

CONFIDENTIAL

030965-60

Questions brought up from Board of Directors Minutes Follow up in Electric Case  
for rate cases. *Hy*

What is the cash incentive compensation program? Explain. Who is eligible to receive this incentive. Provide the calculations used for the compensation received in 2002. Indicate which accounts this total was allocated to? When was the cash incentive plan started?

Provide an explanation of the long-term, non-cash incentive compensation plan. When was this plan started? Which employees are eligible? Explain the reasons why started. How much was allocated to what accounts in 2002, so far in 2003? How much do you plan to allocate and in what accounts for all of 2003?

- 1 Discussion at meeting in 8/02 to have an equity offering to provide financing up to \$15,000,000.
- 2 Nothing further in the BOD minutes referring to this. Was this offering made? When? For how
- 3 much?

Obtain capital budget of 2003 for each division. In total BOD approved \$8,032,600.

Follow up on internal auditor reports prepared in 2002 and 2003.

*AK 7-28-05 (entire DN)*  
**CONFIDENTIAL**

DOCUMENT NUMBER-DATE

13643 DEC31 8

FPSC-COMMISSION CLERK

9-3p1

COMPANY: FPUC - GAS  
TITLE: NOTES FROM BOARD OF  
DIRECTORS MINUTES  
PERIOD: YEAR END 12/31/02  
DATE: AUGUST 15, 2003  
AUDITOR: RKY

WP NO. 8

Compensation Committee Meeting 3/4/02

Compensation Committee : Rudy Schupp, Richard Hitchins, Paul L. Maddock, Jr. Also present was Jack English. The discussions revolved around the computations of cash incentive computations for 2001 for each of the four senior executives. Also, showed the actual incentives vs. the maximum potential. Also discussed the strategic plan goals behind several of the incentive compensation goals. The document was approved. The document was not included in the BOD minutes.

Special Directors Meeting 3/5/02

All board members were present: John T. English, Ellen Benoit, Richard Hitching, Paul Maddock Jr., Rudy Schupp. Also, Jack Brown, Secretary. Resolution for Preferred and Common stock dividends payable April 1, 2002 to holders at March 15, 2002. \$1.1875 per preferred share and \$.185 per common share.

Discussion and resolutions for Annual meeting to be held May 14, 2002 and designate Paul Maddock Jr. as candidate for office of director and resolved that Paul L Maddock be appointed to service on Audit Committee.

Received report of the compensation committee.

Resolved to authorize changes to the Pension Plan in order to conform to IRS Regs.

Board Compensation Meeting 4/16/02

Compensation Committee present along with Jack English. Discussion revolved around the subject of long-term, non-cash incentive compensation. Committee discovered that FPU is not competitive with peer group in this area because it lacks such programs. A plan was presented for review and determine the appropriate next steps. Plan not included in the BOD minutes. No action taken.

Annual Stockholders Meeting. 5/14/02

The 2001 annual report prepared by D&T was presented. Elected Paul L Maddock as director expiring 2005 annual meeting of the stockholders.

Special Directors Meeting 6/4/02

All members of the board were present along with Jack Brown Secretary. The officers of the company were elected. J.T English Pres and CEO, Charles L. Stein, Sr. VP and COO, Jack R. Brown, VP and Secretary and George M. Bachman CFO and Treasurer.

P 9-3 P 2

Resolved the authorize a 4 for 3 stock split, in the form of stock dividend for common stock for stockholders of record on June 14, 2002. Also Resolution for Preferred and Common stock dividends payable July 1, 2002 to holders at June 14, 2002. \$1.1875 per preferred share and \$.1425 per common share.

Resolved to appoint D&T as outsider auditors. Discussion of the results of the Compensation Committee's research regarding LT, Non-cash incentive program. Discussion of the various attributes and plan design alternatives. The compensation will meet and formulate a plan to present to the board prior to the 8.27.02 board meeting.

Special Directors Meeting 8/27/02

All directors present along with J. English and Jack Brown.

Resolved to declare dividend for Preferred and Common stock dividends payable October 1, 2002 to holders at Sept 13, 2002. \$1.1875 per preferred share and \$.1425 per common share.

George Bachman appointed adm secretary of the audit committee replacing Jack Brown. A report presented by the audit committee re second quarter financials.

1 Discussion and resolution regarding the equity offering to provide financing up to \$15,000,000  
2 net proceeds. Also report from the Compensation committee re LT, non cash incentive  
3 program. No action on program.

Special Directors Meeting 9/27/02

All directors present plus Jack Brown and John English.

Discussion re modifying 401k to permit in-service withdrawals after 59-1/2, resolved to adopt Attachment B to the plan effective upon execution. NO attachment B in the BOD minutes.

Resolved to purchase Nature Coast Gas for \$490,000 cash and assume the mortgage of approx \$210,000.

Executive Committee of BOD, 11/2/02

Purpose of meeting to consider preliminary investigation of potential sale of water division to City of Fernandina beach.

Special Directors Meeting, 11/22/02 and 11/25/02

All members present along with Charles Stein, Jack Brown and George Bachman.

Discussion regarding the sale of the water division took place. Resolved to sell of \$18,950,000 cash and \$7,500,000 to be paid during the ensuing seven years. Resolved to enter into an agreement.

Special Directors Meeting, 12/3/2002

Resolved to declare dividend for Preferred and Common stock dividends payable January 2, 2003 to holders at Dec 13, 2002. \$1.1875 per preferred share and \$.1425 per common share.

Discussion for 2003 estimates of revenues, expenses, earnings and amounts budgeted for capital

9-3 p 3

expenditure. Resolved that capital budget for 2003 was \$8,032,600.

Discussed the D&T report of the third quarter.

Audit Committee Meeting 2/24/03

Discussion of the internal audit report regarding information technology. **PSC Note: Obtain the internal audit report.** Discussion re the external auditors. D&T vs. BDO Seidman. Decision delayed until March meeting.

Compensation Committee Meeting 2/24/02

All members present. Distributed info which described in detail the computations of the cash incentive for fiscal year 2002 for each of the four officers. The total cash incentive awards was \$64,870 for 2002. The committee recommended the following contingent upon the sale of the water division.

1. All employees except the fourteen of the senior management team and increase of an additional 1-1/2 percent to the previously approved 1-1/2%.
2. All fourteen members of the senior management team a 3% increase except for George Bachman who is to be awarded an increase to \$130,000 per year.

All effective Jan 1, 2003.

3. Suggested amending directors fee to \$700 for any meeting.

Special Directors Meeting 3/4/03

All directors present along with Jack Brown. Resolved to declare dividend for Preferred and Common stock dividends payable April 1, 2003 to holders at March 14, 03. \$1.1875 per preferred share and \$.1425 per common share.

Discussion and resolution to move the banking and line of credit relationship to Bank of America from Sun Trust. Checks for 2500 or under have to be signed by one person over 2500 signed by two people. J.English, C. Stein, Jack Brown, George Bachman, Cheryl Martin. Resolved that payroll account be signed by one of the above.

Resolutions re the sale of the water assets to City of Fernandina Beach that each appropriate person is authorized to perform necessary transactions to effect the sale.

Resolved to increase the directors fee to \$700 for each meeting. Resolved to award cash incentives to four senior members a total of \$64,870. Resolved that executive officer agreement be extended for three years.

Audit committee meeting 3/14/03

Present from the committee Hitchens, Maddock, Schupp. Also Bachman, J English and Bonnie Erdek to keep the record.

| D&T discussed the year end audit. The over earning issue in the gas company and the sale of the

9-3pt

2 water assets was discussed.

3 D&T pointed out the following items:

4 1. Inventory Reconciliation - Right now inventory every two years because very labor intensive  
5 and do not have the manpower. D&T recommended annually. It was decided that the expensive  
6 bins could be counted which would represent 80% of the total inventory. This will be looked into  
7 and reported back to the board.

8 2. Company should evaluate the adequacy of senior personnel to comply with Sarbanes-Oxley.  
9 Mr. Bachman said that the plan includes getting an Assistant Controller.

10 3. D&T said the Sarbanes-Oxley requires significant management attention. Head of audit  
11 committee says working with internal auditor on this and are awaiting cost structure for phase I.

12 Management was excused and the audit committee met with D&T only. D&T was asked if there  
13 was anything the committee should know. D&T responded that there was no indication of any  
14 anything unusual, and that Bachman and Martin do a tremendous job.

15 D&T left and management returned to meeting

16 Discussion ensued regarding the hiring of D&T vs. BDO Seidman. The audit committee selected  
17 BDO Seidman and it was determined that the audit committee was empowered to make this  
18 decision.

19 Audit Committee Meeting 5/12/03

20 All members were present along with Bachman and English.

21 Also present were Bob Watts and Dale Buschman of BDO Seidman for part of the meeting.

22 The new external auditors stressed the importance of standardizing an agenda that the audit  
23 committee could follow quarterly so that no issues are overlooked, and stated that BDO would  
24 furnish guidance concerning setting up and running the audit committee. Management left and  
25 the audit committee met with BDO. The audit committee stressed that they wanted to hear of any  
26 irregularities or problems encountered. The internal auditors were brought in for discussion  
27 without company management. Audit Committee asked internal auditors to work in tandem to  
28 produce the most efficient audit. The audit committee asked the internal auditors for guidance  
29 concerning whistle blowing procedures. Internal audit suggested that the committee contact a  
30 labor attorney.

Auditors left and management came back.

31 Update by Internal Auditor concerning audits of the It and Customer Information Systems. In all  
32 cases Internal Audit reported that management either implemented or is in the process of  
33 implementing internal audits recommendation. The next focus is the Sarbanes Oxley internal  
34 control. The first phase is assessment and second the preparation of documentation. It was  
35 moved to proceed with the first stage of Sarbanes-Oxley. It was also determined that internal  
36 audit would proceed with focus on the procurement process after phase two cost of the S-O is

9-3p5

37 determined. Also, it was reported by Bachman that by using division personnel, partial  
38 inventories on a yearly basis could be completed.

Annual Stockholders Meeting 5/13/03

Presented the annual report by D&T. Nominated English and Benoit to board through 2006 annual meeting of the stockholders.

Special Directors Meeting 6/3/03

Four present, Schupp absent. Reviewed the first Q financial results. Resolved to elect officers effective 6/3/03. English Pres and CEO, Stein, SVP and COO, Jack Brown, VP and Sect. George Bachman, CFO and Treasurer.

Resolved to declare dividend for Preferred and Common stock dividends payable July 1, 2003 to holders at June 13 , 03. \$1.1875 per preferred share and \$.1425 per common share.

Resolved to appoint BDO Seidman for auditor for year ending 12/31/03.

Resolved that Code of Ethics be adopted as company policy statement.

9-3p6

