purchaser through the Representative to the Company expressly for use with reference to such Purchaser in such Preliminary Official Statement or Official Statement or amendment or supplement thereto, or arises out of or is based upon any omission or alleged omission to state a material fact in connection with such information necessary to make such information not misleading, provided, however, that the indemnity agreement contained in this subsection (a) with respect to any Preliminary Official Statement or the Official Statement shall not inure to the benefit of any Purchaser (or to the benefit of any person controlling such Purchaser) from whom the person asserting any such loss, expense, liability or claim purchased the 1998 Series A Bonds which is the subject thereof if the Official Statement or any amended Official Statement, respectively, corrected any such alleged untrue statement or omission and, if such Purchaser having been timely provided with such Official Statement or such amended Official Statement, failed to send or give a copy of such Official Statement or such amended Official Statement, as the case may be, to such person at or prior to the written confirmation of the sale of such 1998 Series A Bonds to such person.

If any action is brought against the Authority or any of the Authority Indemnified Parties, or a Purchaser or controlling person of a Purchaser in respect of which indemnity may be sought against the Company pursuant to the foregoing paragraph, the Authority, such Authority Indemnified Parties, such Purchaser, or such controlling person, as the case may be, shall promptly notify the Company in writing of the institution of such action and the Company shall assume the defense of such action, including the employment of counsel (which counsel shall be satisfactory to such person or entity, as the case may be) and payment of reasonable expenses. The Authority, such Authority Indemnified Parties, such Purchaser, and such controlling person shall have the

right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of the Authority, such Authority Indemnified Parties, such Purchaser or such controlling person, as the case may be, unless the employment of such counsel shall have been authorized in writing by the Company in connection with the defense of such action or the Company shall not have employed counsel to have charge of the defense of such action or such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to those available to the Company (in which case the Company shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by the Company and paid as incurred (it being understood, however, that the Company shall not be liable for the expenses of more than one separate counsel in any one action or series of related actions in the same jurisdiction representing the indemnified parties who are parties to such action). Anything in this paragraph to the contrary notwithstanding, the Company shall not be liable for any settlement of any such claim or action effected without its written consent, which consent shall not be unreasonably withheld.

(b) Each Purchaser severally agrees to indemnify, defend and hold harmless the Authority and the Authority Indemnified Parties, the Company, each of its directors and officers, and any person who controls the Company within the meaning of Section 20 of the Exchange Act (collectively, the "Company Indemnified Parties") from and against any loss, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, the Authority or any of the Authority Indemnified Parties, or the Company or any of the Company Indemnified Parties may incur under the Exchange Act or otherwise, insofar as such loss, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in and in conformity with information furnished in writing by or on behalf of such Purchaser through the Representative to the Company expressly for use with reference to such Purchaser in the Preliminary Official Statement or Official Statement or any amendment or supplement thereto, or arises out of or is based upon any omission or alleged omission to state a material fact in connection with such information necessary in order to make such information, in the light of the circumstances under which such information is used, not misleading.

If any action is brought against the Authority or any of the Authority Indemnified Parties, or the Company or the Company Indemnified Parties in respect of which indemnity may be sought against any Purchaser pursuant to the foregoing paragraph, the Authority, such Authority Indemnified Parties, the Company or the Company Indemnified Parties shall promptly notify such Purchaser in writing of the institution of such action and such Purchaser shall assume the defense of such action, including the employment of counsel (which counsel shall be satisfactory to such person or entity, as the case may be) and payment of reasonable expenses. The Authority, such Authority Indemnified Parties, the Company and such Company Indemnified Parties shall have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of the Authority, the Company or such person, as the case may be, unless the employment of such counsel shall have been authorized in writing by such Purchaser in connection with the defense of such action or such Purchaser shall not have employed counsel to have charge of the defense of such action or such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to those available to such Purchaser (in which case such Purchaser shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by such Purchaser and paid as incurred (it being understood, however, that such Purchaser shall not be liable for the expenses of more than one separate counsel in any one action or series of related actions in the same jurisdiction representing the indemnified parties who are parties to such action). Anything in this paragraph to the contrary notwithstanding, no Purchaser shall be liable for any settlement of any such claim or action effected without the written consent of such Purchaser, which consent shall not be unreasonably withheld.

(c) If the indemnification provided in this Section 6 is unavailable to the Company or the Purchasers as an indemnified party under paragraphs (a) and (b) of this Section 6 in respect of any losses, expenses, liabilities or claims referred to therein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, expenses, liabilities or claims (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Purchasers on the other hand from the offering of the 1998 Series A Bonds or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Purchasers on the other in connection with the statements or omissions that resulted in such losses, damages, expenses, liabilities or claims, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Purchasers on the other shall be deemed to be in the same proportion as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Authority (and to be loaned to the Company) bear to the total underwriting discounts and commissions received by the Purchasers. The relative fault of the Company on the one hand and of the Purchasers on the other shall be determined by reference to, among other things, whether the untrue statement or alleged untrue statement of a material fact or omission or alleged omission relates to information supplied by the Company or by the Purchasers, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, expenses, liabilities and claims referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any claim or action.

(d) The Company and the Purchasers agree that it would not be just and equitable if contribution pursuant to this Section 6 were determined by pro rata allocation (even if the Purchasers were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (c) above. Notwithstanding the provisions of this Section 6, no Purchaser shall be required to contribute any amount in excess of the amount by which the total price at which the 1998 Series A Bonds purchased by it and distributed to the public were offered to the public exceeds the amount of any damages which such Purchaser has otherwise been required to pay by reason of such untrue statement or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Purchasers' obligations to contribute pursuant to this Section 6 are several in proportion to their respective underwriting commitments and not joint.

(e) The indemnity and contribution agreements contained in this Section 6 and the covenants, warranties and representations of the Company contained in this Agreement shall remain in full force and effect regardless of any investigation made by or any behalf of the Authority, any Purchaser, or any person who controls any Purchaser within the meaning of Section 20 of the Exchange Act, or by or on behalf of the Company, each of its directors and officers or any person who controls the Company within the meaning of Section 20 of the Exchange Act, and shall survive any termination of this Agreement or the issuance and delivery of the 1998 Series A Bonds. The Authority, the Company and each Purchaser agree promptly to notify the others of the commencement of any litigation or proceeding against it and, in the case of the Authority, against any of its officials, and in the case of the Company, against any of its officers and directors, in connection with the issuance and sale of the 1998 Series A Bonds, or in connection with the Preliminary Official Statement, the Official Statement or any amendment or supplement thereto.

7. Governing Law. The validity, interpretation and performance of this Letter of Representation shall be governed by the laws of the State of New Jersey.

8. Successors. This Letter of Representation shall inure to the benefit of and be binding upon the Authority, the Company and the Purchasers and their respective successors. Nothing in this Letter of Representation is intended or shall be construed to give any person, firm, or corporation, other than the parties hereto and their respective successors and the controlling persons, officers, directors and employees referred to in Section 6 hereof and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Letter of Representation or any provision herein contained. This Letter of Representation and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the parties hereto and their respective successors, and said controlling persons, officers, directors and employees and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of the 1998 Series A Bonds from any Purchaser shall be deemed to be a successor by reason merely of such purchase.

9. Notices and Other Actions. All notices, demands and formal actions hereunder will be in writing, mailed, telegraphed or delivered and, if to the Purchasers, shall be mailed, telegraphed or delivered to the Representative at the appropriate address set forth in the 1998 Series A Bid or, if to:

The Authority:

New Jersey Economic Development Authority
36 West State Street
P.O. Box 990
Trenton, NJ 08625
Attention: Executive Director

The Company:

NUI Corporation
550 Route 202-206
Bedminster, New Jersey 07921
Attention: Treasurer

Very truly yours,

NUI CORPORATION

By: _____

Accepted, confirmed and agreed to as of
the date first above written:

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

By: _____

Acting on behalf of itself and
the other Purchasers:

By: _____
Title:

FORM OF BOND COUNSEL OPINION

[Letterhead of Gibbons, Del Deo, Dolan, Griffinger & Vecchione]

[Closing Date]

New Jersey Economic Development Authority
36 West State Street
P.O. Box 990
Trenton, New Jersey 08625

THE PURCHASERS

Listed in Schedule A to the accepted 1998 Series A Bid dated December 3, 1998 and the attached Terms of Purchase (the "Terms of Purchase") (collectively, the "1998 Series A Agreement") relating to the 1998 Series A Bonds referred to below

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the New Jersey Economic Development Authority (the "Authority") of its Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project), in the aggregate principal amount of \$40,000,000 (the "1998 Series A Bonds").

The 1998 Series A Bonds are being issued by the Authority pursuant to Chapter 80 of the Pamphlet Laws of the State of New Jersey of 1974, approved on August 7, 1974 as amended and supplemented (the "Act"), resolutions adopted by the Authority on June 9, 1998 and October 13, 1998 (the "Resolutions") and a Trust Indenture dated as of December 1, 1998 (the "Indenture") between the Authority and First Union National Bank, New Jersey, as trustee (the "Trustee").

The 1998 Series A Bonds are dated December 1, 1998, mature on November 1, 2033 and are subject to redemption prior to their maturity at the times, in the amounts and at the redemption prices described therein. The 1998 Series A Bonds bear interest at the rate of _____% per annum.

The 1998 Series A Bonds are issued for the purpose of financing the acquisition, construction and equipping of certain gas facilities and functionally related equipment located in Union and Middlesex Counties, New Jersey (the "Project").

The Authority and NUI Corporation (the "Company") have entered into a Loan Agreement, dated as of December 1, 1998 (the "Loan Agreement") providing for the making of a loan by the Authority to the Company in an amount equal to the principal amount of the 1998 Series A Bonds, for the purpose of financing the costs of the Project. Pursuant to the Loan Agreement, the Company is obligated to make payments in amounts sufficient to pay when due the principal of and interest and any premium on the 1998 Series A Bonds.

As the basis for the opinions which are set forth below, we have examined executed counterparts of the Indenture, the Loan Agreement and the forms of the 1998 Series A Bonds. We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

Based upon the foregoing, we are of the opinion that:

1. The Authority has been duly created and is validly existing under the Act, and has full power and authority to enter into the Loan Agreement and the Indenture, to adopt the Resolution, to execute and deliver the Loan Agreement and the Indenture, to perform its obligations thereunder, to carry out all of the transactions contemplated thereby and to issue and sell the 1998 Series A Bonds.

2. Resolutions have been duly adopted by the Authority and the Loan Agreement and the Indenture have been duly and validly authorized, executed and delivered by the Authority, and, assuming due execution and delivery by the other parties thereto, each constitutes the legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its respective terms, except as may be limited by any applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights generally from time to time in effect and the scope of equitable remedies which may be available.

3. The 1998 Series A Bonds have been duly and validly authorized, executed and delivered by the Authority. The 1998 Series A Bonds are legal, valid and binding, special and limited obligations of the Authority enforceable against the Authority in accordance with their terms, and the 1998 Series A Bonds are entitled to the benefits of the Indenture, except as enforcement of remedies may be limited by any applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights generally from time to time in effect and to the scope of equitable remedies which may be available.

4. The 1998 Series A Bonds are special and limited obligations of the Authority payable only from revenues and other moneys of the Authority derived from payments under the Loan Agreement, and neither the full faith and credit nor the taxing power of the State of New Jersey, or any political subdivision thereof, is pledged to the payment of the principal of, premium, if any, or interest on the 1998 Series A Bonds.

5. All of the right, title and interest of the Authority in the Loan Agreement (except certain rights reserved by the Authority under the terms of the Indenture) have been validly assigned and pledged to the Trustee under the Indenture.

6. Under existing statutes, regulations, rulings and court decisions, (a) interest on the 1998 Series A Bonds is not includable for Federal income tax purposes in the gross income of the owners of the 1998 Series A Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any 1998 Series A Bond for any period during which such 1998 Series A Bond is held by a person who, within the meaning of Section 147(a) of the Code is a "substantial user" of the facilities financed with the proceeds of the 1998 Series A Bonds or a "related person," and (b) the 1998 Series A Bonds are "specified private activity bonds," as such term is defined under Section 57 of the Code, and, as such, interest on the 1998 Series A Bonds is an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax for

individuals and corporations. We express no opinion regarding any other Federal income tax consequences arising with respect to the 1998 Series A Bonds.

7. Based upon existing law, interest on the 1998 Series A Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act.

The Code imposes certain requirements which may have to be met or must be met on a continuing basis subsequent to the issuance of the 1998 Series A Bonds in order for interest on the 1998 Series A Bonds to be excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. The Authority and the Company have covenanted to comply with the provisions of the Code applicable to the 1998 Series A Bonds and have covenanted not to take any action or fail to take any action which would cause the interest on the 1998 Series A Bonds to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code. We have assumed continuing compliance by the Authority and the Company with the above covenants in rendering our opinion with respect to treatment of interest on the 1998 Series A Bonds for Federal income tax purposes.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the Authority other than the certified copies of the proceedings and proofs referred to hereinabove, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of said 1998 Series A Bonds.

The opinions stated herein are based upon current authorities, and there can be no assurance that future legislative or administrative changes or court decisions will not affect said opinions. We undertake no obligation to inform you of any matter occurring after the date of this letter which affects in any way the opinion given herein.

Except as stated above, we express no opinion as to any Federal or state tax consequences with respect to the 1998 Series A Bonds.

We have examined one of the executed 1998 Series A Bonds in registered form and, in our opinion, the form of said 1998 Series A Bond and its execution are regular and proper.

Very truly yours,

[Letterhead of Gibbons, Del Deo, Dolan, Griffinger & Vecchione]

[Closing Date]

[Purchaser]

New Jersey Economic Development Authority
36 West State Street
P.O. Box 990
Trenton, New Jersey 08625

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the New Jersey Economic Development Authority (the "Authority") of its \$40,000,000 Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project), dated December 1, 1998 (the "1998 Series A Bonds").

The 1998 Series A Bonds are authorized by bond resolutions of the Authority adopted on June 9, 1998 and on October 13, 1998 (the "Resolutions"), and are being issued under and secured by a Trust Indenture dated as of December 1, 1998 (the "Trust Indenture") by and between the Authority and First Union National Bank, as trustee. The proceeds of the 1998 Series A Bonds will be loaned to NUI Corporation (the "Company") pursuant to a Loan Agreement dated as of December 1, 1998, by and between the Authority and the Company (the "Loan Agreement").

In our capacity as bond counsel, we have examined such documents, records of the Authority and other instruments as we deemed necessary to enable us to express the opinions set forth below, including original or certified copies of the Trust Indenture, the official statement dated December 3, 1998 prepared in connection with the sale of the 1998 Series A Bonds (the "Official Statement") and the accepted Form of Bid dated December 3, 1998, and the attached Terms of Purchase relating to the 1998 Series A Bonds (collectively, the "1998 Series A Agreement").

Based on the foregoing, we are of the opinion that:

1. The Official Statement and the 1998 Series A Agreement have been duly authorized, executed and delivered by the Authority. The descriptions and summaries of the 1998 Series A Bonds, the Loan Agreement and the Trust Indenture contained in the Official Statement under the captions "Introductory Statement", "The 1998 Series A Bonds", "The Loan Agreement", and "The Indenture" present a fair summary of the information purported to be described with respect thereto. Nothing has come to our attention which gives us reason to believe that such statements relating to the 1998 Series A Bonds, the Loan Agreement or the Trust Indenture under such captions or the statements relating to the tax-exempt status of the 1998 Series A Bonds contained in the Official Statement under the caption "Tax Matters", contain an untrue statement of a material fact or omit to state a material fact necessary in order to make such statements therein, in light of the circumstances under which they were made, not misleading.

2. The statements relating to the Authority contained in the Official Statement under the caption "The Authority" are correct in all material respects.

3. The execution and delivery by the Authority of the Loan Agreement, the Trust Indenture, the 1998 Series A Bonds and the 1998 Series A Agreement, and its performance thereunder will not violate any provisions of the Act.

4. The 1998 Series A Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933 (the "Securities Act") and Section 304(a)(4) of the Trust Indenture Act of 1939 (the "Trust Indenture Act"), and it is not necessary in connection with the offering and sale of the 1998 Series A Bonds to register the 1998 Series A Bonds under the Securities Act or to qualify the Trust Indenture under the Trust Indenture Act.

Very truly yours,

[Letterhead of LeBeouf, Lamb, Greene & MacRae, L.L.P.]

[Closing Date]

[Purchasers]

Re: \$40,000,000 Principal Amount of
New Jersey Economic Development Authority
Gas Facilities Revenue Bonds,
1998 Series A (NUI Corporation Project)

Ladies and Gentlemen:

We, together with James R. Van Horn, Vice President, General Counsel for and Secretary of NUI Corporation, a New Jersey corporation (the "Company"), have acted as counsel to the Company in connection with the issuance and sale by the New Jersey Economic Development Authority (the "Issuer") of \$40,000,000 principal amount of its Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project) (the "Bonds"), to you under a Bid and Terms of Purchase, dated December 3, 1998 between the Issuer, the Company and you (the "Bond Purchase Agreement"). This opinion is rendered to you at the request of the Company.

In our capacity as such counsel, we have either participated in the preparation of, or have examined and are familiar with: (a) the Company's Amended and Restated Certificate of Incorporation and By-Laws, each as amended; (b) the Indenture; (c) the Loan Agreement; (d) the Continuing Disclosure Agreement; (e) the Tax Regulatory Agreement; and (f) the proceedings before the New Jersey Board of Public Utilities (the "BPU"), the Florida Public Service Commission (the "FPSC") and the Pennsylvania Public Utility Commission (the "PPUC") relating to the proposed transaction. We have also examined such other documents and have satisfied ourselves as to such other matters as we have deemed necessary in order to render this opinion. We have also participated in the preparation of, or have examined and are familiar with, the official statement, dated December 3, 1998, including the appendices thereto and the documents incorporated by reference therein, relating to the Bonds (the "Official Statement"). We have not examined the

Bonds, except a specimen thereof, and we have relied upon a certificate of the Trustee as to the execution and authentication thereof. Capitalized terms used herein but not defined herein have the meanings set forth in the Bond Purchase Agreement.

Subject to the foregoing and to the further exceptions and qualifications set forth below, we are of the opinion that:

1. The Loan Agreement, the Continuing Disclosure Agreement and the Tax Regulatory Agreement have been duly authorized, executed and delivered by the Company and (assuming they are valid and legally binding obligations of the other parties thereto) are valid and legally binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as limited by bankruptcy, insolvency, fraudulent conveyance, reorganization or other laws affecting the enforcement of creditors' rights and by general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).

2. The Bond Purchase Agreement has been duly authorized, executed and delivered by the Company.

3. The offer and sale of the Bonds do not require registration of any security on which the Company is the obligor under the Securities Act of 1933, and the Indenture is not required to be qualified under the Trust Indenture Act of 1939.

4. The statements contained in the Official Statement under the headings "The 1998 Series A Bonds" (except the statements under the subheading "The DTC Book-Entry-Only System"), "The Loan Agreement", "The Indenture" and "Continuing Disclosure", insofar as such statements summarize the provisions of the documents referred to therein, accurately and fairly present the information purported to be shown.

5. Appropriate orders have been issued by the BPU, the FPSC and the PPUC authorizing the execution, delivery and performance by the Company of the Loan Agreement, the Continuing Disclosure Agreement and the Tax Regulatory Agreement, and such orders, to the best of our knowledge, remain in effect; such orders are sufficient for the execution and delivery by the Company of the Loan Agreement, the Continuing Disclosure Agreement and the Tax Regulatory Agreement and no other approval or consent of any governmental body (other than in connection or compliance with the provisions of the securities or blue sky laws of any jurisdiction) is legally required for the execution, delivery and performance by the Company of the Loan Agreement, the Continuing Disclosure Agreement and the Tax Regulatory Agreement.

While we have, for purposes of this opinion, examined and are familiar with the Official Statement, we necessarily assume the correctness and completeness of the statements made or furnished by the Company and information included in the Official Statement and take no responsibility therefor except as set forth in paragraph 4 above. In the course of preparation of this opinion and the Official Statement, we had conferences with certain officers, employees and representatives of the Company, with other counsel for the Company, with Bond Counsel, with your representatives and counsel and with the independent certified public accountants of the Company who examined certain of the financial statements included, or incorporated by reference, in the Official Statement. Our examination of the Official Statement and our discussions in the above-mentioned conferences did not disclose to us any information that gives us reason to believe that the Official Statement at the date hereof (except the information contained therein under the headings "The

Authority”, “Tax Matters” and “The 1998 Series A Bonds-The DTC Book-Entry-Only System” and in Appendix B, and other than the financial statements and other financial and statistical data included, or incorporated by reference, therein, as to all of which we express no opinion herein) contains any 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.

We are members of the Bars of the States of Florida and New Jersey and the Commonwealth of Pennsylvania and do not hold ourselves out as experts on the laws of any other state. Accordingly, as to matters involving the laws of the States Maryland, New York and North Carolina, we have, with your approval, relied upon the opinion of James R. Van Horn, Esq., Vice President, General Counsel and Secretary of the Company. We have not examined and are not passing upon matters relating to the incorporation of the Company. In rendering the opinion of paragraph 3, we have, with your approval, relied upon an opinion of even date herewith of Bond Counsel that, to the extent stated therein, interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes.

The opinion set forth above is solely for the benefit of the addressee[s] of this letter in connection with the Bond Purchase Agreement and the transaction contemplated thereunder, and may not be relied upon in any manner by any other person or for any other purpose without our prior written consent.

Very truly yours,

LEBEOUF, LAMB, GREENE & MACRAE, L.L.P.

[Letterhead of NUI Corporation]

[Closing Date]

[Purchasers]

Re: \$40,000,000 Principal Amount of
New Jersey Economic Development Authority
Gas Facilities Revenue Bonds,
1998 Series A (NUI Corporation Project)

Ladies and Gentlemen:

I, together with LeBeouf, Lamb, Greene & MacRae, L.L.P., of Newark, New Jersey, , have acted as counsel to NUI Corporation, a New Jersey corporation (the "Company"), in connection with the issuance and sale by the New Jersey Economic Development Authority (the "Issuer") of \$40,000,000 principal amount of its Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project) (the "Bonds") to you, under a Bid and Terms of Purchase, dated December 3, 1998, between the Company, the Issuer and you (the "Bond Purchase Agreement"). This opinion is rendered to you at the request of the Company.

In my capacity as such counsel, I have either participated in the preparation of or have examined originals, or copies duly certified or otherwise authenticated to my satisfaction, of and am familiar with: (a) the Company's Amended and Restated Certificate of Incorporation and By-Laws, each as amended; (b) the Indenture; (c) the Loan Agreement; (d) the Continuing Disclosure Agreement; (e) the Tax Regulatory Agreement; and (f) the proceedings before the New Jersey Board of Public Utilities (the "BPU"), the Florida Public Service Commission (the "FPSC") and the Pennsylvania Public Utility Commission (the "PPUC") relating to the proposed transaction. I have also examined or caused to be examined such records of the Company, certificates of public officials and officers of the Company, and other documents, instruments and agreements, and have satisfied myself as to such other matters, as I have deemed necessary for the purpose of rendering the opinions set forth herein. I have also participated in the preparation of, or have examined and am familiar with, the official statement, dated December 3, 1998, including the appendices thereto and the

documents incorporated by reference therein, relating to the Bonds (the "Official Statement"). I have not examined the Bonds, except a specimen thereof, and have relied upon a certificate of the Trustee as to the execution and authentication thereof. Capitalized terms used herein but not defined herein have the meanings set forth in the Bond Purchase Agreement.

Subject to the foregoing and to the further exceptions and qualifications set forth below, I am of the opinion that:

1. The Company is a regulated public utility corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey, has all corporate power and authority necessary to conduct its business as the same is described in the Official Statement, is duly qualified to conduct such business in the States of Florida, Maryland, New York and North Carolina and the Commonwealth of Pennsylvania, and has adequate, valid and subsisting franchises, licenses and permits for the conduct of such business in such States, such States being the only jurisdictions in which the conduct of its business requires qualification.

2. The Loan Agreement, the Continuing Disclosure Agreement and the Tax Regulatory Agreement have been duly authorized, executed and delivered by the Company and (assuming they are valid and legally binding obligations of the other parties thereto) are valid and legally binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as limited by bankruptcy, insolvency, fraudulent conveyance, reorganization or other laws affecting the enforcement of creditors' rights and by general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).

3. The Bond Purchase Agreement has been duly authorized, executed and delivered by the Company.

4. The execution, delivery and performance by the Company of the Loan Agreement, the Continuing Disclosure Agreement and the Tax Regulatory Agreement and the consummation of the transactions contemplated thereby will not conflict with or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, any corporate restriction or any indenture, agreement or instrument to which the Company is bound, any order, rule or regulation applicable to the Company of any court, federal or state regulatory body, administrative agency or other governmental body having jurisdiction over the Company or any of its properties or operations, or (except as contemplated thereby) will not result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Company under the terms of any such restriction, indenture, agreement, instrument, order, rule or regulation.

5. Appropriate orders have been issued by the BPU, the FPSC and the PPUC authorizing the execution, delivery and performance by the Company of the Loan Agreement, the Continuing Disclosure Agreement and the Tax Regulatory Agreement, and such orders, to the best of my knowledge, remain in effect; such orders are sufficient for the execution and delivery by the Company of the Loan Agreement, the Continuing Disclosure Agreement and the Tax Regulatory Agreement and no other approval or consent of any governmental body (other than in connection or compliance with the provisions of the securities or blue sky laws of any jurisdiction) is legally required for the execution, delivery and performance by the Company of the Loan Agreement, the Continuing Disclosure Agreement and the Tax Regulatory Agreement.

6. The statements contained in the Official Statement under the headings "The 1998 Series A Bonds" (except for the statements under the subheading "The DTC Book-Entry-Only System"), "The Loan Agreement", "The Indenture" and "Continuing Disclosure", insofar as such statements summarize the provisions of the documents referred to therein, accurately and fairly present the information purported to be shown.

I have not independently verified the accuracy, completeness or fairness of the statements made or included in the Official Statement and take no responsibility therefor, except as and to the extent set forth in paragraph 6 above. In the course of preparation of this opinion and the Official Statement, I have conferred with certain officers, employees and representatives of the Company and other counsel for the Company, with Bond Counsel, with your representatives and counsel and with the independent certified public accountants of the Company who examined certain of the financial statements included, or incorporated by reference, in the Official Statement. My examination of the Official Statement and my discussions in the above-mentioned conferences did not disclose any information that gives me reason to believe that the Official Statement at the date hereof (except the information contained therein under the headings "The Authority", "The 1998 Series A Bonds - The DTC Book-Entry-Only System" and "Tax Matters" and in Appendix B and other than the financial statements and other financial and statistical data included, or incorporated by reference, therein, as to all of which I express no opinion herein) contains any 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.

My opinions are expressed as of the date hereof, and I do not assume any obligation to update or supplement them to reflect any fact or circumstance that hereafter comes to my attention, or any change in law that hereafter occurs.

I am a member of the Bar of the State of New Jersey and do not hold myself out as an expert on the law of any other state for the purpose of this opinion. In rendering the opinions in paragraphs 1 and 5, as to matters involving the application of the laws of the States of Florida, Maryland, New York and North Carolina and the Commonwealth of Pennsylvania, I have, with your approval, relied upon opinions of local counsel to the Company that have been furnished to you herewith; I believe that such opinions are satisfactory and that you are justified in relying thereon.

The opinions set forth above are solely for the benefit of the addressee hereof in connection with the Bond Purchase Agreement and the transactions contemplated thereunder and may not be relied upon in any manner by any other person or for any other purpose without my prior written consent, except that Winthrop, Stimson, Putnam & Roberts may rely upon this opinion as to all matters of New Jersey law in rendering their opinions of even date herewith.

Very truly yours,
James R. Van Horn, Esq.
Vice President, General Counsel
and Secretary

Matters to be set forth in letter
from Auditors for the Company

The letter will state that (I) with respect to the Company and its subsidiaries they are independent public accountants within the meaning of Rule 101 of the AICPA's Code of Professional Conduct, (II) they acknowledge the incorporation by reference in Appendix A to the Official Statement of their report dated November 6, 1997 appearing in the Form 10-K Report for the year ended September 30, 1997, (III) they performed requested procedures (but not an examination in accordance with generally accepted auditing standards) consisting of: (A) reading of the minutes of the Board of Directors of the Company subsequent to September 30, 1997 as set forth in the minute books to a specified date not more than five business days prior to the Closing, (B) read the latest available unaudited consolidated financial statements of the Company and its subsidiaries, if any, and (C) obtained representations from officials of the Company who have responsibility for financial and accounting matters that (a) the unaudited consolidated financial statements of the Company and its subsidiaries contained in the Company's December 1997, March 1998 and June 1998 Form 10-Q's, which are incorporated by reference in Appendix A to the Official Statement are in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited September 30, 1997 consolidated financial statements of the Company and its subsidiaries included in the Company's Form 10-K Report for the year ended September 30, 1997, (b) at a specified date not more than five business days prior to the Closing that there has been no change in capital stock, increase in long-term debt or decrease in the stockholders' equity of the Company and its subsidiaries consolidated as compared with the corresponding amounts shown in the June 30, 1998 consolidated balance sheet incorporated by reference in Appendix A to the Official Statement, except in all instances for changes or decreases which the Official Statement discloses have occurred or may occur, and (c) for the period from July 1, 1998 through a specified date not more than five business days prior to the Closing there were no decreases in total consolidated operating revenues or in the total or per-share amounts of net income, as compared with the corresponding period in the preceding year, except in all instances for changes or decreases which the Official Statement discloses have occurred or may occur, and (IV) they have performed specified procedures set forth in detail in such letter in connection with certain data set forth or incorporated by reference in Appendix A to the Official Statement, as reasonably requested by the Purchasers and which are expressed in dollars or percentages derived from dollar amounts, and have found such data to be in agreement with the general accounting records of the Company.

EXHIBIT F

[Auditors]:

_____, as principal or agent, in the purchase of \$40,000,000 Gas Facilities Revenue Bonds, Series 1998 A (NUI Corporation Project) (the "1998 Series A Bonds"), to be issued by the New Jersey Economic Development Authority for the benefit of NUI Corporation (the "Company"), will be reviewing certain information relating to the Company that will be included or incorporated by reference in the Official Statement, which may be delivered to investors and utilized by them as a basis for their investment decision. This review process, applied to the information relating to the Company, is substantially consistent with the due diligence review process that we would perform if this underwriting of the 1998 Series A Bonds were being registered pursuant to the Securities Act of 1933 (the "Act"). We are knowledgeable with respect to the due diligence review process that would be performed if this underwriting of the 1998 Series A Bonds were being registered pursuant to the Act. We hereby request that you deliver to us a "comfort" letter concerning the financial statements of the Company and certain statistical and other data included in the offering document. The procedures we wish you to perform are outlined in the purchase agreement.

(Principal or Agent)

[Letterhead of Arthur Andersen LLP]

This draft is furnished solely for the purpose of indicating the form of letter that we would expect to be able to furnish in response to the underwriters request, the matters expected to be covered in the letter, and the nature of the procedures that we would expect to carry out with respect to such matters. In the absence of any discussions with the underwriter, we have set out in this draft letter those procedures referred to in the draft underwriting agreement (of which we have been furnished a copy) that we are willing to follow. Unless informed otherwise, we shall assume that there are no additional procedures they wish us to follow. The text of the letter itself will depend, of course, on the results of the procedures, which we would not expect to complete until shortly before the letter is given and in no event before the cutoff date indicated therein.

December __, 1998

[Underwriter's Address]

Board of Directors
NUI Corporation
550 Route 202-206
Bedminster, New Jersey 07921

Dear Sirs:

We have audited the consolidated balance sheets of NUI Corporation (the "Company") and subsidiaries as of September 30, 1997 and 1996, and the consolidated statements of income, cash flows and shareholders' equity for each of the three years in the period ended September 30, 1997, and the related schedule thereto, all included in the company's annual report on Form 10-K for the year ended September 30, 1997, and incorporated by reference in Appendix A to the Official Statement dated November 24, 1998 relating to the sale of \$40,000,000 aggregate principal amount of the New Jersey Economic Development Authority's Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project). Our report with respect thereto is also incorporated by reference in such Appendix A. The Official Statement dated November 24, 1998, including the appendices thereto and the documents incorporated by reference therein, is herein referred to as the "Official Statement."

We are independent certified public accountants with respect to the company under Rule 101 of the AICPA's Code of Professional Conduct, and its interpretations and rulings.

We have not audited any financial statements of the company as of any date or for any period subsequent to September 30, 1997; although we have conducted an audit for the year ended September 30, 1997, the purpose (and therefore the scope) of the audit was to enable us to express our opinion on the consolidated financial statements as of September 30, 1997, and for the year then ended, but not on the consolidated financial statements for any interim period within that year. Therefore, we are unable to and do not express any opinion on the unaudited consolidated balance sheets as of December 31, 1997, March 31, 1998 and June 30, 1998 the unaudited consolidated statements of income for the three and twelve-month periods ended December 31, 1997 and 1996 and the three, six, and twelve month periods ended March 31, 1998 and 1997, the three, nine and twelve month periods ended June 30, 1998 and 1997 and the unaudited consolidated statement of cash flows for the three and twelve-month periods ended December 31, 1997 and 1996, the six and twelve month periods ended March 31, 1998 and 1997, and the nine and twelve-month periods ended June 30, 1998 and 1997 included in the company's quarterly reports on Form 10-Q for the quarters ended December 31, 1997, March 31, 1998 and June 30, 1998, which are incorporated by reference in the Official Statement, or on the financial position, results of operations, or cash flows as of any date or for any period subsequent to September 30, 1997.

1. At your request, we have read the 1998 minutes of the meetings of the board of directors of the company as set forth in the minute books at December 2, 1998, or as set forth in the agenda to the meetings or the draft of minutes submitted to us, but not yet approved for inclusion in the minute books, officials of the company having advised us that the minutes of all such meetings through that date were set forth therein or furnished to us in said agenda or draft form; we have carried out other procedures to December 2, 1998, as follows (our work did not extend to the period from December 3, 1998, to December 8, 1998, inclusive);
 - (a) With respect to the three and twelve-month periods ended December 31, 1997 and 1996 and the three, six, nine and twelve month periods ended March 31, 1998 and 1997, and the three, nine and twelve-month periods ended June 30, 1998 and 1997, we have:
 - (i) At your request, performed the procedures specified by the American Institute of Certified Public Accountants for a review of interim financial information as described in SAS No. 71, *Interim Financial Information*, on the unaudited condensed consolidated financial statements for these periods, noted above, included in the Company's quarterly reports on Form 10-Q for the quarters ended December 31, 1997, March 31, 1998 and June 30, 1998, incorporated by reference in the Official Statement.

- (ii) At your request, we have inquired of certain officials of the company who have responsibility for financial and accounting matters whether the unaudited condensed consolidated financial statements referred to in a (i) are in conformity with generally accepted accounting principals applied on a basis substantially consistent with that of the audited consolidated financial statements incorporated by reference in the Official Statement. Those officials stated that the unaudited consolidated financial statements are in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements.

 - (b) Company officials have advised us that no consolidated financial statements as of any date or for any period subsequent to June 30, 1998, are available; accordingly, the procedures carried out by us after June 30, 1998, have, of necessity, been even more limited than those with respect to the periods referred to in 1(a) (however, see paragraph 2 below). We have inquired of certain officials of the company who have responsibility for financial and accounting matters whether (a) at December 2, 1998, there was any change in the capital stock (other than any change attributable to the dividend reinvestment plan or stock option and other employee and officer benefit plans), increase in long-term debt or any decrease in stockholders' equity (other than any decrease attributable to the declaration of a dividend) of the Company as compared with amounts shown on the June 30, 1998 unaudited consolidated balance sheet incorporated by reference in the Official Statement, and (b) for the period from July 1, 1998 to December 2, 1998, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated operating revenues or in the total or per-share amounts of net income, except in all instances for changes or decreases which the Official Statement discloses have occurred or may occur and except that we have been informed by the Company that "... there was a decrease in stockholders' equity at December 2, 1998 as compared with the amount shown on the June, 1998 unaudited consolidated balance sheet, and there was a decrease in net income and earnings per share for the period from July 1, 1998 to December 2, 1998 compared with the corresponding period in the prior year, due primarily to the recording in 1998 of certain non-recurring charges."
2. At your request, we have also read the items identified by you on the attached copy of amounts and percentages incorporated by reference in the Official Statement, as indicated on Schedule A attached hereto, and have performed the following procedures, which were applied as indicated with respect to the symbol explained below:

Compared the amount(s) or percentage(s) to a schedule prepared by the Company, noting agreement.

3. Our audit of the consolidated financial statements for the periods referred to in the introductory paragraph of this letter comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For none of the periods referred to therein, or any other period, did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated in Schedule A, and, accordingly, we express no opinion thereon. It should also be understood that our work with respect to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the September, 1997 Form 10-K which is incorporated by reference in the Official Statement was limited to applying the procedures stated above and thus we make no representations regarding the adequacy of discussion contained therein or whether any material information has been omitted.
4. It should be understood that we have no responsibility for establishing (and did not establish) the scope and nature of the procedures enumerated in paragraphs 1 and 3 above; rather, the procedures enumerated therein are those you have asked us to perform. Accordingly, we make no representations regarding questions of legal interpretation or regarding the sufficiency for your purposes of the procedures enumerated in the preceding paragraphs; also, such procedures would not necessarily reveal any material misstatement of the amounts or percentages indicated in Schedule A. Further, we have addressed ourselves solely to the data in Schedule A and make no representations regarding the adequacy of disclosure or regarding whether any material facts have been omitted.
5. The foregoing procedures do not constitute an audit conducted in accordance with generally accepted auditing standards. Had we performed additional procedures or had we conducted an audit of the company's December 31, 1997, March 31, 1998 or June 30, 1998 consolidated financial statements, other matters might have come to our attention that would have been reported to you.
- 6.. These procedures should not be taken to supplant any additional inquiries or procedures that you would undertake in your consideration of the proposed offering.
7. This letter is solely for your information and to assist you in your inquiries in connection with the offering of the securities covered by the Official Statement, and it is not to be used, circulated, quoted, or otherwise referred to for any other purpose, including but not limited to the purchase or sale of securities, nor is it to be filed with or referred to in whole or in part in the Official Statement or any other document, except that reference may be made to it in any list of closing documents pertaining to the offering of the securities covered by the Official Statement.
8. We have no responsibility to update this letter for events and circumstances occurring after December 2, 1998.

Very truly yours,

ARTHUR ANDERSEN LLP

NUI CORPORATION

**PROCEDURES AND FINDINGS FOR WORK PERFORMED ON CERTAIN FINANCIAL
INFORMATION INCORPORATED BY REFERENCE IN THE OFFICIAL STATEMENT**

ATTACHMENTS:

1. Selected pages from the Company's Form 10-K for the year ended September 30, 1997.
2. Selected pages from the Company's Form 10-Q for the period ended December 31, 1997 .
3. Selected pages from the Company's Form 10-Q for the period ended March 31, 1998.
4. Selected pages from the Company's Form 10-Q for the period ended June 30, 1998.

[Letterhead of Winthrop, Stimson, Putnam & Roberts]

[Closing Date]

The Purchasers

Listed in Schedule A to the accepted Series 1998A Bid dated December 3, 1998, and the attached Terms of Purchase (the "Terms of Purchase") (collectively, the "1998 Series A Agreement") relating to the 1998 Series A Bonds referred to below

Re: \$40,000,000 New Jersey Economic Development Authority, Gas Facilities Revenue Bonds, 1998 Series A (NUI Corporation Project)

Ladies and Gentlemen:

We have acted as your counsel in connection with the issuance and sale of the above-captioned bonds (the "1998 Series A Bonds") pursuant to the 1998 Series A Agreement among the New Jersey Economic Development Authority (the "Authority"), NUI Corporation, a New Jersey corporation (the "Company"), and you (the "Purchasers"). All terms used herein, unless otherwise defined herein, have the meanings assigned to them in the 1998 Series A Agreement.

In connection therewith we have examined originals or copies, certified or otherwise identified to our satisfaction, of the documents delivered at the Closing and such other documents and certificates, and have conducted such further investigation, as we deemed necessary to enable us to express this opinion. We have also reviewed and are relying upon, and in our opinion, you are justified in relying upon, the opinions delivered to you today pursuant to the provisions of the 1998 Series A Agreement by Gibbons, Del Deo, Dolan, Griffinger & Vecchione, Bond Counsel, and James R. Van Horn, Esq. General Counsel and Secretary of the Company, and local counsel to the Company. We have also reviewed, and in our opinion, you are justified in relying upon, the opinion delivered to you today pursuant to the provisions of the 1998 Series A Agreement by LeBeouf, Lamb, Greene & MacRae, LLP, Special Counsel for the Company.

Based upon the foregoing, we are of the opinion that:

(1) The Bonds constitute exempted securities within the contemplation of the Securities Act of 1933, and it is not necessary in connection with the offering, sale and delivery of the Bonds to register the Bonds under the Securities Act of 1933 or to qualify the Indenture under the Trust Indenture Act of 1939.

(2) The statements made in the Official Statement under "The Loan Agreement" insofar as they purport to constitute summaries of the terms of the document referred to therein constitute accurate summaries of the terms of the document in all material respects.

(3) The Loan Agreement has been duly authorized by all requisite corporate action and duly executed and delivered by authorized officers of the Company and is the legal, valid and binding obligation

of the Company enforceable against the Company in accordance with its terms, except as limited by bankruptcy, insolvency, fraudulent conveyance, reorganization or other similar laws relating to or affecting creditors' rights generally and general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).

(4) The 1998 Series A Agreement has been duly authorized, executed and delivered by the Company.

In the course of the preparation of the Official Statement, we have had conferences with certain of the officers and employees of the Company, with the independent certified public accountants for the Company, with Gibbons, Del Deo, Dolan, Griffinger & Vecchione, Bond Counsel, with LeBeouf, Lamb, Greene & MacRae, LLP, counsel for the Company, and with James R. Van Horn, Esq., General Counsel and Secretary of the Company, and we reviewed the documents listed in the Official Statement as being incorporated therein by reference. We did not participate in the preparation of any documents incorporated by reference in the Official Statement or review such documents prior to their being filed with the Securities and Exchange Commission. Subject to the foregoing, our examination of the Official Statement, our discussions in the above-mentioned conferences and our review did not disclose to us any information, and nothing has come to our attention, which would lead us to believe that the Official Statement (except for the financial, engineering and statistical data included or incorporated by reference therein, as to which no opinion is expressed), on the date hereof, contains any ~~untrue statement~~ of a material fact or omits to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

We are members of the bar of the State of New York. Insofar as this opinion involves matters of New Jersey law, we have relied upon the opinion of James R. Van Horn, Esq., General Counsel and Secretary of the Company. We believe that you and we are justified in relying thereon to the extent it relates to such matters.

This opinion is given to you solely for your use in connection with the Terms of Purchase and the transactions contemplated thereunder and may not be relied upon by any other person for any other purpose.

Very truly yours,