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February 19, 2013

HAND DELIVERY

Ms. Ann Cole, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 120311-GU - Petition for approval of positive acquisition adjustment to reflect the acquisition of Indiantown Gas Company by Florida Public Utilities Company

Dear Ms. Cole:

Enclosed for filing, please find the original and two copies of Florida Public Utilities Company's responses to Staff's First Set of Data Requests to the Company in the above-referenced docket.

As always, please do not hesitate to contact me if you have any questions or concerns. Thank you for your assistance with this filing.

Sincerely,

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cc://Staff Counsel (Klancke)

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FLORIDA PUBLIC UTILITIES COMPANY'S RESPONSES TO STAFF'S FIRST DATA REQUESTS

Re: Docket Number 120311-GU - Petition for approval of positive acquisition adjustment to reflect the acquisition of Indiantown Gas Company by Florida Public Utilities Company.

For the following questions, please refer to the direct testimony of FPUC witness Matthew Kim:

1. Note 1 to Exhibit MK-1, specifies that there was no outside valuation work performed due to lack of materiality. Please provide a detailed explanation identifying the individuals within FPUC which reviewed Indiantown Gas Company's (IGC) accounting staff's fair valuation calculation and determined that it supported the "fairness of the purchase price." Please submit all supporting documentation used in the analysis of the valuation process to include the company's policies and procedures and correspondence with IGC accounting staff that prepared the valuation.

   Company Response: The internal valuation work for accounting purposes was performed by Chesapeake/FPUC staff, not IGC's staff. Exhibit MK-2, as further described in Company Response to Data Request 11, is the actual bottom-up fair valuation calculation for the Indiantown acquisition. See Attachment 1 – Supporting Documentation – Valuation Calculation for the supporting documentation related to the valuation work.

2. Note 2 to Exhibit MK-1, provides that the acquisition was for plant assets, but transportation equipment-vehicle was excluded. Please provide a detailed explanation why the transportation equipment-vehicle was excluded and if FPUC received any payment from IGC for the transportation equipment-vehicle.

   Company Response: All IGC-owned vehicles were excluded from the transaction, at the request of IGC; therefore, FPUC did not receive any payment from IGC related to the vehicles.

3. Note 4 to Exhibit MK-1, provides that there were no intangible assets from IGC due to the non-compete agreement, no previous book value, and no material fair value.
   a. Please explain how the regulatory restriction for service provided to the existing or future customers in the franchised areas impact the non-compete clause.
   b. Please provide a detailed explanation of Note 4(b) including an elaboration on the importance of the physical restriction and intensive capital requirement to compete.
   c. Please provide a detailed explanation of Note 4(c) to the non-compete agreement which states that there was a "lack of economic substance to such agreement in a rate-regulated environment."

   Company Response: a. The non-compete agreement is considered an integral and standard component of the transaction to ensure that the previous owners of IGC do not attempt to form a regulated utility in the future that could compete with FPUC. However, even without the non-compete agreement, it is extremely unlikely that the former owners would have been successful in any attempt to form a competing regulated utility in the Indiantown environs. Moreover, the FPSC has a long-standing track record of ruling against uneconomic

duplication of facilities and preserving the service area of a utility from intrusions of another, competing utility. As such, the Company believes that it would have been extremely unlikely that the former owners of IGC would have any opportunity to compete with FPUC in the Indiantown area. Therefore, the value, if any, of the non-compete agreement is considered to be incorporated in the purchase price paid to the former owners of IGC.

b. IGC, being an extremely small regulated entity with very limited access to capital, would not have had a viable opportunity to start up a new utility in the Indiantown environs. In addition to the lack of access to capital, other reasons for this include: 1) inability to secure firm capacity on the interstate pipeline at a delivery point in or near Indiantown; 2) regulatory restrictions against uneconomic duplication of facilities; and 3) potential for physical restrictions in rights-of-way (insufficient space for additional natural gas pipelines).

c. See Company Response 3a.

4. The revised Annual Report for FPUC-Indiantown Division as of December 31, 2010 shows for Account 392-Transportation Equipment-vehicle, a beginning balance of $86,469 and a transfer-out in the amount of $86,469, resulting in an ending balance of $0.
   a. Please explain in detail the basis for this transfer-out, that is, what account was it transferred to and why, type of transportation equipment, and how will it be used in its new capacity.
   b. Please explain whether the $86,469 for Account 392-Transportation Equipment is the same transportation equipment-vehicle(s) that was excluded from the acquisition of IGC's plant assets. If so, please explain why it was excluded from the acquisition agreement.
   c. Please provide a detailed explanation on how the accumulated depreciation in the amount of $20,056 was handled for Account 392-Transportation Equipment.
   d. Please provide a detailed explanation for the transfer-out of the transportation equipment-vehicle and explain whether it is being used by IGC for its regulated or non-regulated business.

Company Response: **a.** The transaction took place on July 31, 2010. Therefore, the Beginning Balances reflect IGC's books, prior to the transaction. The Company simply reflected the Transportation Equipment, which was not purchased by FPUC, as a "transfer" to IGC's non-regulated business. Thus the ending balance in this account is $0.

b. Yes, see response to Data Request 2.

c. It appears that the Accumulated Depreciation for Account 392 – Transportation Equipment was not reflected correctly on the report. The ($20,056) should have been reflected in the "Transfers" column, similarly to the Plant Balance in Data Request 4a, but was inadvertently reflected in the "Accruals" column.

d. See response to Data Request 2. The Company's believes that, since IGC no longer has any regulated business, the vehicles retained by IGC are being used in its unregulated business.

5. Please provide a detailed explanation of why IGC was paid a $500,000 operation/maintenance fee as shown on the December 31, 2011 Annual Report for FPUC-Indiantown Gas Company. In this response, please include a breakdown of the operation and maintenance fee by account with a brief description of why it is being rendered by IGC. In addition, please include any supporting documentation or workpapers that will further clarify your response.

Company Response: On Page 33 of the December 31, 2011 Annual Report, under "Charges for Outside Professional and Other Consultative Services" the Company inadvertently reflected the Operations/Maintenance Fee to Indiantown as $500,000.04. The correct amount is $50,000.04. The Company entered into an agreement with Indiantown to continue to perform certain functions, as shown on Attachment 5 - Operations and Maintenance Agreement, Exhibit C, for three years. Since all of the functions associated with the Operations and Maintenance Agreement were performed by IGC, an outside contractor, the expense ($50,000) was recorded in Account 923 – Outside Services. The services shown on Exhibit C generally require routine skill and training and the level of activity associated with these services vary day-to-day. Since the Company did not retain any of the former IGC employees, these tasks were more efficiently performed through the Agreement.

6. Please provide a detailed explanation and breakdown of the consulting services provided by Palima, Inc. in the amount of $99,999.96 and the account charged for this expenditure.

Company Response: Please see Attachment 6 - Consulting Agreement. The second and third WHEREAS clauses describe the value of the consulting services to FPUC. Section 3 of the agreement defines the duties to be performed by the consultant. Although the Consulting Agreement is with Brian Powers, individually, upon his request, the payment was made to Palima, Inc. The expenses incurred under this agreement were charged to Account 923 – Outside Services.

7. Page 29, line 103, of the 2011 Annual Report as of December 31, 2011 shows for Account 923- Outside Services Employed, the current dollar amount of $183,151.
   a. Please explain why this amount is different from the $500,000 and $99,999.96 shown on page 33 of the 2011 Annual Report for "Charges For Outside Professional and Other Consultative Services."
   b. Please provide a breakdown of cost and a brief description of all individuals or companies listed under "Outside Services Employed" which is included in the $183,151 total for Account 923. In addition, provide all supporting documentation or workpapers to support your response.

Company Response: **a.** As explained in the response to Data Request 5, the $500,000 was a scriveners error. The correct amount is $50,000. The difference between the total amount shown for Account 923, the $183,151, and the $50,000 plus the $99,999.96 is due to other outside services utilized in 2011.

b. In addition to the $50,000 for the Operations & Maintenance Agreement and the $100,000 for the Consulting Agreement, the Company also employed the services of the following entities:

Ruth & Associates (Environmental Services) - $19,071
Transaction Costs – Expensed - $12,788
Allocated Corporate Outside Services Costs - $1,292

8. On page 3, witness Kim testified that FPUC entered into an asset purchase agreement with IGC.
   a. Please provide a copy of the asset purchase agreement.
   b. Please provide a copy of the non-compete agreement signed by the former owners of IGC.

Company Response: See Attachment 8a – Asset Purchase Agreement; and Attachment 8b - Non-Compete Agreement.

9. On page 3, lines 11-12, witness Kim testified that the acquisition of IGC was treated as a cash purchase of assets in a taxable transaction. Please provide a detailed explanation as to why FPUC treated this transaction as taxable instead of tax-free and the applicable tax rules relied upon in rendering this decision.

Company Response: FPUC's acquisition of IGC was a cash transaction only (no stock was exchanged). A cash purchase of assets is treated as a taxable transaction for income tax purposes. Only certain exchanges of stock can qualify as a tax-free transaction.

10. On page 4 of 9, lines 1-2, witness Kim testified that a small adjustment of $3,909 was included to reduce the book value of certain assets after the acquisition. Please submit the calculations and supporting documents used, to include any journal entries and/or account transfers, to compute this adjustment.

Company Response: This adjustment was made as a result of the FPSC audit of IGC's plant accounts performed simultaneous to the acquisition. See Attachment 10 – IGC Audit Report.

11. On page 4 of 9, lines 11-19, witness Kim testified that the bottom-up valuation calculation was used to support the fair value of IGC, and that it is similar to the discounted cash flow method shown in Exhibit (MK-2). However, the actual bottom-up valuation calculation was not provided. Please submit the bottom-up valuation calculation.

Company Response: Witness Kim's testimony states that "This bottom-up valuation calculation used the similar methodology as the one utilized in the Discounted Cash Flow ("DCF") method of the Income Approach by the independent valuation experts to determine

the fair value of FPUC's natural gas business in Chesapeake's acquisition of FPUC (Docket 110133-GU)." Exhibit MK-2 is the actual bottom-up valuation calculation and reflects such similar method to that used by the independent valuation experts in determining the fair value of FPUC's natural gas business in Chesapeake's acquisition of FPUC. See Attachment 1.

12. On page 6, lines 15-21 witness Kim testified that IGC is located adjacent to FPUC's largest natural gas distribution operating division in West Palm Beach and the geographic proximity provides opportunities for significant synergies and cost savings to be harvested.

    a. Please identify whether any of the significant synergies and cost savings stated in this portion of your testimony have been received by FPUC. If yes, please specify the synergies and the cost savings and explain how they benefit FPUC and its ratepayers.

    b. Please provide examples of historical and projected significant synergies and cost savings opportunities.

Company Response: a. Please see response to Data Request 18c below. The synergies and savings benefit both FPUC and its ratepayers by lowering the overall cost of service beyond the revenue requirements of the acquisition premium, as requested by the Company in this Docket. Customers will enjoy lower rates, and improved service (as demonstrated herein), than they otherwise would have, if IGC continued to be the service provider.

b. See response to Data Request 18c below. Further cost savings opportunities include an overall lower cost of capital and significantly improved access to capital and economies of scale attributable to performance of operations and maintenance activities.

13. On page 8 of 9, lines 3-4, witness Kim testified that FPUC is not requesting approval to recover any transaction or transition costs attributable to the acquisition. Please provide an explanation as to why FPUC is not requesting to recover any transaction or transition costs attributable to the acquisition of IGC.

Company Response: The total merger related costs incurred by FPUC associated with the acquisition of IGC assets was $12,788 (see Company Response to Data Request 7b), which was expensed. Due to the insignificant amount of expenses incurred, the Company is not requesting to recover these costs.

14. The revised Annual Report for FPUC-Indiantown Division as of December 31, 2010, shows for Account 376.11-Mains-Plastic, an ending balance of $119,955. The Exhibit MK-1 shows for the same account, a balance of $100,663. In addition, the exhibit shows A/D-Mains-Replacement, a balance of ($1,924), which is not included in the revised Annual Report for FPUC-Indiantown Division.

    a. Please provide an explanation and supporting documents as to why Account 376.11-Mains-Plastic (A/D-Mains-Plastic) differs between the annual report and the exhibit.

b. Please provide an explanation as to why A/D-Mains-Replacement is not included in the annual report.

Company Response: a. The revised Annual Report for FPUC-Indiantown Division reflects the accumulated depreciation balance for Mains – Plastic as of December 31, 2010. Exhibit MK-1 reflects the accumulated depreciation balance for Mains – Plastic as of July 31, 2010, as adjusted (See Company Response to Data Request 10).

b. The Company reflected the ($1.924) balance of A/D-Mains-Replacement in Account 376.11 in the revised Annual Report for FPUC-Indiantown Division.

15. On page 7, lines 1-6, witness Kim referenced FPUC's Strategic Plan. Please provide a copy of FPUC's Strategic Plan that identifies IGC as an attractive acquisition target that is consistent with the FPUC's strategic plan for natural gas system growth.

Company Response: The term used in witness Kim's testimony "FPUC strategic plan" refers to an informal strategy, not a formal document (hence the words not being capitalized). FPUC generally is always looking for acquisition opportunities that are a good "fit" with the Company's existing geographic locations and operating characteristics, and can be used to help grow the Company's natural gas system.

16. On page 7, lines 14-22, what did FPUC use to determine that the amortization of the gas plant acquisition should be amortized over 15 years instead of 20, 25, or 30 years?

Company Response: See Company Response to Data Requests 17 and 48.

17. On page 8, line 14 through page 9, line 2, witness Kim referenced several natural gas cases and asserted that the Commission approved a shorter 15 year amortization period for a smaller acquisition adjustment in the Chesapeake Acquisition of Central Florida Gas although a 30 year amortization had been approved in most of the cases.
    a. What was the total amount of the amortization approved in Chesapeake's acquisition of Central Florida Gas?
    b. What is the approximate difference in the amount of the amortization approved in Chesapeake's acquisition of Central Florida Gas and the amount FPUC is requesting in this proceeding?
    c. How are the circumstances in FPUC's request similar to the circumstances in the Chesapeake acquisition of Central Florida Gas?
    d. Why should the Commission approve the requested 15 year amortization period instead of a different amortization period?

Company Response: a. As approved in Commission Order No. 18716, issued January 26, 1988, "As a result of this purchase, Central Florida recorded an acquisition adjustment of $501,661 on its books. Both staff and Central Florida have taken the position that this acquisition adjustment, increased by $7,946 to correct a booking error, should be included in the rate base for the purposes of setting rates." However, the Commission went on to state "Having reviewed the analyses presented by both Staff and

Central Florida, we are willing to adopt an acquisition adjustment of $200,000 for the test year." Therefore, the acquisition premium approved by the Commission was $509,607 but the amount included in rate base for the purposes of setting rates was $200,000.

b. The difference between the premium in the instant filing of $745,800 and the Chesapeake acquisition of Central Florida Gas of $509,607 is $236,193.

c. In both cases, the company being acquired was relatively small, in terms of customers served and size of rate base. The total purchase prices were also relatively small and the acquisition premiums were not significant, in terms of the size of the acquiring company at the time of purchase.

d. The Company believes that a 15 year amortization period is appropriate for the size of the requested acquisition premium ($745,800) and that the level of savings achieved supports this request.

For the following questions, please refer to the direct testimony of FPUC witness Cheryl Martin:

18. On pages 5 and 6 witness Martin testified that the primary savings resulted from the reduction of IGC personnel since no employees were retained.
    a. Please explain in detail the "scheduled operational and maintenance" tasks that FPUC is doing with its existing employees that were previously done by IGC employees.
    b. Please provide a comparative analysis of the services and costs, if any, provided under the O&M Agreement with IGC and the scheduled operational and maintenance tasks performed by FPUC existing employees.
    c. As discussed on lines 7 through 9, please provide a detailed explanation and breakdown of the "significant savings" that have occurred since FPUC employees began charging their time to FPUC-Indiantown Division compared to the costs incurred when IGC provided the services as a stand-alone entity.

Company Response: a. The Company's employees are performing all operations and maintenance tasks that can be scheduled, including, but not limited to, annual leak surveys, above ground facilities maintenance, city gate station maintenance, district regulator station maintenance, cathodic protection activities and other similar duties.

b. All of the tasks performed under the O&M Agreement cost $50,000 per year. As shown on the December 31, 2011 Annual Report, page 28, the Total Distribution Expenses (line 74) incurred for 2011 was $18,301.

c. A comparison of the December 31, 2011 Annual Report (first full year after the transaction) and the December 31, 2009 Annual Report (last full year prior to the transaction), Page 29, Line 118 – Total Gas O&M Expenses shows that the 2011 amount was $278,099 compared to the 2009 amount of $452,033, or a savings of $173,934 or 38.5%. The Company believes that this is a significant savings.

19. On page 5, lines 16-18, witness Martin testified that the Company believes that IGC's ESR as of June 30, 2010 and FPUC-Indiantown's ESR as of December 31, 2011, is the most appropriate data to compare? Please provide a detailed explanation as to why this is the most appropriate data to compare and how the Historic Test Year ending December 31, 2002 is the best example of such appropriateness of the comparison.

Company Response: The Company believes that utilizing the most recent data available for IGC (the June 30, 2010 ESR) is most appropriate because it provides information that reflects the then-current operating conditions at the time of the acquisition. If one were to use the Historic Test Year ending December 31, 2002 data, and trend the costs forward using inflation and customer growth, it would not necessarily be reflective of current operating conditions. For example, in 2002 certain regulations were not in effect, such as Operator Qualification requirements and the Distribution Integrity Management Program. These regulations are costly to implement for small companies, such as IGC, and the trending factors would not properly account for these additional costs. Also, since 2002, IGC was often cited for operational deficiencies, including the deficiency related to its meter change-out program. IGC worked hard to bring the system into compliance and was incurring costs annually to maintain compliance. Thus, using current information is more appropriate for the savings comparison. The Company also believes that using current information is consistent with the current practices of the Commission Staff.

20. On page 5, line 23, witness Martin testified that the primary savings results from the reduction of IGC personnel. However, page 6, lines 1-3, provides that no IGC employees were retained, but an O&M Agreement with IGC was implemented so that local service to customers remained intact.
    a. Please provide the number of IGC personnel previously and currently employed, if any, by FPUC.
    b. Please provide the O&M Agreement.

Company Response: a. FPUC did not retain any IGC employees at the time of the acquisition (July 31, 2010) nor has it since hired any former IGC employees.

b. See Attachment 5 – Operations & Maintenance Agreement.

21. On page 7, lines 12-13, witness Martin states that because of IGC's size, it did not have a credit rating and was extremely limited in its ability to attract capital. Please provide an explanation as to what "...size..." means and supporting documents regarding IGC's lack of credit rating and its limited ability to attract capital.

Company Response: IGC's rate base was only about $615,000, as shown on Exhibit CM-1 and its outstanding debt was obtained from the First Bank and Trust Company of Indiantown (~$242,000) and Seacoast National Bank (~$29,000) which was paid off from the proceeds of the transaction. By comparison, at December 31, 2011, Chesapeake has approximately $110 million of long-term debt and access to about $140 million of short-term debt. The

Company's statement regarding IGC's lack of credit rating and limited ability to attract capital was obtained through conversations with IGC's owners; therefore, no supporting documents are available.

22. On page 7, lines 21-23, witness Martin states that Chesapeake has access to large lines of credit and revolving facilities. Please provide any and all supporting documentation substantiating this statement.

Company Response: As stated in Witness Martin's testimony, Chesapeake has secured lines of credit and revolving facilities of approximately $140 million. See Attachment 28 – ESR Debt Cost Rates for the balances outstanding each month in 2011.

23. On page 11, lines 12-14, witness Martin testified that the total amount of actual operating costs savings is $191,449 and that the total revenue requirements is $138,631. However, per supporting Exhibit CM-4, the total savings for the year 2011 is $190,007. Please provide an explanation or calculation describing where the actual operating costs saving of $191,449 comes from and why the figure differs from the supporting exhibit.

Company Response: The testimony of witness Martin was not properly updated to reflect the final savings numbers shown on Exhibit CM-4 of $190,007. Witness Martin's testimony, on page 11, lines 12-14, should have read that the actual operating cost savings is $190,007.

24. Please refer to page 7, lines 2 through 6, of the direct testimony of witness Martin.
    a. Please explain why the acquisition rate base items were not included in rate base for the calculation of the cost of capital savings of $2,215.
    b. What would the cost of capital savings be if the acquisition rate base items were included in the rate base?
    c. What does the revenue requirement savings of $2,215 equate to per customer on a monthly basis?

Company Response: a. The Company believes that the proper method to compare the cost of capital is to utilize the same level of rate base for the comparison. To the Company's knowledge, this method has been consistently used in previous acquisition premium recovery dockets. Only by using the same level of rate base can one determine the appropriate dollar amount of savings attributable to a lower overall cost of capital.

b. The Company has not performed this calculation and, as stated above, the Company does not believe this to be an accurate method to calculate the cost of capital savings.

c. Using an average of 715 customers, the revenue requirement savings of $2,215 equates to a monthly savings of $0.258 per customer.

25. Please refer to page 7, lines 18 through 21, of the direct testimony of witness Martin.
    a. Please provide copies of the four series of FPUC's secured first mortgage bonds and the unsecured Chesapeake Senior Notes to which she refers.

b. Please demonstrate how the lower cost unsecured Chesapeake Senior Notes have lowered the cost rate of long term debt.

Company Response: a. See Attachment 25a – Long Term Debt Refinanced.

b. Exhibit CM-5, which incorporates the lower cost unsecured Chesapeake Senior Notes, demonstrates the overall lower cost of capital for FPUC versus IGC. The statements in Witness Martin's testimony on page 7 were intended to demonstrate that the Company is always working to reduce the overall cost of capital. The Company was simply referring to its efforts upon Chesapeake's acquisition of FPUC (not the instant case) to refinance certain long-term debt of FPUC, which was validated in Docket No. 110133-GU.

26. Please refer to page 7, lines 15 through 16, of the direct testimony of witness Martin. Please provide any documentation demonstrating FPUC's parent company's long-term debt rating of NAIC 1, and explain how that rating is considered equivalent to a rating by S&P of AAA to A-.

Company Response: See Attachment 26 – NAIC Ratings.

27. Please refer to Exhibit CM-1, page 6 of 6, attached to the direct testimony of witness Martin. Please provide an explanation for the pro rata adjustments to the average capital structure components in Schedule 4.

Company Response: Exhibit CM-1 reflects the June 30, 2010 ESR filed by Indiantown Gas Company. FPUC did not prepare the filing, therefore it is not is a position to provide an explanation for the pro rata adjustments. However, the Company would assume that the Pro Rata adjustments were made to adjust the Per Book amounts for Common Equity, Long Term Debt and Customer Deposits such that they equal the calculated Rate Base of IGC at that point in time.

28. Please refer to Exhibit CM-2, page 6 of 6, attached to the direct testimony of witness Martin. Please describe how the cost rates for each component of debt, that is, Long Term Debt, Short Term Debt, and Short Term Debt Refinanced LTD, was calculated in the average capital structure in REVISED Schedule 4. Please provide a list of all the debt issuances that comprise each of the debt components and provide copies of the debt securities issued.

Company Response: See Attachment 28 – ESR Debt Cost Rates and Attachment 28 – Long Term Debt.

29. Please refer to Exhibit CM-2, page 6 of 6, and Exhibit CM-5, page 2 of 2, attached to the direct testimony of witness Martin. Please clarify the discrepancy between the description of Long Term Debt – Refinanced in Exhibit CM-5 and Short Term Debt Refinanced LTD in Exhibit CM-2. Specifically, did FPUC replace Long Term Debt with Short Term Debt in the capital structure?

Company Response: These two descriptions are for the same transaction. As part of the acquisition of FPUC by Chesapeake (in 2009), Chesapeake was able to pay off two series of FPUC secured first mortgage bonds almost immediately with short term debt (approximately $29.1 million). The short term debt was replaced with long term debt in June 2011. The line items shown in Exhibit CM-2, page 6 of 6 and Exhibit CM-5, page 2 of 2 are FPUC – Indiantown Division's pro-rata share of these transactions.

30. Please refer to the average capital structures in Exhibit CM-1, page 6 of 6, and Exhibit CM-2, page 6 of 6, attached to the direct testimony of witness Martin. Please explain why:
    a. The cost rates for Long Term Debt increased from 6.28 percent in June 30, 2010, to 6.91 percent in December 31, 2011.
    b. The refinanced cost rate for long term debt is 6.33 percent in Exhibit CM-2 as compared to the cost rate of 6.28 percent in Exhibit CM-1.
    c. The ratio of common equity increased from 53.28 percent in Exhibit CM-1 to 55.65 percent in Exhibit CM-2.

Company Response: a. Exhibit CM-1 reflects the last Earnings Surveillance Report (ESR), dated June 30, 2010, filed by Indiantown Gas Company (IGC) prior to the acquisition. At that time, IGC had existing long term debt that was at an average interest rate of 6.28 percent. Exhibit CM-2 reflects the FPUC – Indiantown Division's December 31, 2011 ESR which reflects the allocated share of the overall Chesapeake Utilities Corporation's capital structure and cost rates. See Company Response to Data Request 28 for the calculation of Long Term Debt cost rate.

b. See response to Data Request 30a shown above and Data Requests 28 and 29.

c. As described above, Exhibit CM-1 reflects the last ESR filed by IGC prior to the acquisition by FPUC. Exhibit CM-2 reflects the FPUC – Indiantown's December 31, 2011 ESR. The ratio of common equity is based on actual data for each company, for the respective reporting periods.

31. Please refer to Exhibit CM-2, page 6 of 6, attached to the direct testimony of witness Martin.
    a. Please explain why the average capital structure as of December 31, 2011, contains Deferred Taxes but the average capital structure on June 30, 2010, in Exhibit CM-1 does not.
    b. Please provide a schedule showing how the deferred taxes in the average capital structure as of December 31, 2011, were calculated.

Company Response: a. The average capital structure for the June 30, 2010 ESR was for IGC, which did not have any Deferred Income Taxes; therefore, IGC did not reflect this line item on the ESR. FPUC – Indiantown Division does have Deferred Income Taxes, as reflected in the December 31, 2011 ESR.

b. See Attachment 31b – Deferred Income Taxes.

32. Please refer to Exhibit CM-5 attached to the direct testimony of witness Martin.
    a. Please provide a calculation of the cost of capital for the 13-month average capital structure on page 1 of 2 based on investor sources only, that is, only common equity and long term debt.
    b. Please provide a calculation of the cost of capital for the 13-month average capital structure on page 2 of 2, based on investor sources only, that is, common equity, long term debt, short term debt, and long term debt – refinanced.
    c. Please explain the reason for any decrease or increase in the cost of capital based on investor sources only.

Company Response: a. Exhibit CM-5, page 1 of 2 shows the IGC June 31, 2010 ESR capital structure. The Company does not have access to the supporting spreadsheets that would be needed to provide the calculation of the cost of capital for the 13-month average capital structure.

b. The cost of common equity is 11.50%, plus or minus 100 basis points, approved in the last rate case for IGC (See Order No. PSC-04-0565-PAA-GU in Docket No. 030954-GU). See Attachment 28 – ESR Debt Cost Rates for the calculations for long term debt, short term debt, and long term debt –refinanced.

c. The changes in the cost of capital for investor sources are attributable to the difference in reporting entity (IGC versus FPUC – Indiantown Division) and differences in time periods (June 30, 2010 versus December 31, 2011).

33. On page 5, lines 21-23, witness Martin stated that annual savings of $187,792 are attributable to the acquisition. Please provide by expense account a breakdown of these savings.

Company Response: The $187,792 annual savings, as stated by witness Martin, is a comparison of the IGC June 30, 2010 ESR with the FPUC – Indiantown Division December 31, 2011 ESR. The IGC June 30, 2010 ESR consists of expense data for the 12 months ending June 30, 2010. The Company does not have access to this expense data by expense account (it only has access to the 2009 Annual Report data by expense account for IGC, which is a calendar year basis); therefore, the Company is unable to provide the savings by expense account.

34. On page 6, lines 7-9, what is the amount of employee payroll-related savings that FPUC has recognized when compared to IGC as a stand-alone entity?

Company Response: Please see response to Data Request 33. While the Company cannot provide an exact amount of employee payroll-related savings, IGC reported $138,885 of O&M expense payroll on its 2009 Annual Report (page 32), for the 12 months ended December 31, 2009. FPUC – Indiantown Division reported $15,258 of O&M expense payroll on its 2011 Annual Report (page 32), for the 12 months ended December 31, 2011.

35. On page 8, lines 19-21, is it correct that "the Company's" performance as used in this sentence refers to Chesapeake performance? If yes,
    a. Has a peer comparison of FPUC been performed since the acquisition of IGC that shows its performance related to growth and return on investment?
    b. If your answer is affirmative, please provide a copy of the peer group comparison that shows FPUC's ranking in the peer group.
    c. Please provide a copy of the peer group comparison that shows Chesapeake's ranking in the peer group.

Company Response: Yes, the reference to "the Company" means Chesapeake.

a. No, a peer comparison is only done at the parent company (Chesapeake) level.

b. Not applicable.

c. See Attachment 35c – Peer Group Comparison.

36. On page 8, line 21 through page 9, line 1, witness Martin stated that Chesapeake is a multiple winner of the AGA Gas Safety Award.
    a. Please describe the AGA Gas Safety Award.
    b. Did Chesapeake win the AGA Gas Safety Award in 2010, 2011, or 2012?
    c. What criteria must a company meet in order to receive the AGA Gas Safety Award?
    d. Has Chesapeake's subsidiary, FPUC, recently won any similar safety awards? If affirmative, please identify the date(s) and type of award.

Company Response: a. The AGA Safety Award recognizes companies that show exceptional employee safety performance throughout the year. The AGA utilizes a safety measurement metric, called "DART", to determine which companies are recognized. "DART" stands for Days Away, Restricted and Transferred and represents employee days away from work because of injury and any restricted or transferred incidents. For companies to be considered for the award, they must have zero employee fatalities, a DART-incident rate lower than the industry average and an OSHA recordable incident rate lower than the industry average.

b. Chesapeake has earned this award for the seven consecutive years from 2003 through 2009. Chesapeake received the AGA Industry Leader in Accident Prevention Certificate in 2010 and 2011. The 2012 AGA Safety Award will not be announced until May 2013. Chesapeake has also won the Safety Achievement Award for having the lowest vehicle incident rate for utilities of their size in 2011.

c. See response to Data Request 36a above.

d. FPUC has not recently won any similar safety awards.

37. On page 9, lines 5-15, please explain the statement that "[M]any of these facilities fall under the Pipeline Integrity Management rules." In your response, explain how these rules affect Chesapeake's Florida operations.

Company Response: What this statement means is that, in Florida, the natural gas distribution system providing service to the large industrial and electric generation customers operating under high (~300 psig and above) pressure is governed by different, more stringent, operating and maintenance rules, known as Pipeline Integrity Management Plans (as opposed to Distribution Integrity Management Plans for all other distribution facilities). The Company, therefore, has trained its employees to perform or supervise the tasks required by the Pipeline Integrity Management Plan.

38. On page 9, lines 19-21, witness Martin indicated that the Company's personnel have become very proficient with electronic measurement, communications, and odorizing equipment and other highly technical distribution and transmissions system devices.
    a. Please describe the Company's personnel proficiency with electronic measurement and state how it has resulted in more professional and experienced operations.
    b. Please describe the Company's personnel proficiency with communications and state how it has resulted in more professional and experienced operations.
    c. Please describe the Company's personnel proficiency with odorizing equipment and other highly technical distribution and transmission system devices and state how it has resulted in more professional and experienced operations.

Company Response: a. The Company operates a wide variety of electronic measurement in Florida, from small MTU (Meter Transmitting Units) devices on residential and commercial meters (Automatic Meter Reading system) that electronically transmit meter reading data every day, to large EFM (Electronic Flow Measurement) equipment on industrial and electric generation meters and at city gate stations that also provide daily information, including readings, pressure, temperature and other pertinent information. Using these devices requires an advanced level of technical skill and training that the Company has provided and invested in its employees, resulting in a more professional and experienced workforce and operations.

b. As described above, all of the meters that have the daily meter reading devices attached, require secure communication networks for the data transmission. Company personnel have been trained on such communication networks which also requires an advanced level of technical skill and training, resulting in a more professional and experienced workforce and operation.

c. The Company operates and maintains over 35 city gate stations in Florida. Commission rules require that odorization equipment be installed and operated at each city gate station. Volume flows vary greatly from station to station necessitating that different odorization equipment be utilized, some for high pressure, high gas flows, others for low pressure, low gas flows. Knowledge of the type and operating characteristic of these different types of odorization equipment requires an advanced level of technical skill and training, resulting in a more professional and experienced workforce and operation.

39. On page 11, lines 12-14, witness Martin testified that the total amount of actual operating cost savings is $191,449, which is greater than the total revenue requirements of $138,631.
    a. Is the $191, 449 amount of actual operating cost savings for the year 2011?
    b. Is the $138,631 amount of the total revenue requirement for the year 2011?

    Company Response: a. Please refer to the Company's response to Data Request 23, where the Company described an error in the actual operating cost savings. The correct number is $190,007 instead of $191,449. Given this correction, the answer is yes, the $190,007 is the actual operating cost savings for 2011, as shown in Exhibit CM-4, page 1 of 2.

    b. Yes, the $138,631 is the total revenue requirement for 2011, as shown in Exhibit CM-4, page 1 of 2.

For the following questions, please refer to the direct testimony of FPUC witness Mariana Perea:

40. Please refer to page 5, line 7, and page 9, lines 3 and 16 of the direct testimony of witness Perea.
    a. When did the company obtain the services of the Profitable Group, Fiserv, Inc. and the Dealer Network? For the above companies, please provide staff with a copy of any executed agreements or contracts.
    b. Please provide a detailed list of the functions with the applicable costs provided by the comprehensive Dealer Network program to IGC customers.

    Company Response: a. The Company began utilizing the services of The Profitable Group around the time of the acquisition of FPUC by Chesapeake (late 2009) and continued to utilize their services through late 2011. Rather than an over-arching contract, each module was negotiated and confirmed through a purchase order. In November 2010, the Company entered into a contract with FISERV (see Attachment 40a – FISERV Agreement) to provide walk-in payment services at various locations throughout the Company's service territory, including Indiantown. The Company began its Dealer Network program, through a variety of third-party providers well before either the acquisition of FPUC or Indiantown. It has expanded the scope of the Dealer Network program to cover the service territories of both FPUC and Indiantown, subsequent to the respective acquisition dates.

    b. As stated earlier, the Company has entered into a three-year Operations and Maintenance Agreement with IGC to perform certain functions (see Attachment 5), at a fixed fee of $50,000 per year. IGC is the primary contractor in the Company's Dealer Network program for the Indiantown customers. Other contractors in the Dealer Network have been identified that could perform functions in Indiantown, if needed, on a stand-by basis.

41. On page 3, lines 1-5, witness Perea testified that the Company has implemented critical touch points which assist it in exceeding their customer's needs. Please provide an

explanation on how these factors are measured and submit quantitative measures, if any, on how these factors have improved the Company's customer service.

Company Response: The process described in witness Perea's testimony is an on-going process established subsequent to the FPUC acquisition in 2009. To date, most of the critical touch points that are being measured relate to customer phone calls. For example, the Company is measuring how long it takes to answer a customer call, how many calls are abandoned prior to answering and the average call handle time.

	August 2010	August 2011
Average Speed of Call Answer	3.15 minutes	1.02 minutes
Call Abandonment Rate	19%	8%
Average Call Handle Time	5.25 minutes	4.15 minutes

42. On page 3, lines 8-13, witness Perea specified that critical performance measurements are gathered and standard metrics have been identified to determine whether the Company is moving toward providing a positive customer experience. Please provide a detailed explanation of these critical performance measurements and standard metrics.

Company Response: The Company has utilized a consulting firm, Sparks Research, to perform residential customer surveys and tracking methods that captures customer satisfaction metrics for certain customer experiences. This is an on-going process that the Company is using to determine what drives customer satisfaction and loyalty. The survey and tracking methods are designed to identify the specific reasons why customers are likely to become promoters of the Company. It is also designed to identify those areas that the Company is deficient in its efforts to provide high quality service to customers. The process focuses on the various "touch points" between the Company and its customers, including but not limited to, customer care and service technicians. Based upon the information gathered, the Company is then able to determine the most critical metrics that impact customer satisfaction and develop and implement employee training modules that improve performance. These critical performance measurements and metrics are charted, over time, to determine if the Company's efforts to create promoters of its customers are being positively impacted.

43. On page 3, line 21, witness Perea testified that a Customer Care Strategy has been develop and implemented. Please submit a handbook or policy manual which describes this strategy, if any.

Company Response: The Customer Care strategy developed and implemented does not exist in a handbook or policy manual. Witness Perea has described the strategy objectives and key initiatives in her testimony on pages 3 through 5.

44. On page 5, line 7, witness Perea testified that the Company hired a third party, The Profitable Group, to perform training. Please provide an explanation and supporting documentation that shows how outsourcing these tasks has been cost effective.

Company Response: The Profitable Group is professional training sessions performed by professional trainers. The Company did not have internal personnel who were qualified to perform this specialized and customized training for its employees. The cost incurred for this training has been properly expensed when incurred. The Company is not requesting recovery of these costs through the instant proceeding.

45. On page 6, lines 17-19, witness Perea testified that "the consolidation has allowed the Company to...capture valuable customer service metrics to evaluate our success in providing the perfect customer experience." Please provide the data from the applied metrics and indicate how customer service has improved with the consolidation.

Company Response: See Company response to Data Requests 41, 42 and 43.

46. On page 7, lines 1-7, witness Perea testified that since the acquisition the Company has generated an improved invoice (bill) that is sent out to customers. Please provide a sample of the current invoice sent by the Company and the previous invoice sent by IGC.

Company Response: See Attachment 46 – IGC Bill and FPUC Bill.

47. On page 7, lines 14-17, witness Perea testified that since implementing new telephony technologies the Company has the ability to collect a wide variety of valuable customer call metrics. Please provide any supporting documents the Company has collected from implementing the new telephony technologies.

Company Response: The Company utilizes several types of telephony technology that gathers certain metrics. For example, the Avaya Telephone System allows the Company to leverage real-time and historic information to deliver seamless, context-sensitive customer service. The system facilitates communication via voice and multi-media channels, so that the Company can deliver service that meets the needs of a dynamic customer base. The system also utilizes Call Management System tools to measure call statistics, such as those identified in the Company response to Data Request 41. The Company also utilizes Verint to monitor/record calls for quality training and coaching of customer care representatives.

48. The petition requested the authority to amortize the positive acquisition adjustment over 15 years, beginning August 1, 2010. Please identify and describe the estimated remaining life of the assets purchased.

Company Response: See Attachment 48 – IGC Depreciation Study which is from Commission Order No. PSC-09-0328-PAA-GU issued in IGC's 2008 Depreciation Study. The attached Exhibit shows the Average Remaining Life for each plant account. The Company believes that, overall, the average remaining life of the plant assets purchases are consistent with the amortization period requested of 15 years for the positive acquisition adjustment.

49. On page 3, lines 5-7, please specify "best practices" that the Company has identified and is implementing throughout its operational departments, and describe how these best practices have resulted in customers becoming "promoters" of the Company based on increased quality and customer service that they have received.

Company Response: See Company response to Data Request 42.

Attachment 1 - Supporting Documentation - Valuation Calculation

Tax depreciation calculation

Per 7/31/2010	Gross Plant	A/D	Net Value		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
				5-Yr	20.00%	32.00%	19.20%	11.52%	11.52%
				10-Yr	10.00%	18.00%	14.40%	11.52%	9.22%
				15-Yr	5.00%	9.50%	8.55%	7.70%	6.93%
Mains	441,861	(390,383)	51,478	15-Yr	2,574	4,890	4,401	3,964	3,567
Services	106,771	(26,904)	79,867	15-Yr	3,993	7,587	6,829	6,150	5,535
Meters/Meter installations	80,622	(23,717)	56,905	15-Yr	2,845	5,406	4,865	4,382	3,944
House regulators	20,316	(5,593)	14,723	15-Yr	736	1,399	1,259	1,134	1,020
Measurement equipment	147,552	(76,682)	70,870	15-Yr	3,544	6,733	6,059	5,457	4,911
Land & rights	12,500		12,500						
Structure improvements	171,895	(50,000)	121,895	15-Yr	6,095	11,580	10,422	9,386	8,447
Office furnitures	27,774	(13,870)	13,904	10-Yr	1,390	2,503	2,002	1,602	1,282
Computer equipments	13,228	(2,756)	10,472	5-Yr	2,094	3,351	2,011	1,206	1,206
Tool, shop equipment	13,438	927	14,365	10-Yr	1,437	2,586	2,069	1,655	1,324
Power operated equipment	25,970	(7,951)	18,019	10-Yr	1,802	3,243	2,595	2,076	1,661
Other equipment	13,647	(6,646)	7,001	10-Yr	700	1,260	1,008	807	645
Computer software	26,589	(9,755)	16,834	5-Yr	3,367	5,387	3,232	1,939	1,939
	1,102,163	(613,330)	488,833		30,577	55,925	46,752	39,756	35,484
Cap ex - assumed to be the same as GAAP depreciation plus $50k per year									
Year 1	48,283	50,000	98,283	15-Yr	4,914	9,337	8,403	7,568	6,811
Year 2	49,731	50,000	99,731	15-Yr		4,987	9,474	8,527	7,679
Year 3	51,223	50,000	101,223	15-Yr			5,061	9,616	8,655
Year 4	52,760	50,000	102,760	15-Yr				5,138	9,762
Year 5	54,343	50,000	104,343	15-Yr					5,217
Total depreciation for tax					35,491	70,248	69,691	70,605	73,608

Attachment 1
Supporting Documentation – Valuation Calculation

Overview

The purpose of the valuation is to provide an estimate of the fair value of the Indiantown natural gas business for the determination and allocation of the purchase premium (goodwill as they are referred to under US GAAP) as of the acquisition date. The value of the Indiantown natural gas business was developed by estimating the total invested capital (TIC) of the business. The TIC of the business is essentially the value of both debt and equity.

In valuation of the TIC of a business, three acceptable approaches may be used to determine fair value: (a) the Income Approach; (b) the Market Approach; and (c) the Cost Approach. Although these three approaches are acceptable from the accounting and valuation standpoint, the nature and characteristics of the business being valued will indicate which approach, or approaches in some cases, is/are most applicable. In estimating the fair value of the Indiantown natural gas business, we utilized only the Income Approach. Due to the relatively small size of the Indiantown natural gas business, we determined that it would be inappropriate to apply the Market Approach, which would have required us to obtain the valuation information of comparable and similar publicly traded companies to which we compare the Indiantown natural gas business. The Cost Approach is usually not utilized when valuing an on-going business.

We used the DCF method of the Income Approach to value the Indiantown natural gas business. Under the DCF method, the value of a business is calculated based on the present value of the cash flows that are expected to be available for distribution to the equity and/or debt holders of the business. In this valuation, indications of value are developed by discounting future net cash flows available for distribution to their present net worth at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment.

Key assumptions and financial projections used in the valuation are described in greater details later in this memo. The DCF model used in the valuation of the Indiantown natural gas business is similar to the model used in the valuation of different businesses acquired in Chesapeake's merger with Florida Public Utilities Company (FPU), which was performed by an independent valuation/accounting firm. Due to the size of the acquisition and relative cost to hire an independent valuation/accounting firm to perform the valuation, Chesapeake/FPU internal accounting staff performed the valuation utilizing the similar model and concepts used in the FPU valuation by an independent valuation/accounting firm, which was completed less than one year prior to this valuation.

DCF Method

We performed our DCF analysis on a debt-free basis. In other words, interest expense was excluded from the estimated future expenses and debt principal payments were excluded from the cash flow calculations. The effect of excluding interest expense and debt repayments from the calculation of free cash flow is to provide a value indication for the TIC of the business. A multi-year DCF model was

developed to derive a TIC value. The sum of the present value of the discrete cash flow available for distribution and the terminal value provided an indication of value for TIC. As previously mentioned, the DCF model used in this valuation is similar to the model used in the valuation of FPU.

In valuation under the DCF method, the following input of information is needed:

- Financial projection
- Cash flow adjustments – the items to adjust the financial projection to derive to cash flow projection
- Income tax assumptions
- Terminal value and constant growth assumption
- Discount rate assumption

We developed a 5-year financial projection of the Indiantown natural gas business based on the historic accounting records of the business provided by the seller. In looking at Indiantown's revenues and costs for the years ended December 31, 2007, 2008 and 2009 (the three most recent years prior to our acquisition), we developed a projected level of revenues and costs in the first year after the acquisition. In developing cost projection, we considered the level of operating costs that is more representative of the business of this size, taking into consideration that a certain level of cost savings can be achieved as the Indiantown natural gas business is integrated into a larger natural gas operation. After developing the first year financial projection, we used a 2% growth assumption for revenues/gross margin and a 3% increase assumption for operating expenses for the years 2 through 5 after the acquisition.

Two main cash flow adjustments were (a) depreciation and (b) capital expenditures. Based on the plant asset records provided by the seller, we developed an estimated tax depreciation schedule of the Indiantown natural gas business. We also estimated a certain level of capital expenditures in the future, which was determined to be relatively insignificant due to the limited area served by this business and lack of specifically identified capital expenditure requirements at the time of the acquisition. We also estimated the tax depreciation on the estimated future capital expenditures.

We estimated an effective income tax rate of 38.575%, which is based on the 35% federal statutory rate, as this business would be required to pay once acquired by Chesapeake or other entities with the 35% statutory rate, and the 5.5% Florida state tax rate.

To attribute value to the cash flows for the years beyond the 5-year projection period, a terminal value increment representing the potentially perpetual life of this business was added to the discrete cash flow calculations for the projection period to indicate the fair value. We used the average of the last three projection periods in developing the cash flows used in a terminal value. This compensates for any abnormality that may exist in the projection. We also used a 1% terminal growth rate, which was the average EBITDA growth rate in the projection period. In calculating a terminal value, we used the constant growth assumption, which is calculated as follows:

Attachment 1
Supporting Documentation – Valuation Calculation

Terminal value = cash flows in the terminal period / (discount rate – terminal growth rate)

We used a 10% discount rate. The discount rate was developed by comparing to the rates used in the FPU valuation, adjusting for the relative size and risk of the Indiantown natural gas business, compared to the FPU businesses.

Valuation Recommendation

After discounting the future cash flows associated with the discrete period and terminal period, we computed the value of TIC for the Indiantown natural gas business to be approximately $1.2 million.

OPERATIONS AND MAINTENANCE AGREEMENT

BETWEEN

FLORIDA PUBLIC UTILITIES COMPANY

AND

INDIANTOWN LP GAS COMPANY, LLC

Operations and Maintenance Agreement

This Operations and Maintenance Agreement (this "Agreement") is entered into this 6th day of August, 2010 to be effective as of the 31st day of July, 2010 ("Effective Date") by and between Florida Public Utilities Company, a Florida corporation ("Company"), and Indiantown LP Gas Company, LLC, a Florida limited liability company ("Contractor").

WITNESSETH:

WHEREAS, Company owns natural gas distribution systems and related facilities in Indiantown, Florida as more particularly described on Exhibit A attached hereto (collectively, the "Facilities"), that require operations and maintenance activities in order to provide service to customers; and,

WHEREAS, Contractor is willing to operate and maintain the Facilities under the terms and conditions contained within the Agreement.

NOW, THEREFORE, in consideration of the premises above, and the mutual covenants hereinafter set forth, Company and Contractor agree as follows:

ARTICLE I
OPERATIONS AND MAINTENANCE

1.1 The Facilities have been previously installed and the Company intends to provide service to both residential and commercial developments as well as to industrial customers. An initial list of Company customers are identified on Exhibit B to this Agreement. The parties acknowledge and agree that the list of customers may be amended from time to time by mutual agreement of the parties; provided, however, the Company shall be permitted in its sole and absolute discretion to either add customers to Exhibit B or remove customers from Exhibit B to the extent any such customers are serviced by the same natural gas distribution network.

1.2 Contractor agrees to perform in a workmanlike manner the operations and maintenance functions as shown in Exhibit C of this Agreement on the Facilities for the entire term of this Agreement. The operations and maintenance functions shall be performed in accordance with the specific procedures in Exhibit D of this Agreement, as such procedures may be amended from time to time by (i) applicable regulatory and/or governmental agencies; or, (ii) the Company.

1.3 In consideration of Contractor's performance of the operations and maintenance functions shown on Exhibit C, Company agrees to pay Contractor as shown in Article III, Billing and Payment, of this Agreement.

1.4 The Company shall retain responsibility for performance of the operations and maintenance functions on the Facilities as shown in Exhibit E of this Agreement for the entire term of this Agreement.

ARTICLE II
TERM

2.1 The initial term of this Agreement will commence on the Effective Date and shall expire on the third (3rd) anniversary of the Effective Date (the "Initial Term"), unless earlier terminated by mutual agreement of the parties or pursuant to Article VI of this Agreement. The Initial Term shall automatically renew for successive renewal terms of twelve (12) months each (each, a "Renewal Term"), unless either party provides the other party with written notice of its intention not to renew the Initial Term or any Renewal Term at least ninety (90) days prior to the expiration of the Initial Term or any Renewal Term.

ARTICLE III
BILLING AND PAYMENT; OFFSET RIGHT

3.1 Contractor shall render invoices for performance of operations and maintenance functions on a monthly basis and invoices shall be due and payable by Company by mail no later than thirty (30) days following receipt of invoice. Contractor shall perform the operations and maintenance functions, in compliance with the procedures contained in Exhibit D, for the term of this Agreement at the rate of $4,166.67 per month.

3.2 Company shall be permitted to offset against any amounts owed by Company to Contractor under this Agreement any amounts or liabilities owed to Company by Contractor, Indiantown Gas Company, a Florida corporation, or Brian J. Powers as may exist from time to time during the Initial Term or any Renewal Term, whether arising in connection with that certain Asset Purchase Agreement effective as of the Effective Date among Indiantown Gas Company, Brian J. Powers, Company, and the other parties thereto (the "Purchase Agreement"), including, without limitation, in connection with any working capital adjustment, indemnification obligation and/or Environmental Obligation (as defined in the Purchase Agreement), or otherwise.

ARTICLE IV
INSURANCE

4.1 Required Policies. Contractor shall at its own expense provide certificates of insurance for the following risks:

Worker's Compensation Insurance, and Employer's Liability insurance with a limit of $1,000,000, including, without limitation, coverage for Occupational Diseases, to provide for the payment of benefits to its employees employed on or in connection with the work covered by this Agreement and/or to their dependents, in accordance with applicable law.

Comprehensive Automobile Liability Insurance with minimum Bodily Injury and Death Limits and Property Damage in an amount of $2,000,000 each occurrence.

Comprehensive General Liability Insurance, including but not limited to, Completed Operations Insurance for at least two (2) years following completion and acceptance of work required hereunder, Blanket Contractual Liability, Owner's and Contractor's Protective Liability, with a minimum combined single limit for Bodily Injury, including Death, and Property Damage of at least $2,000,000 per occurrence.

Excess Liability Insurance with a limit of $3,000,000 in excess of Comprehensive General Liability Insurance.

These certificates of insurance shall include the Company, any subsidiaries or affiliates and/or tiers of any, as additional insured and shall provide that Contractor's policies shall be primary in all instances regardless of any similar coverages carried by the Company. Such certificates shall also stipulate that the insurance will not be canceled or materially changed without thirty (30) days prior written notice to the Company, and shall also specify the date when such benefits and insurance expire. All certificates shall specify that underwriters waive all rights of recovery against such named insured. Contractor agrees that such benefits shall be provided and such insurance carried and maintained until after the entire Work under the Agreement has been completed and accepted. In the event of Contractor's failure to furnish such copies or carry out any of the provisions of this Section, the Company shall, in addition to the right to provide required policies and coverages and be reimbursed by Contractor for the costs, as well as the right to recover damages if not provided or fully covered and to obtain other relief, have the right to cancel and terminate its Agreement with Contractor.

Contractor shall furnish the Company with a copy of a certificate of insurance prior to the commencement of any work hereunder and shall include a copy of the contractual insurance endorsement insuring performance of the Hold Harmless clauses included in the Agreement.

4.2 Waiver Of Subrogation. All insurance policies of Contractor with respect to the operations conducted hereunder shall be endorsed in accordance with the following policy wording to waive all express or implied rights of subrogation: "The insurers hereby waive their rights of subrogation against any individual,

firm, association, partnership or corporation, their subsidiaries, factors or assigns for whom or with whom the Insured may be working."

4.3 Miscellaneous Requirements. Irrespective of the requirements as to insurance to be carried, the insolvency, bankruptcy, or failure of any insurance company carrying such insurance or the failure of any such insurance company to pay claims due thereunder shall not be held to waive Contractor's indemnity obligations under the Agreement or any other obligations of Contractor. Contractor agrees to pay promptly all premiums for such insurance in strict accordance with its obligations to its carrier(s) to the end that Contractor shall at all times have the full insurance herein provided. Contractor shall promptly, upon request, furnish evidence to the Company of the payment of all such premiums.

ARTICLE V
INDEMNIFICATION

5.1 (a) For value received and to induce Company to enter into this Agreement, Contractor agrees to protect, defend (at Contractor's expense and by counsel satisfactory to Company), indemnify, and save and hold harmless Company, its officers, directors, shareholders, employees, agents, successors and assigns, from and against all direct or indirect costs, expenses, damages, losses, obligations, lawsuits, appeals, claims, or liabilities of any kind or nature (whether or not such claim is ultimately defeated), including in each instance, but not limited to, all costs and expenses of investigating and defending any claim at any time arising and any final judgments, compromises, settlements, and court costs and attorneys' fees, whether foreseen or unforeseen (including all such expenses, court costs, and attorneys' fees in the enforcement of Company's rights hereunder), incurred by Company in connection with or arising out of or resulting from or relating to or incident to any breach of any of the covenants of Contractor contained in this Agreement or in any Exhibit, Schedule, or other document attached hereto and/or incorporated by reference herein, specifically including but not limited to:

a. any claim by a creditor of Contractor as a result of any transaction pursuant to or contemplated by this Agreement; and

b. any claim against Company relating to any obligation or liability of Contractor, or its affiliates.

In the event that any claim or demand for which Contractor would be liable to Company hereunder is asserted against or sought to be collected from Company by a third party, Company shall promptly notify Contractor of such claim or demand, specifying the nature of such claim or demand and the amount or the estimated amount thereof, if determination of an estimate is then feasible (which estimate shall not be conclusive of the final amount of such claim or demand) (the "Claim Notice"). Contractor shall have twenty (20) days, or such shorter period as the circumstances may require if litigation is involved, from the

personal delivery or mailing of the Claim Notice (the "Notice Period") to notify Company:

1. whether or not it disputes its liability to Company hereunder with respect to such claim or demand; and,

2. whether or not it desires, at its sole cost and expense, to defend Company against such claim or demand.

In the event that Contractor notifies Company within the Notice Period that it desires to defend Company against such claim or demand and except as hereinafter provided, Contractor shall have the right to defend Company by appropriate proceedings, which proceedings shall be promptly settled or prosecuted by Contractor to a final conclusion in any manner as to avoid any risk of Company becoming subject to any liability for such claim or demand or for any other matter. If Company desires to participate in, but not control, any defense or settlement, it may do so at its sole cost and expense. If Contractor elects not to defend Company against such claim or demand, whether by not giving Company timely notice as provided above or otherwise, then the amount of any such claim or demand, or, if the same is contested by Contractor or by Company (Company having no obligation to contest any such claim or demand), then that portion thereof as to which such defense is unsuccessful, shall be conclusively deemed to be a liability of Contractor and subject to indemnification as provided hereinabove.

(b) For value received and to induce Contractor to enter into this Agreement, Company agrees to protect, defend (at Company's expense and by counsel satisfactory to Contractor), indemnify, and save and hold harmless Contractor, its officers, directors, shareholders, employees, agents, successors and assigns, from and against all direct or indirect costs, expenses, damages, losses, obligations, lawsuits, appeals, claims, or liabilities of any kind or nature (whether or not such claim is ultimately defeated), including in each instance, but not limited to, all costs and expenses of investigating and defending any claim at any time arising and any final judgments, compromises, settlements, and court costs and attorneys' fees, whether foreseen or unforeseen (including all such expenses, court costs, and attorneys' fees in the enforcement of Contractor's rights hereunder), incurred by Contractor in connection with or arising out of or resulting from or relating to or incident to any breach of any of the covenants of Company contained in this Agreement or in any Exhibit, Schedule, or other document attached hereto and/or incorporated by reference herein, specifically including but not limited to:

a. any claim by a creditor of Company as a result of any transaction pursuant to or contemplated by this Agreement; and,

b. any claim against Contractor relating to any obligation or liability of Company, or its affiliates.

In the event that any claim or demand for which Company would be liable to Contractor hereunder is asserted against or sought to be collected from Contractor by a third party, Contractor shall promptly notify Company of such claim or demand, specifying the nature of such claim or demand and the amount or the estimated amount thereof, if determination of an estimate is then feasible (which estimate shall not be conclusive of the final amount of such claim or demand). Company shall have twenty (20) days, or such shorter period as the circumstances may require if litigation is involved, from the personal delivery or mailing of the Claim Notice to notify Contractor:

1. whether or not it disputes its liability to Contractor hereunder with respect to such claim or demand; and,

2. whether or not it desires, at its sole cost and expense, to defend Contractor against such claim or demand.

In the event that Company notifies Contractor within the Notice Period that it desires to defend Contractor against such claim or demand and except as hereinafter provided, Company shall have the right to defend Contractor by appropriate proceedings, which proceedings shall be promptly settled or prosecuted by Company to a final conclusion in any manner as to avoid any risk of Contractor becoming subject to any liability for such claim or demand or for any other matter. If Contractor desires to participate in, but not control, any defense or settlement, it may do so at its sole cost and expense. If Company elects not to defend Contractor against such claim or demand, whether by not giving Contractor timely notice as provided above or otherwise, then the amount of any such claim or demand, or, if the same is contested by Company or by Contractor (Contractor having no obligation to contest any such claim or demand), then that portion thereof as to which such defense is unsuccessful, shall be conclusively deemed to be a liability of Company and subject to indemnification as provided hereinabove.

(c) The foregoing indemnification and hold harmless agreement shall benefit both parties from the date hereof and shall survive the termination of this Agreement.

ARTICLE VI
FAILURE TO PERFORM: DEFAULT AND REMEDIES

6.1 The following shall constitute an event of default:

(a) Either party fails to satisfy in full the terms and conditions of this Agreement.

(b) Either party voluntarily suspends the transaction of business where there is an attachment, execution or other judicial seizure of any portion of their respective assets;

(c) Either party becomes insolvent or unable to pay its debts as they mature or makes an assignment for the benefit of creditors;

(d) Either party files, or there is filed against it, a petition to have it adjudged bankrupt or for an arrangement under any law relating to bankruptcy;

(e) Either party applies for or consents to the appointment of a receiver, trustee or conservator for any portion of its properties or such appointment is made without its consent; or

(f) Either party engages in unlawful activities.

6.2 If either party fails to perform its obligations under this Agreement, the non-defaulting party shall notify the defaulting party in writing (the "Default Notice") within three (3) days after the day that the non-defaulting party obtained knowledge of such failure to perform. Each such Default Notice shall describe in detail the act or event constituting the non-performance by the defaulting party. The defaulting party shall have five (5) days after its receipt of the Default Notice to cure any such failure to perform (the "Default Cure Period"). Notwithstanding anything herein to the contrary, the Default Cure Period for any default for the non-payment of money shall not exceed five (5) days and for any event of default set forth in Section 6.1 (b) - (f), no cure period shall apply.

6.3 In the event of a default that is not cured within the Default Cure Period, the non-defaulting party may, at its option, exercise any, some or all of the following remedies, concurrently or consecutively:

(a) terminate the Agreement upon written notice to the defaulting party; and/or,

(b) any remedy existing at law or in equity.

ARTICLE VII
FORCE MAJEURE

7.1 Except with regard to a party's obligation to make payment(s) due under the terms of this Agreement, neither party shall be liable to the other for failure to perform any of its obligations, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 7.2.

7.2 Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of crops, wells or lines of pipe; (iii) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (iv) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Company and Contractor shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

7.3 Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or, (ii) economic hardship.

7.4 Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

7.5 The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligations under this Agreement, from the onset of the Force Majeure event to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

Article VIII
NOTICES

8.1 Except as otherwise provided herein, any notice, request, demand, statement or report pertaining to this Agreement shall be in writing and shall be considered as effective on the receipt date, when mailed by certified or registered mail, or on the date sent by facsimile transmission or express mail service.

8.2 All Communications with respect to this Agreement shall be sent to the following addresses:

To Contractor:

Indiantown LP Gas, LLC
Indiantown LP Gas Company, Inc.
P.O. Box 8
Indiantown, Florida 34956
Contact Person: Brian Powers
Telephone: 772-597-2168
Facsimile: 772-597-2068

Company:

Florida Public Utilities Company
401 South Dixie Highway
West Palm Beach, Florida 33401
Contact Person: Barry Kennedy
Telephone: 561-838-1714
Facsimile: 561-838-8562

ARTICLE IX
MISCELLANEOUS

9.1 Headings. All article headings, section headings and subheadings in this Agreement are inserted only for the convenience of the parties in identification of the provisions hereof and shall not affect any construction or interpretation of this Agreement.

9.2 Entire Agreement. This Agreement, including the exhibits attached hereto, sets forth the full and complete understanding of the parties as of the date of its execution by both parties, and it supersedes any and all prior negotiations, agreements and understandings with respect to the subject matter hereof. No party shall be bound by any other obligations, conditions or representations with respect to the subject matter of this Agreement.

9.3 Amendments. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified except by an instrument in writing signed by the party against which enforcement of the termination, amendment, supplement, waiver or modification shall be sought. A change in (a) the place to which notices pursuant to this Agreement must be sent or (b) the individual designated as the Contact Person pursuant to Section 8.2 shall not be deemed nor require an amendment of this Agreement provided such change is communicated in accordance with Section 8.1 of this Agreement.

9.4 Severability. If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; provided however that if such severability materially changes the economic benefits of this

Agreement to either party, the parties shall negotiate an equitable adjustment in the provisions of this Agreement in good faith.

9.5 Waiver. No waiver of any of the provisions of this Agreement shall be deemed to be, nor shall it constitute, a waiver of any other provision whether similar or not. No single waiver shall constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

9.6 Legal Fees. In the event of litigation between the parties hereto arising out of or in connection with this Agreement, then the reasonable attorneys' fees and costs of the party prevailing in such litigation shall be paid by the other party.

9.7 Independent Parties. The Company and the Contractor shall perform hereunder as independent parties and neither Company or Contractor is in any way or for any purpose, by virtue of this Agreement or otherwise, a partner, joint venturer, agent, employer or employee of the other. Nothing in this Agreement shall be for the benefit of any third person for any purpose, including, without limitation, the establishing of any type of duty, standard of care or liability with respect to any third person.

9.8 Counterparts. This Agreement may be executed in counterparts, all of which taken together shall constitute one and the same instrument and each of which shall be deemed an original instrument as against any party who has signed it.

9.9 Governing Law and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida applicable to contracts executed in and to be performed in that state and without regard to conflicts of laws. The parties hereby irrevocably submit to the exclusive jurisdiction of the courts in the State of Florida (state or federal), with venue in Martin County, over any dispute arising out of this Agreement and agree that all claims in respect of such dispute or proceeding shall be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection that they may have to the venue of such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY, AFTER CAREFUL CONSIDERATION AND AN OPPORTUNITY TO SEEK LEGAL ADVICE, WAIVE THEIR RIGHT TO HAVE A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF OR IN ANY WAY CONNECTED WITH ANY OF THE PROVISIONS OF OR MATTERS RELATED TO THIS AGREEMENT.

9.10 Binding Effect; Assignment. This Agreement shall be binding upon, inure to the benefit of and be enforceable by and against the parties and their respective heirs, personal representatives, successors, and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be transferred or assigned by any of the parties without the prior written

consent of the other parties. Notwithstanding the foregoing, Company shall have the right to assign any of its rights, interests or obligations under this Agreement, in whole or in part.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have duly executed this Agreement effective as of the Effective Date.

Company:
Florida Public Utilities Company
a Florida corporation

By: _____
Name: Thomas A. Geoffroy
Title: Vice President

Contractor:
Indiantown LP Gas Company, LLC
a Florida limited liability company

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties have duly executed this Agreement effective as of the Effective Date.

Company:
Florida Public Utilities Company
a Florida corporation

By:_____
Name: Thomas A. Geoffroy
Title: Vice President

Contractor:
Indiantown LP Gas Company, LLC
a Florida limited liability company

By:_____
Name: Brian Powers
Title: President

EXHIBIT A

TO

OPERATIONS AND MAINTENANCE AGREEMENT

BETWEEN

FLORIDA PUBLIC UTILITIES COMPANY

AND

INDIANTOWN LP GAS COMPANY, LLC

Facilities:

1. The Purchased Assets (as defined in the Purchase Agreement).
2. All natural gas plant assets, including mains and services, meters and meter installations, measuring and regulation station equipment and fittings, regulators and equipment owned by the Company immediately prior to the Effective Date and located in Indiantown, Florida.

EXHIBIT B

TO

OPERATIONS AND MAINTENANCE AGREEMENT

BETWEEN

FLORIDA PUBLIC UTILITIES COMPANY

AND

INDIANTOWN LP GAS COMPANY, LLC

List of Customers:

All customers serviced by the Facilities.

EXHIBIT C

TO

OPERATIONS AND MAINTENANCE AGREEMENT

BETWEEN

FLORIDA PUBLIC UTILITIES COMPANY

AND

INDIANTOWN LP GAS COMPANY, LLC

O&M Tasks to be Performed by Contractor:

- Meter Turn on and off
- 24 Hours per day, 7 Days per week emergency response and repairs
- Meter reading, including atmospheric corrosion and vegetation surveys
- Meter painting / maintenance
- Meter removal / change
- Line locates
- Leak investigations
- Accept customer payments on behalf of Company and deposit into Company's account
- Perform customer service functions, including but not limited to: preparing and mailing customer bills, staffing the phones to provide information to customers, assisting Company with transitioning customer service functions to Company's billing system
- Report customer payments to the Company
- Reconciling customer payments with deposit tickets
- Application of non-sufficient funds
- Perform follow-up customer collection activities

All equipment and materials used in the performance of the above O&M tasks shall be provided by the Company.

In addition, Contractor must provide the following information to Company:

Contractor will be required to supply Drug Plan and Operator Qualification (OQ) plan as required by Title 49, Code of Federal Regulations, Part 192.

EXHIBIT D

TO

OPERATIONS AND MAINTENANCE AGREEMENT

BETWEEN

FLORIDA PUBLIC UTILITIES COMPANY

AND

INDIANTOWN LP GAS COMPANY, LLC

Procedures for O&M Tasks:

The O&M tasks identified on Exhibit C shall be performed in accordance with the applicable procedures contained in the following documents:

- **Company's Service Manual**
- **Company's Operations and Maintenance Manual**
- **Chapter 556 of the Florida Statutes**
- **Parts 191, 192 and 199 of Title 49, Code of Federal Regulations**
- **All other applicable regulations, laws and statutes**

The documents listed above are all made part of this Agreement by reference.

EXHIBIT E

TO

OPERATIONS AND MAINTENANCE AGREEMENT

BETWEEN

FLORIDA PUBLIC UTILITIES COMPANY

AND

INDIANTOWN LP GAS COMPANY, LLC

O&M Tasks to be Performed by Company:

- All other O&M tasks not specified on Exhibit C of this Agreement, including, without limitation, all regulatory compliance and reporting requirements.

Attachment 6 - Consulting Agreement

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (this "Agreement"), entered into this 6th day of August, 2010, to be effective as of the 31st day of July, 2010 (the "Effective Date"), by and between FLORIDA PUBLIC UTILITIES COMPANY, a Florida corporation ("FPU"), and BRIAN POWERS, an individual ("Consultant").

W I T N E S S E T H :

WHEREAS, Indiantown Gas Company, a Florida corporation (herein called "Indiantown Gas"), effective on the Effective Date, is selling certain of its assets utilized in a natural gas distribution business operating in Indiantown, Florida (the "Natural Gas Business") to FPU, including, without limitation, its customer list, sales and service records, equipment, property, parts inventory, and goodwill related to the Natural Gas Business; and

WHEREAS, FPU believes that the knowledge and information of Consultant, with respect to the Natural Gas Business and its operation are valuable and unique; and

WHEREAS, FPU wishes to assure that it will have the benefit of that knowledge and information; and

WHEREAS, Consultant is willing to provide such knowledge and information and consult with FPU regarding the Natural Gas Business.

NOW, THEREFORE, in consideration of these premises and the respective covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. Consultant Consultation Arrangement - FPU hereby engages Consultant, and Consultant hereby accepts the engagement, to provide consulting services to FPU during the term of this Agreement.

2 Term - The Term of this Agreement shall be three (3) years from the Effective Date, unless earlier terminated as set forth herein. This Agreement can be terminated by FPU effective immediately upon notice to Consultant following the occurrence of an event of default by Indiantown LP Gas Company, LLC, a Florida limited liability company ("**Indiantown LP**"), under the terms of that certain Operations and Maintenance Agreement of even date herewith between FPU and Indiantown LP and the failure to cure such event of default within the Default

Cure Period (as defined in the Operations and Maintenance Agreement).

3. Duties - During the term of this Agreement, Consultant shall make himself reasonably available for special projects as FPU requests, from time to time. In rendering services hereunder, Consultant shall be acting solely as an independent contractor and not as an employee of FPU.

4. Compensation - In consideration of Consultant executing this Agreement, agreeing to render services (regardless of the quantum of service actually performed during the term), FPU shall pay Consultant an aggregate fee of Three Hundred Thousand Dollars ($300,000), payable in thirty-six monthly installments of $8,333.33 each, with the first installment paid on August 6th, 2010, and each succeeding installment payment payable on the first of each month thereafter until payment shall have been made in full, subject, however, to FPU's ability to offset against such payment obligations as set forth in the following paragraph. Except as specifically provided in this Agreement, Consultant shall not be entitled to any additional fee, any fringe benefits, or any reimbursement of expenses on account of the services to be performed by him for FPU, other than reasonable travel expenses for travel outside Florida he incurs in connection with attendance at meetings requested by FPU.

5. Offset Right – FPU shall be permitted to offset against any amounts owed by FPU to Consultant under this Agreement any amounts or liabilities owed to FPU by Consultant, Indiantown LP or Indiantown Gas as may exist from time to time during the Term of this Agreement, whether arising in connection with that certain Asset Purchase Agreement effective as of the Effective Date among FPU, Consultant, Indiantown Gas, and the other parties thereto (the "Purchase Agreement"), including, without limitation, in connection with any working capital adjustment, indemnification obligation and/or Environmental Obligation (as defined in the Purchase Agreement), or otherwise.

6. Miscellaneous -

6.1 Waiver. No waiver of any kind by FPU of any past, present or future conduct of Consultant shall be valid unless it is made in writing, executed and delivered by FPU.

6.2 Binding Effect; Assignability. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors, and assigns; provided, however, that the obligations of Consultant hereunder are not assignable.

6.3 Amendments. Amendments to this Agreement may be made by an instrument or

instruments in writing executed by FPU and the Consultant. No amendment to this Agreement shall be effective unless and until made by such instrument or instruments in writing.

6.4 Governing Law and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida applicable to contracts executed in and to be performed in that state and without regard to conflicts of laws. The parties hereby irrevocably submit to the exclusive jurisdiction of the courts in the State of Florida (state or federal), with venue in Martin County, over any dispute arising out of this Agreement and agree that all claims in respect of such dispute or proceeding shall be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection that they may have to the venue of such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY, AFTER CAREFUL CONSIDERATION AND AN OPPORTUNITY TO SEEK LEGAL ADVICE, WAIVE THEIR RIGHT TO HAVE A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF OR IN ANY WAY CONNECTED WITH ANY OF THE PROVISIONS OF OR MATTERS RELATED TO THIS AGREEMENT.

6.5 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.6 Headings. The headings of the paragraphs and the subparagraphs of this Agreement are inserted for convenience only, are not a part of this Agreement, and in no way define, limit or describe the scope of intent of this Agreement or any part thereof.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement to be effective as of the Effective Date.

FPU:

FLORIDA PUBLIC UTILITIES COMPANY,
a Florida corporation

By: Thomas A. Geoffroy
Name: Thomas A. Geoffroy
Title: Vice President

CONSULTANT:

Brian Powers, individually

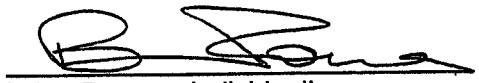
IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the day and year first above written.

FPU:

FLORIDA PUBLIC UTILITIES COMPANY,
a Florida corporation

By:_____
Name: Thomas A. Geoffroy
Title: Vice President

CONSULTANT:



Brian Powers, individually

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT ("**Agreement**"), made this 6th day of August, 2010 (the "**Signing Date**") to be effective as of July 31, 2010 (the "**Closing Date**"), among Indiantown Gas Company, a Florida corporation with offices at 16600 SW Warfield Blvd., Indiantown, Florida 34956 ("**Seller**"), Brian J. Powers, Kevin P. Powers, David R. Powers, Mary Beth Batchelor, Colette M. Powers as Trustee under the Timer E. Powers Revocable Trust under Trust Agreement dated September 13, 1991 (each of the foregoing individuals and the trust being hereinafter referred to individually as a "**Stockholder**" and collectively as the "**Stockholders**"), and Florida Public Utilities Company, a Florida corporation, whose mailing address is 909 Silver Lake Boulevard, Dover, Delaware 19904 ("**Purchaser**").

WHEREAS, Seller owns a natural gas distribution business operating in Indiantown, Florida (the "**Natural Gas Business**"), and

WHEREAS, the parties wish to establish by agreement an arrangement whereby substantially all the assets of the Natural Gas Business shall be transferred to Purchaser.

NOW, THEREFORE, in consideration of the promises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller, the Stockholders and Purchaser hereby agree as follows:

1. **Sale and Purchase of Assets**. On the basis of the representations and warranties hereinafter set forth, and subject to the terms and conditions set forth in this Agreement, Seller hereby sells, assigns, transfers and delivers to Purchaser and Purchaser hereby purchases, acquires and accepts assignment, transfer and delivery from Seller of the following described rights and assets of Seller used in the Natural Gas Business (collectively the "**Purchased Assets**"), wherever the same shall be located, all as the same shall exist at the Closing Date, except as otherwise specified herein, free and clear of any and all liabilities, pledges, liens, obligations, claims, charges, security interests, exceptions or encumbrances whatsoever:

(a) The trucks and other vehicles of Seller listed on Exhibit "A" attached hereto and made a part hereof (collectively, the "**Vehicles**") but specifically excluding the items listed on Exhibit "A-I" attached hereto and made a part hereof (the "**Excluded Vehicles**").

(b) The real property identified on Exhibit "B" attached hereto and made a part hereof (together with the structures and improvements located thereon, the "**Real Property**"); provided, however, the Real Property is transferred and conveyed to Purchaser subject to those matters set forth in the Commitment and Survey (both as defined herein) (the "**Permitted Encumbrances**").

(c) All natural gas plant assets, including mains and services, meters and meter installations, measuring and regulating station equipment, and fittings, regulators, and equipment installed at customer locations as of the Closing Date, including, without limitation, the plant assets shown or listed on the attached hereto as Exhibit "C" and made a part hereof, and any inventory of meters, regulators, parts, valves, pipes, and fittings, on hand as of the Closing Date (collectively, the "**Natural Gas Plant and Equipment**") but specifically excluding the items listed on Exhibit "C-I" attached hereto and made a part hereof (the "**Excluded Natural Gas Plant and Equipment**").

(d) All of Seller's natural gas storage inventory and materials and supplies inventory listed on Exhibit "D" attached hereto and made a part hereof (collectively, the "**Inventory**").

(e) All contracts of Seller identified on Exhibit "E-1" attached hereto and made a part hereof (collectively, the "**Material Contracts**"), all of Seller's natural gas customer and prospects lists, Seller's telephone phone numbers identified on Exhibit "E-2" attached hereto and made a part hereof, Natural Gas Business customer payment files, and all relevant operating records relating to the Purchased Assets or the Natural Gas Business; and all goodwill of Seller relating to the Natural Gas Business (collectively, "**Goodwill**").

(f) All of Seller's office equipment, furniture and furnishings, tools, shop and garage equipment, power operated equipment and other equipment, listed on Exhibit "F" attached hereto and made a part hereof (the "**Equipment**"), but specifically excluding the items listed on Exhibit "F-I" attached hereto and made a part hereof (the " **Excluded Equipment**").

(g) All of Seller's working capital assets listed on Exhibit "G-3" attached hereto.

2. **Items Not Transferred and Obligations Not Assumed**. It is specifically understood and agreed that Purchaser is not purchasing any assets of Seller except as expressly provided in this Agreement, or in any Exhibit, Schedule, or other document attached hereto and made a part hereof. It is further understood and agreed that Purchaser is not assuming any obligations or liabilities of Seller or related to the Purchased Assets other than (i) the working capital liabilities listed on Exhibit "G-4" and (ii) those other liabilities and obligations set forth on Exhibit "G-5" attached hereto (the "**Assumed Liabilities**").

3. **Closing, Purchase Price and Allocation of Purchase Price**. The consummation of the transactions contemplated by this Agreement ("**Closing**") shall take place effective as of 11:59 p.m. on the Closing Date. In full consideration of the aforesaid sale, transfer, assignment, and delivery of the Purchased Assets, and subject to the provisions of this Agreement, including, without limitation, the adjustments set forth in Paragraphs 5 and 6, Purchaser shall pay Seller in cash on the Closing Date the aggregate amount of $780,721.92 to be allocated as follows (as adjusted pursuant to Paragraphs 5 and 6, the "**Closing Date Payment**"):

(a) For the Vehicles described in Paragraph 1(a) herein, Purchaser shall pay $0.00.

(b) For the Real Property described in Paragraph 1(b) herein, Purchaser shall pay $200,000.00.

(c) For the Natural Gas Plant and Equipment described in Paragraph 1(c) herein, Purchaser shall pay $451,721.11.

(d) For the Inventory described in Paragraph 1 (d) herein, Purchaser shall pay $0.00.

(e) For the customer lists and assignment of Customer Contracts described in Paragraph 1(e) herein, Purchaser shall pay $0.00.

(f) For the Goodwill and other assets described in Paragraph 1(e) herein, Purchaser shall pay $0.00.

(g) For the Equipment described in Paragraph 1(f) herein, Purchaser shall pay $129,000.81.

4. **Accounts Receivable**. Seller hereby assigns to Purchaser all of Seller's accounts receivable relating to the Natural Gas Business as of the Closing Date (the "**Accounts Receivable**"). The Accounts Receivable are specifically identified on Exhibit "G-1" attached hereto. With respect to any payments that are remitted to Purchaser by customers with an Accounts Receivable balance (each, a "**Seller Customer**") within 180 days of the Closing Date (the "**Collection Period**"), Purchaser shall pay to Seller within 15 days of each month end an amount equal to the amount received by Purchaser from any such Seller Customer; provided, however, in no event shall Purchaser be required to pay Seller for any such payments received by Purchaser during the Collection Period in excess of a Seller Customer's Accounts Receivable balance. During the Collection Period, Purchaser will undertake all reasonable and customary efforts to collect the Accounts Receivable; provided, however, in no event shall Purchaser be required to initiate any litigation or other formal debt collection procedures. Any payments received by Purchaser during the Collection Period from a Seller Customer will be credited by Purchaser first to the oldest portion of such Seller Customer's Accounts Receivable balance if said payment is less than the full Accounts Receivable balance outstanding from said Seller Customer. At the end of each month Purchaser will provide Seller with a list of Seller Customers who have uncollected Accounts Receivable

balances. At the end of the Collection Period, any Accounts Receivable balances not collected by Purchaser will revert back to Seller and Purchaser shall have no further obligations to collect or forward funds received from any Seller Customer.

5. **Customer Deposits/Prepayments**. The Closing Date Payment shall be reduced by the amount of any Customer Payment Obligation Seller has on-hand as of the Closing Date. The term "**Customer Payment Obligation**" shall mean customer deposits and prepayments. Exhibit "G-2" attached hereto contains a good faith reasonable estimate of the Customer Payment **Obligation**, by customer, as of the close of business on the Closing Date (such time, the "**Effective Time**" and such estimate, the "**Estimated Customer Payment Obligation**"), the final determination of Customer Payment Obligation as of the Closing Date will occur in accordance with the procedures set forth in Section 6(b) below. Purchaser shall not be responsible for any liabilities arising out of any Customer Payment Obligation not disclosed on Exhibit "G-2".

6. **Other Working Capital Assets and Liabilities; Post-Closing True-ups**.

(a) The Closing Date Payment shall be increased by the amount of positive Working Capital and decreased by the amount of negative Working Capital. The term "**Working Capital**" shall mean Current Assets minus Current Liabilities. The terms "**Current Assets**" and "**Current Liabilities**" shall mean the current assets and current liabilities, respectively, of Seller, calculated in accordance with U.S. generally accepted accounting principles ("**GAAP**") applied consistently with, and as modified by, the principles set forth on Exhibits "G-3" and "G-4" attached hereto, and, except as otherwise indicated on Exhibits "G-3" or "G-4", excluding any assets and liabilities that are neither Purchased Assets nor Assumed Liabilities. Exhibits "G-3" and "G-4" attached hereto contain a good faith reasonable estimate of the Working Capital for Seller as of the Effective Time (such estimate, the "**Estimated Closing Working Capital**").

(b) As promptly as practicable (but in no event later than fifteen (15) days after the Signing Date), Seller shall deliver to Purchaser a statement (the "**Closing Statement**") setting forth the Customer Payment Obligation as of the Effective Time (the "**Closing Customer Payment Obligation**") and Working Capital as of the Effective Time ("**Closing Working Capital**" and together with the Closing Customer Payment Obligation, the "**Closing Amounts**"). Purchaser must, within thirty (30) days after its receipt of the Closing Statement, give written notice (the "**Notice**") to Seller specifying in reasonable detail its objections, if any, with respect to either of the Closing Amounts. If Purchaser does not timely deliver the Notice, Seller's determination of the Closing Amounts shall be final, binding and conclusive on the parties. With respect to any disputed amounts, representatives of Seller and Purchaser shall meet in person and negotiate in good faith during the ten (10) business day period (the "**Resolution Period**") after the date of Seller's receipt of the Notice to resolve any such disputes. If the parties are unable to resolve all such disputes within the Resolution Period, then within five (5) business days after the expiration of the Resolution Period, the items subject to such disagreement shall be determined by a regionally or nationally recognized accounting firm (the "**Accountant**") that is not at the time it is to be engaged hereunder rendering services to any party, or any affiliate of either, and has not done so within the two year period prior thereto (a "**Neutral Accounting Firm**"). The Accountant shall be mutually agreed to by the Seller and Purchaser; provided that (i) if, within fifteen (15) days after Purchaser has delivered the Notice to Seller, Purchaser and Seller are unable to agree on a Neutral Accounting Firm to act as the Accountant, Purchaser and Seller each shall select a Neutral Accounting Firm and such firms together shall select the Neutral Accounting Firm to act as the Accountant, and (ii) if Purchaser or Seller does not select a Neutral Accounting Firm within ten (10) days of written demand therefor by the other party, the Neutral Accounting Firm selected by the other party shall act as the Accountant. Purchaser and Seller each shall be permitted to present a supporting brief to the Accountant (which supporting brief shall also be concurrently provided to the other party) within ten (10) days of its appointment. Within five (5) business days of receipt of a supporting brief, the receiving party may present a responsive brief to the Accountant (which responsive brief shall also be concurrently provided to the other party). Purchaser and Seller each may make an oral presentation to the Accountant (in which case, such presenting party shall notify the other party of such presentation, though the other party shall have no right to be present at such presentation) within twenty (20) days of its appointment. The Accountant shall only consider the

briefs and oral presentations of Purchaser and Seller, and shall not conduct any independent review, in determining those items and amounts disputed by the parties. The Accountant shall select either the position of Purchaser or Seller as a resolution for each item or amount disputed and may not impose an alternative resolution with respect to any item or amount disputed and must resolve the matter in accordance with the terms of this Agreement. The Accountant shall as promptly as practicable deliver to Seller and Purchaser a statement in writing setting forth its determination as to the proper treatment of the disputed items, and such determination shall be final and binding upon the parties without any further right of appeal. All charges of the Accountant incurred in making such determination shall be apportioned equally between Seller and Purchaser.

(c) If the Closing Customer Payment Obligation is determined to be less than the Estimated Customer Payment Obligation and/or the Closing Working Capital is determined to be more than the Estimated Closing Working Capital, Purchaser shall pay to Seller in cash by wire transfer to an account designated by Seller within two (2) business days of any such determination the amount by which the Closing Customer Payment Obligation is less than the Estimated Customer Payment Obligation and the amount by which the Closing Working Capital exceeds the Estimated Closing Working Capital. If the Closing Customer Payment Obligation is determined to be greater than the Estimated Customer Payment Obligation and/or the Closing Working Capital is determined to be less than the Estimated Closing Working Capital, Seller shall pay to Purchaser in cash by wire transfer to an account designated by Purchaser within two (2) business days of any such determination the amount by which the Closing Customer Payment Obligation is greater than the Estimated Customer Payment Obligation and/or the Closing Working Capital is less than the Estimated Closing Working Capital.

7. **Representations and Warranties of Seller and the Stockholders.** With the knowledge and expectation that Purchaser is placing complete reliance on the representations and warranties contained in this Paragraph 7, Seller and each of the Stockholders, jointly and severally, represent and warrant to the Purchaser, except as set forth in any disclosure schedule attached hereto, as follows:

(a) Ownership of Stock. The Stockholders own all of the stock and/or equity interests of Seller, free and clear of all liens, community property interests, conditions, equitable interests, options, rights of first refusal, pledges, charges, claims, voting trusts, and restrictions of any nature whatsoever, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership, except restrictions on transfer imposed by or pursuant to federal or state securities laws. There are no agreements or commitments with respect to the disposition of any of the stock and/or equity interests of Seller, or any proxy, voting trust or other agreement relating to the voting of the stock and/or equity interests of Seller.

(b) Title to Purchased Assets. All of the Purchased Assets transferred under the terms of this Agreement are owned by Seller. Seller has good and marketable title to the Purchased Assets, free and clear of all liabilities, pledges, liens, obligations, claims, charges, tenancies, security interests, exceptions or encumbrances whatsoever other than the Permitted Encumbrances.

(c) Organization. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida. Seller is not in default in the performance, observation or fulfillment of any provision of its organizational documents (including, without limitation, its articles of incorporation and bylaws).

(d) Authority Relating to this Agreement. Each of the Stockholders and Seller has all requisite individual capacity, trustee and/or corporate authority, as the case may be, to enter into and perform this Agreement and the agreements to be entered into or that are delivered in connection with this Agreement to which it is a party (the "**Seller Related Agreements**") and to carry out its obligations under this Agreement and the Seller Related Agreements. This Agreement and the Seller Related Agreements and the transactions contemplated by this Agreement and the Seller Related Agreements have been duly and validly authorized by all necessary corporate action on the part of Seller and by all necessary action on the part of each Stockholder. Upon delivery, this Agreement and the Seller Related Agreements have been duly executed and delivered by Seller and each Stockholder and constitute the

legal, valid and binding obligation of Seller and each Stockholder, enforceable against Seller and each Stockholder in accordance with its and their terms.

(e) Consents and Approvals. Neither the execution and delivery of this Agreement by Seller or the Stockholders, nor compliance by Seller or the Stockholders with the terms and provisions of this Agreement or any Seller Related Agreement, including, without limitation, the consummation of the transactions contemplated by this Agreement, requires or will require any action or consent or approval of, or review by, or registration with, any third party, court or governmental body or other agency, instrumentality or authority, violates any applicable laws or permits, conflicts with or results in the breach of any term, condition or provision of any organizational document of Seller, or of any material agreement, deed, contract, undertaking, mortgage, indenture, writ, order, decree, restriction, legal obligation or instrument to which Seller or any Stockholder is a party or by which Seller or any Stockholder, or any of their respective assets or properties are or may be bound or affected, or constitutes a default (or an event that, with the giving of notice, the passage of time, or both, would constitute a default) thereunder, or results in the creation or imposition of any lien, security interest, charge or encumbrance, or restriction of any nature whatsoever with respect to any properties or assets of Seller or any Stockholder (including the Purchased Assets), or gives to others any interest or rights, including rights of termination, acceleration or cancellation in or with respect to any of the properties, assets, contracts or business of Seller (including the Purchased Assets), or violates any judgment, order, injunction, decree or award of any court, arbitrator, administrative agency or governmental or regulatory body against, or binding upon, Seller or any of its securities, properties, assets or businesses (including the Purchased Assets).

(f) Operations. Except with respect to those matters addressed in Paragraph 12 below, Seller is in compliance with all Federal, state and local laws, rulings, directives and similar regulations, including but not limited to Environmental Laws (as defined herein), rulings, directives, and regulations, of all governmental authorities having jurisdiction over Seller or applicable to the conduct of the Natural Gas Business up to and including on the Closing Date ("**Governmental Authorities**").

(g) Litigation and Regulatory Orders. Except for that civil action filed by Propane Resources Supply and Marketing, L.L.C. against Seller (the "**Existing Lawsuit**") and the Environmental Obligations (as defined in Paragraph 12) contemplated by Paragraph 12, there are no actions, suit proceedings or governmental investigation or inquiries pending, or, to the best of Seller's and each Stockholder's knowledge, threatened against or affecting Seller or any of the assets being acquired hereunder nor does Seller or any Stockholder know or have any reason to know of any basis for any such action, or of any governmental investigation or inquiry relative to Seller. Seller is not in default with respect to any order, writ, injunction or decree of any court, agency or instrumentality.

(h) Tax Returns. Seller has filed all tax returns of every kind and type which are required to be filed by it on or before the due dates of such returns (as extended by any valid extensions of time), has paid all taxes, assessments and other governmental charges, including payroll withholding and F.I.C.A. taxes, gross receipts taxes, and fuel taxes which have become due pursuant to such returns or pursuant to any assessments received by Seller. Seller has paid all taxes and has made all deposits due in respect to such taxes up to and including on the Closing Date.

(i) Solvency. Seller is not insolvent nor will the transfer contemplated by this Agreement render Seller insolvent. Seller is able to meet its obligations as they become due.

(j) Real Property.

(i) Neither Seller nor any Stockholder has received written notice of any condemnation proceedings relating to the Real Property.

(ii) Neither Seller nor any Stockholder has received written notice of any uncured violation or failure to comply with any federal, state or local law (including but not limited to, zoning and building codes) relating to the use or operation of the Real Property.

(iii) Other than as revealed by the commitment for a title policy attached hereto as Exhibit "H" (the "**Commitment**"), there are no parties other than Seller in possession of, or claiming any right to possess or utilize in any manner, any portion of the Real Property or improvements thereon as lessees, tenants, or trespassers.

(iv) The Real Property is being conveyed free and clear of all liens, special assessments, easements, reservations, restrictions and encumbrances whatsoever, excepting however only the matters which are reflected in the Commitment or the Real Property survey attached hereto as Exhibit "I" (the "**Survey**").

(v) Except as otherwise noted in the Phase I (as defined in Paragraph 12), neither Seller, nor to the best of any Seller's knowledge, any prior owner of the Real Property has:

(1) caused or permitted the generation, manufacture, refinement, transportation, treatment, storage, handling, installation, removal, disposal, transfer, production or processing of Hazardous Substances (as defined herein) or other dangerous or toxic substances, or solid wastes, except in strict compliance with all applicable Environmental Laws (as defined herein);

(2) caused or permitted or received any written notice or have any knowledge of the Release (as defined herein), threatened Release or the presence of any Hazardous Substances on or about the Real Property or property surrounding the Real Property which might affect the Real Property;

(3) caused or permitted or received any written notice or have any knowledge of any substances or conditions on or about the Real Property or on property surrounding the Real Property which may support a claim or cause of action, whether by any Governmental Authority or any other person, under any Environmental Laws.

As used herein, the term "**Environmental Law(s)**" shall mean: any and all federal, state or local laws (whether under common law, statute, rule, regulation or otherwise), requirements under permits or other authorizations issued with respect thereto, and other orders, decrees, judgments, directives or other requirements of any Governmental Authority relating to or imposing liability or standards of conduct (including disclosure or notification) concerning the protection of human health or the environment, Hazardous Substances or any activity involving Hazardous Substances, including, but not limited to: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Sections 9601 et seq. (the "**Superfund Act**"); the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Sections 6921 et seq.; the Toxic Substances Control Act, 15 U.S.C. Sections 2601 et seq.; the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. Section 136; the Federal Water Pollution Control Act, 33 U.S.C. Sections 1251 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Sections 1801 et seq.; the Federal Solid Waste Disposal Act, 42 U.S.C. Sections 6901 et seq.; the Clean Air Act, 42 U.S.C. Sections 7401 et seq.; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. Sections 11001 et seq.; Chapters 376 and 403, Florida Statutes; or any other applicable law.

For the purposes of this Agreement, the terms "**Hazardous Substances**" and "**Release**" shall have the meanings ascribed to them in the Superfund Act as of the Closing Date; provided, however, that the definition of the term "**Hazardous Substances**" shall also include (if not included within the definition contained in the Superfund Act), petroleum and related by products, hydrocarbons, radon, asbestos, urea formaldehyde and polychlorinated biphenyl compounds.

(vi) Seller is the sole owner of good marketable and insurable fee simple title to the Real Property, and Seller has not executed or entered into any other agreement to purchase, sell, option, lease or otherwise dispose or alienate all or any portion of the Real Property other than this Agreement.

(vii) All labor and services performed and material furnished to the Real Property have been paid for in full and to the best of Seller's knowledge there exists no basis for which a

mechanic's, materialman's or similar lien can properly be claimed against the Real Property or any part thereof.

(viii) No commissions or fees are payable in connection with any agreements to which Seller is a party relating to the Real Property.

(ix) Except for assessments occurring on a regular basis in accordance with applicable law, there is no pending or, to the knowledge of Seller, contemplated reassessment of any parcel included in the Real Property that is reasonably expected to increase the real estate tax assessment for such properties.

(x) There is no pending, or to the knowledge of Seller or any Stockholder, contemplated proceeding to rezone any parcel of the Real Property. The uses for which the Real Property is zoned do not restrict, or in any manner impair, the current use of the Real Property. Neither Seller nor any Stockholder has received notice of any violation of any applicable zoning law, regulation or other legal requirement, related to or affecting the Real Property.

(xi) All improvements on the Real Property, including but not limited to driveways, out-buildings, landscaped areas and sewer systems, and all means of access to the Real Property, are located completely within the boundary lines of the Real Property and do not encroach upon or under the property of any other person. No improvements constructed on the property of any other person encroach upon or under the Real Property.

(xii) The use of the Real Property in the Natural Gas Business does not violate or conflict with (A) any covenants, conditions or restrictions applicable thereto or (B) the terms and provisions of any contractual obligations relating thereto.

(xiii) Seller has good and valid rights of ingress and egress to and from the Real Property from and to any rail lines, rail spurs, pipelines and the public street systems for all usual street, road, shipping, transport, storage, docking and utility purposes and other purposes necessary or incidental to the operation of the Natural Gas Business.

(k) Survival. Seller and Purchaser expressly intend for the rights and obligations detailed herein to survive the Closing and the execution of the deed conveying title to the Real Property to Purchaser.

(l) Customer Payment Obligations. The Customer Payment Obligations constitute all of the customer deposits and prepayments Seller has received as of the Closing Date.

(m) Accuracy of Information. None of the warranties and representations made herein or in the exhibits, schedules, or other documents attached hereto and made a part hereof, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading.

8. **Indemnification**.

(a) Seller and Stockholders to Purchaser. For value received and to induce Purchaser to purchase the Purchased Assets, Seller and the Stockholders (the "**Seller Indemnitors**"), jointly and severally, agree to protect, defend (at the Seller Indemnitors' expense and by counsel satisfactory to Purchaser), indemnify, and save and hold harmless Purchaser, its parent company, affiliates, officers, directors, shareholders, employees, agents, successors in interest, representatives, agents, assigns, and contractors from and against all direct or indirect costs, expenses, damages, losses, obligations, lawsuits, claims, or liabilities of any kind or nature (whether or not such claim is ultimately defeated), including in each instance, but not limited to, all costs and expenses of investigating and defending any claim at any time arising and any final judgments, compromises, settlements, and court costs and attorneys fees,

whether foreseen or unforeseen (including all such expenses, court costs, and attorneys fees in the enforcement of its rights hereunder) incurred by Purchaser in connection with or arising out of or resulting from or relating to or incident to:

(i) any breach of any of the representations, warranties, or covenants of any of the Seller Indemnitors contained in this Agreement, in any Exhibit, Schedule, or other document attached hereto, or in any of the Seller Related Agreements;

(ii) any claim by a creditor of any Seller Indemnitor as a result of any transaction pursuant to or contemplated by this Agreement;

(iii) any claim relating to any obligation or liability, whether absolute, accrued, contingent or otherwise, of any Seller Indemnitor, or their affiliates, or any of them of any kind or nature, including, without limiting the generality of the foregoing, the Existing Lawsuit, any tort, environmental, or contractual claim relating to a condition existing on or before the Closing Date or related to an event occurring on or before the Closing Date, except to the extent of Assumed Liabilities;

(iv) any environmental condition in violation of applicable Environmental Law(s) existing on or before the Closing Date or related to an event occurring on or before the Closing Date, including, without limitation, the obligation to undertake assessment and/or remediation activities related to the environmental condition identified in Paragraph 12 hereof;

(v) all liabilities of any Seller Indemnitor of any kind or nature, whether absolute, accrued, contingent or otherwise, except the Assumed Liabilities; and

(vi) Seller's failure to obtain the consent of a party whose consent is required (whether by federal, state or local law, by contract or otherwise) for the assignment of any Purchased Asset.

(b) Purchaser to the Seller and Stockholders. Purchaser shall indemnify the Seller and Stockholders, from and against any loss, damage, claim of damage, liability, or expense (including reasonable attorney fees) of any kind, and from any cause whatsoever arising out of or by reason of (i) the Assumed Liabilities, or (ii) Purchaser's ownership, use, occupation, or enjoyment of the Purchased Assets from and after the Closing Date; provided, however, that Purchaser's indemnification obligations hereunder shall not apply to any environmental claim(s) asserted against the Seller and/or Stockholders which relate in whole or in part to the use of the Natural Gas Business or the Purchased Assets prior to the Closing.

(c) Notice of Third Party Claims. In the event that any claim or demand for which any party hereto (each, an "**Indemnitor**") is required to indemnify any other party hereto (each, an "**Indemnitee**") pursuant to Paragraphs 8(a) or 8(b) above is asserted against or sought to be collected from an Indemnitee by a third party, such Indemnitee shall promptly notify the Indemnitor of such claim or demand, specifying the nature of such claim or demand and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim and demand) (the "**Claim Notice**"). The Indemnitor shall have twenty (20) days, or such shorter period as the circumstances may require if litigation is involved, from the date the Claim Notice is given to the Indemnitor (the "**Notice Period**") to notify the Indemnitee (A) whether or not it disputes its liability to such Indemnitee hereunder with respect to such claim or demand and (B) whether or not it desires, at its sole cost and expense, to defend the Indemnitee against such claim or demand. In the event that the Indemnitor notifies the Indemnitee within the Notice Period that it desires to defend the Indemnitee against such claim or demand and except as hereinafter provided, the Indemnitor shall have the right to defend the Indemnitee by appropriate proceedings, which proceedings shall be promptly settled or prosecuted by them to a final conclusion in such manner as to avoid any risk of the Indemnitee becoming subject to any liability for such claim or demand or for any other matter. If the Indemnitee desires to participate in, but not control, any defense or settlement, it may do so at its sole cost and expense. If the Indemnitor elects not to defend the Indemnitee against such claim or demand, whether by not giving the

Indemnitee timely notice as provided above or otherwise, then the amount of any such claim or demand (or, if the same be contested by the Indemnitor or by the Indemnitee, but the Indemnitee shall have no obligation to contest any such claim or demand) then that portion thereof as to which such defense is unsuccessful, shall be conclusively deemed to be a liability of the Indemnitor and subject to indemnification pursuant to Paragraph 8.

(d) Non-Third-Party Claims. In the event that the Indemnitee asserts the existence of an indemnifiable claim (excluding claims resulting from the assertion of liability by third parties), it shall give written notice to the Indemnitor specifying the nature and amount of the claim asserted. If the Indemnitor, within thirty (30) days or such greater time as may be necessary for the Indemnitor to investigate such indemnifiable claim not to exceed ninety (90) days, after receiving the notice from the Indemnitee, shall not give written notice to the Indemnitee announcing its intent to contest such assertion of the Indemnitee, such assertion shall be deemed accepted and the amount of claim shall be deemed a valid indemnifiable claim.

(e) Cooperation. Each party to this Agreement shall cooperate with the other parties in defending claims for which the others may be liable according to this Agreement by furnishing such documents or information as may be useful in the defense of such claims.

(f) Survival. Seller and Purchaser expressly intend for the rights and obligations detailed herein to survive the Closing and the execution of the deed conveying title to the Real Property to Purchaser.

9. **Possession and Further Assurances**. After the Closing, Seller and each Stockholder, at Purchaser's request, shall prepare, execute and deliver such further instruments of conveyance, sale, assignment or transfer, and shall take or cause to be taken such other or further action as Purchaser shall reasonably request at any time or from time to time in order to be perfect, confirm or evidence in Purchaser title to all or any part of the Purchased Assets, or to put Purchaser more fully in possession of, any of the Purchased Assets, or to better enable Purchaser to complete, perform or discharge any of the Assumed Liabilities. Each party will cooperate with the other parties and execute and deliver to the other parties such other instruments and documents and take such other actions as may be reasonably requested from time to time by the other parties as necessary to carry, out, evidence and confirm the intended purposes of this Agreement.

10. **Broker's Commission**. The parties hereto represent and warrant to each other that there are no claims for brokerage commissions or finder's fees in connection with the transactions contemplated by this Agreement, insofar as such claim shall be alleged to be based on arrangements or agreements made by it or on its behalf.

11. **Real Property Matters**.

(a) Florida Building Energy-Efficiency Rating Act. Pursuant to the Florida Building Energy-Efficiency Rating Act, Chapter 553, Florida Statutes, Purchaser may have the energy-efficiency rating of any buildings on the Real Property determined. The cost for obtaining this rating is the responsibility of Purchaser. By execution of this Agreement, Purchaser acknowledges receipt of the Department of Community Affairs' information brochure regarding Florida's Energy-Efficiency Rating System.

(b) Radon Gas. Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from the County public health unit.

(c) Mold. Mold is part of the natural environment that, when accumulated in sufficient quantities, may present health risks to susceptible persons. For more information, contact the county indoor air quality specialist or other appropriate professional.

(d) Credits and Prorations.

(i) All income and expenses of the Real Property shall be apportioned as of 11:59 p.m. on the Closing Date as if Purchaser were vested with title to the Real Property during the entire day upon which Closing occurs. Subject to the provisions of this Paragraph 11(d), such prorated items shall include without limitation the following: (i) taxes and assessments (including personal property taxes on any of the Purchased Assets) levied against the Real Property; (ii) utility charges for which Seller is liable, if any, such charges to be apportioned at Closing on the basis of the most recent meter reading occurring prior to Closing (dated not more than fifteen (15) days prior to Closing) or, if unmetered, on the basis of a current bill for each such utility; and (iii) any other operating expenses or other items pertaining to the Real Property which are customarily prorated between a purchaser and a seller in the county in which the Real Property is located.

(ii) Notwithstanding anything contained in Paragraph 11(d)(i) hereof:

(1) At Closing, Purchaser shall credit to the account of Seller all refundable cash or other deposits posted with utility companies serving the Real Property, or, at Seller's option, Seller shall be entitled to receive and retain such refundable cash and deposits; and

(2) Any taxes paid at or prior to Closing shall be prorated based upon the amounts actually paid. If taxes and assessments due and payable during the year of Closing have not been paid before Closing, Seller shall be charged at Closing an amount equal to that portion of such taxes and assessments which relates to the period before Closing and Purchaser shall pay the taxes and assessments prior to their becoming delinquent. Any such apportionment made with respect to a tax year for which the tax rate or assessed valuation, or both, have not yet been fixed shall be based upon the tax rate and/or assessed valuation last fixed. To the extent that the actual taxes and assessments for the current year differ from the amount apportioned at Closing, the parties shall make all necessary adjustments by appropriate payments between themselves within thirty (30) days after such amounts are determined following Closing, subject to the provisions of Paragraph 11(d)(iv) hereof and such Closing proration shall be final.

(iii) Seller may prosecute appeals (if any) of the real property tax assessment for the period prior to the Closing, and may reasonably take related action which Seller deems reasonably appropriate in connection therewith. Purchaser shall reasonably cooperate with Seller in connection with such appeal and collection of a refund of real property taxes paid. Seller owns and holds all right, title and interest in and to such appeal and refund, and all amounts payable in connection therewith shall be paid directly to Seller by the applicable authorities. If such refund or any part thereof related to the period prior to Closing and is received by Purchaser, Purchaser shall promptly pay such amount to Seller. Any refund received by Seller shall be distributed as follows: first, to reimburse Seller for all costs incurred in connection with the appeal; second, to Seller to the extent such appeal covers the period prior to the Closing, and to Purchaser to the extent such appeal covers the period as of the Closing and thereafter. If and to the extent any such appeal covers the period after the Closing, Purchaser shall have the right to participate in such appeal.

(iv) Except as otherwise provided herein, any revenue or expense amount which cannot be ascertained with certainty as of Closing shall be prorated on the basis of the parties' reasonable estimates of such amount, and shall be the subject of a final proration ninety (90) days after Closing, or as soon thereafter as the precise amounts can be ascertained. Purchaser shall promptly notify Seller when it becomes aware that any such estimated amount has been ascertained. Once all revenue and expense amounts have been ascertained, Purchaser shall prepare, and certify as correct, a final proration statement which shall be in a form consistent with the closing statement delivered at Closing and which shall be subject to Seller's approval. Upon Seller's acceptance and approval of any

final proration statement submitted by Purchaser, such statement shall be conclusively deemed to be accurate and final, and any payment due to any party as a result of such final proration shall be made within thirty (30) days of such approval by Seller.

(v) In the event that the Real Property is exempt from ad valorem taxation for the year of Closing due to the status of the Seller, ad valorem taxes will not be prorated, notwithstanding the change of ownership.

(e) Transaction Taxes and Closing Costs.

(i) Seller, Stockholders and Purchaser shall execute such returns, questionnaires and other documents as shall be required with regard to all applicable real property transaction taxes imposed by applicable federal, state or local law or ordinance;

(ii) Seller shall also pay the following costs and expenses associated with the Real Property:

(1) any escrow fee, if any, which may be charged by the Title Company;

(2) any and all transfer tax, sales tax, documentary stamp tax or similar tax which becomes payable by reason of the transfer of the Real Property from Seller to Purchaser;

(3) the cost to record any title curative instruments (if any); and

(4) the costs and expenses to pay-off any existing financing upon the Real Property.

(iii) Purchaser shall also pay the following costs and expenses associated with the Real Property:

(1) the fee for recording the deed and any other documents to be recorded at Closing (except title curative instruments, which shall be Seller's obligation);

(2) the fee for the title examination, the Commitment and the premium for the Owner's ALTA Policy of Title Insurance, including all endorsements thereto, to be issued to Purchaser by the Title Company at Closing;

(3) the cost of the Survey or any update of any survey in Seller's possession, as Purchaser may elect.

12. **Real Property Environmental Remediation**.

(a) In connection with completing Purchaser's due diligence, Purchaser engaged Ruth Associates, Inc. to conduct an environmental investigation of, and to prepare a Phase I Environmental Site Assessment for, the Real Property ("**Phase I**"). The Phase I, dated as of July 28, 2010, identified three recognized environmental conditions ("**RECs**") arising from or otherwise relating to the use of the Real Property by Seller and/or those persons or entities claiming an interest or right to the Real Property by or through Seller.

(b) The conclusions of the Phase I and the results of related groundwater sampling constitute a "**Discovery**" (as that term is defined in 62-770.200(16), Florida Administrative Code ("**F.A.C.**")) of petroleum contamination. Pursuant to Chapter 62-770, certain notification, reporting and/or remediation requirements arise following the Discovery of petroleum contamination. Consequently, Seller and each of the Stockholders (each, a "**Remediating Party**"; collectively the "**Remediating Parties**"), jointly and severally, agree to perform and to complete, at the Remediating Parties' sole cost and

expense, all notification, reporting (specifically including the reporting requirements detailed in 62-770.250(2), F.A.C.) and remediation activities related to the contamination of the Real Property, as the same may be required by the Florida Department of Environmental Protection (the "**Department**") pursuant to Chapter 62-770, F.A.C. and/or any other regulatory body charged with implementing applicable Environmental Laws ("**Environmental Obligations**"). The Remediating Parties' Environmental Obligations shall be deemed complete upon the issuance by the Department of a Site Rehabilitation Completion Order, constituting final agency action, in which the Department concludes that no further action is required pursuant to 62-770.680(1), F.A.C. ("**No Further Action Determination**").

(c) The Remediating Parties will cause all work performed pursuant to Paragraph 12(b) above to be conducted by one or more remediation firm(s) and/or contractors acceptable to Seller and Purchaser ("**Acceptable Remediation Firm(s)**"). Any and all reports generated by such Acceptable Remediation Firms shall be signed and sealed by a Professional Geologist or a Professional Engineer, and shall be certified to Purchaser, Seller and the Department. All work performed on behalf of the Remediating Parties pursuant to this Paragraph 12 shall be performed in a manner that does not adversely interfere with Purchaser's ownership and/or use of the Real Property. Prior to any work being performed on the Real Property, Seller shall give Purchaser at least ten (10) days notice of the schedule for such work and a written description of the work to be performed.

(d) The Remediating Parties shall cause all Environmental Obligations to be conducted in accordance with Chapter 62-770, F.A.C., and any directive of the Department; provided, however, that all Environmental Obligations shall be completed, the No Further Action Determination shall issued by the Department, and written evidence thereof shall be received by Purchaser on or before the first anniversary of the closing Date (the "**Outside Remediation Date**").

(e) Seller shall notify Purchaser in writing upon full completion of all Environmental Obligations and, upon receipt of the Department's No Further Action Determination, shall immediately forward a copy of the same to Purchaser. The Environmental Obligations shall be deemed adequate and complete upon receipt of the Department's No Further Action Determination.

(f) In the event the Remediating Parties fail or refuse to conduct the Environmental Obligations or fail to obtain a No Further Action Determination within a reasonable time, and in no event later than the Outside Remediation Date, Purchaser shall have the right to (i) proceed to obtain specific performance of the Remediating Parties' obligations pursuant hereto; or (ii) engage a remediation firm acceptable to Purchaser to perform such Environmental Obligations as may be necessary to achieve No Further Action Determination by the Department, all at the sole cost and expense of the Remediating Parties.

(g) Seller and Purchaser expressly intend for all of the representations, warranties, covenants and other obligations made herein to survive the Closing and execution of the deed conveying title to the Real Property to Purchaser.

13. **Grant by Purchaser of Real Property Option and Right of First Refusal**.

(a) Option.

(i) Purchaser hereby grants to Seller the exclusive and irrevocable right and option to purchase all the right, title and interest of Purchaser in the Real Property, together with all improvements and fixtures thereon and rights appurtenant thereto (the "**Option**"), subject to the terms of this Paragraph 13(a).

(ii) The Option may be exercised, if at all, at any time from February 1, 2015 through 12:00 a.m. on July 31, 2015 (the "**Option Period**") by Seller giving written notice thereof (the "**Purchase Notice**") to Purchaser. If Seller fails to timely give the Purchase Notice prior to the expiration of the Option Period, then the Option shall thereupon lapse and be of no further force or effect.

(iii) If Seller timely exercises the Option, (A) Purchaser and Seller agree to enter into a purchase and sale agreement in the form attached hereto as Exhibit "J" and close on the purchase and sale within fifteen (15) days of Purchaser's receipt of the Purchase Notice and (B) simultaneously with the closing of the Real Property sale, Seller shall grant and deliver to Purchaser at no additional cost an easement over the Real Property related to Purchaser's use and access to its rectifier located on the Real Property, on such terms and conditions as the parties may mutually agree.

(b) Right of First Refusal. If, at anytime beginning on the Closing Date and continuing through July 31, 2015 (the "**Right of First Refusal Period**"), Purchaser shall receive a bona fide offer for the purchase of, or shall otherwise desire to transfer or convey title to, any portion of the Real Property, and Purchaser desires to accept such offer and to sell such Real Property pursuant thereto, or otherwise desires to transfer title to such Real Property, Purchaser shall, before accepting such offer and consummating such sale or making such transfer, immediately provide to Seller a copy of the signed offer from the bona fide third party setting forth the bona fide offer and written notice of such desire and specifying (i) the identity of the Real Property involved, (ii) the identity and address of and such other information concerning the proposed purchaser or other transferee as Seller may reasonably request, and (iii) the terms of the sale or other proposed transfer (the "**ROFR Notice**"). Such ROFR Notice shall constitute a warranty and representation by Purchaser to Seller that all information contained therein regarding the proposed sale is true and complete to the best of Purchaser's knowledge. Seller shall have and is hereby granted the right to purchase the Real Property upon the same terms and conditions as those set forth in the ROFR Notice. In the event that Seller elects to exercise its right of first refusal and purchase such Real Property, Seller shall, within fifteen (15) business days of its receipt of the ROFR Notice, provide Purchaser with written notice of Seller's intention to purchase such Real Property on the terms and subject to the conditions outlined in the ROFR Notice, and Seller also shall be required to deliver any deposit that may be required under the ROFR Notice, which deposit shall be delivered within said fifteen (15) business days. Seller's purchase of such Real Property shall be consummated within forty five (45) days of Seller's election to purchase the same or within the time specified in the offer from the third party purchaser, whichever shall be later. In the event that Seller shall fail to give written notice of the exercise of its right of first refusal in the manner and within the time hereinabove provided, Purchaser may proceed to sell such Real Property to the purchaser identified in the ROFR Notice at the price and on the terms no more favorable to the proposed purchaser than those specified in the ROFR Notice. In the event that such sale is not consummated by the later of (i) the closing date set forth in the signed offer or (ii) within six (6) months from the date of such notification, no sale or transfer of the Real Property which is the subject of such notice shall be permitted without renewed compliance with the provisions of this paragraph.

(c) Certain Representations, Warranties and Covenants of Seller. From the Closing Date to the expiration of Seller's rights under Paragraph 13(a) (Option) or Paragraph 13(b) (Right of First Refusal) (whichever expires last, the "**Real Property Option Period**"), Purchaser represents, warrants, and covenants that it shall:

(i) observe and perform all of the terms, covenants, and conditions, including, without limitation, the payment of monies due, under any mortgage or other agreement affecting the Real Property, if any;

(ii) pay, when due and payable, all real estate taxes assessed against the Real Property;

(iii) neither enter into any leases, easements or agreements providing for possession, use or occupancy of, or access through, the Real Property or any portion thereof, nor assign, modify, amend, renew, extend or terminate any existing leases, easements or similar agreements, without in each case the prior written consent of Seller;

(iv) not execute any option with respect to the Real Property in favor of any party other than Seller; and

(v) send Seller copies of any notices Purchaser may receive relating to violations of law, insurance, litigation, condemnation or title matters with respect to the Real Property.

(d) Condemnation. If at any time prior to the expiration of the Real Property Option Period any proceedings shall be commenced for the taking of all or any portion of the Real Property for public or quasi-public use pursuant to the power of eminent domain or otherwise, Purchaser shall promptly give written notice thereof to Seller and the Option Period and Right of First Refusal Period then in effect shall automatically be extended, without notice or the payment of consideration, until the thirtieth (30th) day after completion of such proceeding. At its election and its sole cost and expense, Seller may participate in the prosecution or defense of such proceeding. If Seller elects to proceed with the exercise of its Option or Right of First Refusal, Seller shall be entitled to a credit against the purchase price for any and all awards payable for any such taking (if the amount of such awards has been determined) or an assignment of all future awards, as the case may be.

(e) Damage. If at any time prior to the expiration of the Real Property Option Period any improvements comprising a part of the Real Property shall be damaged or destroyed, Purchaser shall promptly give written notice thereof to the Seller generally describing the nature and extent of such damage. In such event, the Option Period and Right of First Refusal Period then in effect shall automatically be extended, without notice or the payment of consideration, until the thirtieth (30th) day after Seller is notified of the amount of the insurance proceeds to be paid with respect to such damage. If Seller elects to proceed with the exercise of its Option or Right of First Refusal, Seller shall be entitled to a credit against the purchase price for all insurance proceeds payable to Purchaser on account of the subject damage (if the amount of such proceeds has been determined) or an assignment of all future proceeds (or claims), as the case may be.

(f) Assignment. Notwithstanding anything to the contrary contained in this Agreement, Seller may assign all (but not less than all) of its rights under this Paragraph 13 to any entity controlled by one or any combination of the Stockholders, directly or indirectly, through one or more intermediaries (the term "**control**" for purposes of this definition meaning the ability, whether by ownership of shares or other equity interests, by contract or otherwise, to elect a majority of the directors of a corporation, to select the managing or general partner of a partnership, or otherwise to select, or have the power to remove and then select, a majority of those persons or entities exercising governing authority over an entity).

(g) Recording Memorandum. Seller may record a memorandum reasonably acceptable to Purchaser (which acceptance shall not be unreasonably withheld, conditioned or delayed) reciting the parties hereto, the Real Property, the Option, the Option Period, the Right of First Refusal and the Right of First Refusal Period. After obtaining Purchaser's consent thereto, Seller may unilaterally execute such memorandum, if permitted by law, or may require Purchaser to join in the execution of such memorandum.

14. **Miscellaneous**.

(a) Notices. All notices and other communications under this Agreement to any party shall be in writing and shall be deemed given when delivered personally to that party, sent by facsimile transmission (with electronic confirmation) to that party at the facsimile number for that party set forth below, on the fifth (5th) business day after being mailed by certified mail (postage prepaid and return receipt requested) to that party at the address for that arty set forth below, or on the day delivered by Federal Express or any similar express delivery service for delivery to that party at that address:

If to Purchaser:

Florida Public Utilities Company
c/o Chesapeake Utilities Corporation
909 Silver Lake Boulevard
Dover, Delaware 19904
Attn: Beth Cooper

Fax: 302.734.6750

With a copy to:

Florida Public Utilities Company
401 S. Dixie Highway
West Palm Beach, Florida 33401
Attn: Barry Kennedy
Fax: 561.838.8562

With a copy to:

Baker & Hostetler LLP
2300 SunTrust Center
200 S. Orange Avenue
Orlando, Florida 32801
Attn: Jeffrey E. Decker
Fax: 407.841.0168

If to Seller or any Stockholder:

Indiantown Gas Company
P.O. Box 8
Indiantown, Florida 34956
Attn: Brian Powers
Fax: 772.597.2068

Any party may change its facsimile number or address for notices under this Agreement at any time by giving the other parties notice of such change.

(b) Entire Agreement. With the exception of any instruments in writing required by the parties hereto which shall be executed on the Signing Date and/or effective as of the Closing Date, this Agreement constitutes the entire Agreement between the parties hereto, and supersedes all prior agreements and understandings of the parties in connection therewith. This Agreement may be revised and modified only by an instrument in writing executed by the parties hereto. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(c) Governing Law and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida applicable to contracts executed in and to be performed in that state and without regard to conflicts of laws. The parties hereby irrevocably submit to the exclusive jurisdiction of the courts in the State of Florida (state or federal), with venue in Martin County, over any dispute arising out of this Agreement and agree that all claims in respect of such dispute or proceeding shall be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection that they may have to the venue of such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY, AFTER CAREFUL CONSIDERATION AND AN OPPORTUNITY TO SEEK LEGAL ADVICE, WAIVE THEIR RIGHT TO HAVE A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF OR IN ANY WAY CONNECTED WITH ANY OF THE PROVISIONS OF OR MATTERS RELATED TO THIS AGREEMENT.

(d) Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be transferred or assigned by any of the parties without the prior written consent of the other parties. Notwithstanding the foregoing, Purchaser shall have the right to assign any of its rights, interests or obligations under this Agreement, in whole or in part, to any company affiliated with

Purchaser so long as such assignee agrees to be bound by Purchaser's obligations hereunder and provided further that such assignment shall not relieve Purchaser of its obligations hereunder.

(e) Non-Waiver. No failure by any party to insist upon strict compliance with any term or provision of this Agreement, to exercise any option, to enforce any right, or to seek any remedy upon any default of any other party shall affect, or constitute a waiver of, the first party's right to insist upon such strict compliance, exercise that option, enforce that right, or seek that remedy with respect to that default or any prior, contemporaneous, or subsequent default. No custom or practice of the parties at variance with any provisions of this Agreement shall affect or constitute a waiver of any party's right to demand strict compliance with all provisions of this Agreement.

(f) Severability. With respect to any provision of this Agreement finally determined by a court of competent jurisdiction to be unenforceable, such court shall have jurisdiction to reform such provision so that it is enforceable to the maximum extent permitted by applicable law, and the parties shall abide by such court's determination. In the event that any provision of this Agreement cannot be reformed, such provision shall be deemed to be severed from this Agreement, but every other provision of this Agreement shall remain in full force and effect.

(g) Headings. Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

(h) Binding Obligation. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their heirs.

(i) Risk of Loss. Until the complete closing and conveyance of all titles of assets, all risk of loss with respect to the said assets of property shall be borne by Seller.

(j) Survival. Seller and Purchaser expressly intend for all of the representations, warranties, covenants and other obligations made herein, specifically including those detailed in Paragraphs 7, 8, 11 and 12, to survive the Closing and execution of the deed conveying title to the Real Property to Purchaser.

(k) Fees and Expenses. Each of the parties hereto will pay its own cost and expenses incurred in connection with the negotiation and consummation of the transactions contemplated hereby, including consulting fees and attorneys fees. Seller shall be responsible for undertaking any and all necessary corporate action deemed appropriate by Seller as a result of the consummation of the transactions contemplated hereby. In the event of litigation arising from this Agreement, the substantially non-prevailing party shall reimburse the substantially prevailing party upon demand for all costs and expenses incurred by the substantially prevailing party in such litigation, including reasonable attorneys' and paralegals' fees. The obligations set forth in this paragraph shall survive the expiration or termination of this Agreement or the parties' obligations hereunder.

(l) Confidentiality. The parties hereto will hold in strict confidence all data and information exchanged during the course of the negotiations relating to the transaction contemplated hereby; provided, however, that nothing stated herein shall preclude any party from disclosing any information required to be disclosed by law. No disclosure, press release, or other public announcement relating to this Agreement or the transactions contemplated hereby shall be issued unless first approved by Purchaser. The provisions of this Paragraph 14(l) shall survive the Closing in perpetuity.

(m) Knowledge. Whenever a representation or warranty is made herein as being to the "knowledge of" or "best knowledge of" a party, it is understood that such persons have made or caused to be made (and the results thereof reported to them) an investigation that provides them with a reasonable basis upon which to determine the accuracy of such representation or warranty by personnel or representatives competent to determine the accuracy thereof.

(n) Seller's Employees. The parties acknowledge and agree that Purchaser shall have no obligation to hire any of Seller's employees in connection with the transactions contemplated by this Agreement.

15. **List of Exhibits and Schedules**:

Exhibit A -	Vehicle List
Exhibit A-1-	Excluded Vehicle List
Exhibit B -	Real Property
Exhibit C -	Natural Gas Plant and Equipment List
Exhibit C-I -	Excluded Natural Gas Plant and Equipment List
Exhibit D -	Inventory List
Exhibit E-1 -	Material Contracts
Exhibit E-2 -	Transferred Telephone Numbers
Exhibit F -	Equipment List
Exhibit F-I -	Excluded Equipment List
Exhibit G-1 –	Accounts Receivable Listing
Exhibit G-2 -	Customer Deposits, Prepayments Listing
Exhibit G-3-	Working Capital Assets Acquired
Exhibit G-4 -	Working Capital Liabilities Acquired
Exhibit G-5 -	Assumed Liabilities
Exhibit H -	Commitment
Exhibit I -	Survey
Exhibit J -	Form of Real Property Purchase and Sale Agreement

[Signature page follows.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed on the Signing Date, to be effective as of the Closing Date.

SELLER:

Indiantown Gas Company
a Florida corporation

By:_____
Name: Brian J. Powers
Title: President

STOCKHOLDERS:

_____
Brian J. Powers, individually

_____
Mary Beth Batchelor, individually

_____
Kevin P. Powers, individually

_____
Colette M. Powers, Trustee of the Timer E. Powers Revocable Trust under Trust Agreement dated September 13, 1991

_____
David R. Powers, individually

PURCHASER:

Florida Public Utilities Company,
a Florida corporation

By:_____
Name: Thomas A. Geoffroy
Title: Vice President

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed on the Signing Date, to be effective as of the Closing Date.

SELLER:

Indiantown Gas Company
a Florida corporation

By:_____
Name: Brian J. Powers
Title: President

STOCKHOLDERS:

_____
Brian J. Powers, individually

_____
Kevin P. Powers, individually

_____
David R. Powers, individually

_____
Mary Beth Batchelor, individually

_____
Colette M. Powers, Trustee of the Timer E. Powers Revocable Trust under Trust Agreement dated September 13, 1991

PURCHASER:

Florida Public Utilities Company,
a Florida corporation

By:_____
Name: Thomas A. Geoffroy
Title: Vice President

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed on the Signing Date, to be effective as of the Closing Date.

SELLER:

Indiantown Gas Company
a Florida corporation

By:_____
Name: Brian J. Powers
Title: President

STOCKHOLDERS:

_____
Brian J. Powers, individually

_____
Mary Beth Batchelor, individually

_____
Kevin P. Powers, individually

_____
Colette M. Powers, Trustee of the Timer E. Powers Revocable Trust under Trust Agreement dated September 13, 1991

_____
David R. Powers, individually

PURCHASER:

Florida Public Utilities Company,
a Florida corporation

By: Thomas A. Geoffroy
Name: Thomas A. Geoffroy
Title: Vice President

Attachment 8b - Non-Compete Agreement

NON-COMPETITION AGREEMENT

THIS AGREEMENT (this "**Agreement**") is made and entered into this 6th day of August, 2010 to be effective as of July 31st, 2010 (the "**Effective Date**"), by Indiantown Gas Company, a Florida corporation ("**Covenantor**"), in favor of Florida Public Utilities Company, a Florida corporation, its successors or assigns (hereinafter called "**Covenantee**").

W I T N E S S E T H :

WHEREAS, Covenantor has owned and operated a natural gas distribution and transportation business that has serviced various customers in the State of Florida; and

WHEREAS, Covenantor is a party to an Asset Purchase Agreement effective as of the Effective Date (hereinafter called the "**Purchase Agreement**") under the terms of which Covenantee has purchased certain assets from Covenantor; and

WHEREAS, as an inducement to Covenantee to enter into and consummate the transactions contemplated in the Purchase Agreement, it is a condition of the Purchase Agreement that Covenantor enter into and deliver this Agreement in favor of Covenantee.

NOW, THEREFORE, Covenantor, intending to be legally bound hereby, for and in consideration of the consideration set forth in the Purchase Agreement, the legal sufficiency and adequacy of which is hereby acknowledged, does represent, warrant, covenant, understand, and agree as follows:

1. Covenant. For a period of five (5) years after the Effective Date, Covenantor shall not directly or indirectly, for itself or for or on behalf of, or in conjunction with any other person, persons, partnership, firm, association, or corporation:

a Own, maintain, engage in, be employed in, participate in, or have any interest, purely economic or otherwise, in the operation of any business engaged in the distribution or transportation of natural gas within the State of Florida; provided, however, nothing contained in this Section shall be deemed to preclude Covenantor from (i) owning less than five percent (5%) of the combined voting power of all issued and outstanding voting securities of any publicly held corporation whose stock is traded on a major stock exchange (ii) subject to the restrictions

contained in 1(b) and 1(c) below, owning, maintaining, engaging in, participating in or having any interest in any propane gas business, or (iii) subject to the restrictions contained in 1(b) and 1(c) below, owning, maintaining, engaging in, participating in or having any interest in Indiantown LP Gas Company, LLC, a Florida limited liability company, which is party along with Covenantee to that certain Operations and Maintenance Agreement of even date herewith.

b. Solicit any current or former customers of Seller (to be determined as of the Effective Date and which shall include, without limitation Louis Dreyfus and Indiantown Co-Generation, L.P.), or any present or future customers of Covenantee, in connection with selling or providing distribution or transportation of natural gas or in connection with converting from natural gas to propane;

c. Solicit any potential consumers of either natural gas or propane that are located within five hundred (500) feet of Covenantee's then-existing natural gas distribution system;

d. Solicit for employment any person who, at any time within the twelve (12) month period immediately preceding such employment or engagement, was an employee, officer, director, partner, manager, member, shareholder, sales representative, agent, vendor, or independent contractor of Covenantee, or assist, direct, advise, encourage, facilitate, collaborate or cooperate with any other person in the employment or engagement of any such person.

e. Disclose to any third party any information relating to any of the current or former customers of Seller in the distribution or transportation of natural gas as of the Effective Date, including any information contained on any customer list, and any information relating to the identity, location, and purchasing habits of any such customers.

2. Consideration. The Covenantor acknowledges that the consummation of the transactions contemplated by the Purchase Agreement by Covenantee shall be valid and adequate consideration for the covenants set forth in this Agreement. Accordingly, the Covenantor hereby waives, to the greatest extent permissible by law, inadequacy of consideration as a defense to any violation or attempted violation of the

Covenentor's obligations under this Agreement.

3. Assignment. All rights, benefits, and advantages accruing to Covenantee shall be assignable and/or transferable, in whole or in part, by Covenantee to any other person, partnership, corporation, firm, joint venture, or entity.

4. Relief. Covenantor acknowledges that monetary damages may not provide Covenantee an adequate remedy in the event of breach of the obligations of this Agreement, and Covenantor hereby acknowledges that in the event it shall violate the provisions of this Agreement, Covenantee or its assignee shall have the right, in addition to any other remedies at law or in equity, to enjoin or otherwise restrain the violation and, in addition, to recover all attorneys fees and expenses incurred in the enforcement of Covenantee's rights hereunder.

5. Construction. Covenantor acknowledges that the restrictions contained herein are reasonable, but agrees that if any court of competent jurisdiction shall hold such restrictions unreasonable as to time, geographic area, activities, or otherwise, such restrictions shall be deemed to be reduced to the extent necessary in the opinion of such court to make them reasonable.

6. Extension of Term. Covenantor agrees that the noncompetition, non-disclosure, and non-solicitation obligations contained herein shall be extended by the length of time which the Covenantor shall have been in breach of any of said provisions.

7. Review by Counsel. Covenantor understands the nature of the burdens imposed by the restrictive covenants contained in this Agreement. Covenantor acknowledges that it is entering into this Agreement on its own volition, and that it has been given the opportunity to have the provisions of this Agreement reviewed by its legal counsel. Covenantor represents that upon careful review, it knows of no reason why any restrictive covenants contained in this Agreement are not reasonable and enforceable.

8. Severability. It is the intention of the parties that the provisions of the restrictive covenants herein shall be enforceable to the fullest extent permissible under the applicable law. If any clause or provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws

effective during the term hereof, then the remainder of this Agreement shall not be affected thereby, and in lieu of each clause or provision of this Agreement which is illegal, invalid, or unenforceable, there shall be added, as part of this Agreement, a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and as may be legal, valid, and enforceable.

9. Choice of Law and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida applicable to contracts executed in and to be performed in that state and without regard to conflicts of laws. The parties hereby irrevocably submit to the exclusive jurisdiction of the courts in the State of Florida (state or federal), with venue in Martin County, over any dispute arising out of this Agreement and agree that all claims in respect of such dispute or proceeding shall be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection that they may have to the venue of such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY, AFTER CAREFUL CONSIDERATION AND AN OPPORTUNITY TO SEEK LEGAL ADVICE, WAIVE THEIR RIGHT TO HAVE A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF OR IN ANY WAY CONNECTED WITH ANY OF THE PROVISIONS OF OR MATTERS RELATED TO THIS AGREEMENT.

10. Counterparts. For the convenience of the parties and to facilitate execution, this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

[Signature page follows.]

IN WITNESS WHEREOF, the Covenantor has caused this Agreement to be executed and delivered to Covenantee effective as of the Effective Date.

INDIANTOWN GAS COMPANY,
a Florida corporation

By: _____
Name: Brian J. Powers
Title: President

NON-COMPETITION AGREEMENT

THIS AGREEMENT (this "**Agreement**") is made and entered into this 6th day of August, 2010, to be effective as of the 31st day of July 2010 (the "**Effective Date**"), by Brian J. Powers, an individual ("**Covenantor**"), in favor of Florida Public Utilities Company, a Florida corporation, its successors or assigns (hereinafter called "**Covenantee**").

W I T N E S S E T H :

WHEREAS, Covenantor has managed and/or otherwise been involved in, as a part of his energy investments, a natural gas distribution and transportation business operated by Indiantown Gas Company, a Florida corporation ("**Seller**"), which has serviced various customers in the State of Florida; and

WHEREAS, Covenantor is a party to an Asset Purchase Agreement of even date herewith (hereinafter called the "**Purchase Agreement**") under the terms of which Covenantee has purchased certain assets from Seller; and

WHEREAS, as an inducement to Covenantee to enter into and consummate the transactions contemplated in the Purchase Agreement, it is a condition of the Purchase Agreement that Covenantor enter into and deliver this Agreement in favor of Covenantee.

NOW, THEREFORE, Covenantor, intending to be legally bound hereby, for and in consideration of the consideration set forth in the Purchase Agreement and the additional payment by Covenantee to Covenantor of $225,000.00, the legal sufficiency and adequacy of which is hereby acknowledged, does represent, warrant, covenant, understand, and agree as follows:

1. Covenant. For a period of five (5) years after the Effective Date, Covenantor shall not directly or indirectly, for himself or for or on behalf of, or in conjunction with any other person, persons, partnership, firm, association, or corporation:

a Own, maintain, engage in, be employed in, participate in, or have any interest, purely economic or otherwise, in the operation of any business engaged in the distribution or transportation of natural gas within the State of Florida; provided, however, nothing contained in this Section

shall be deemed to preclude Covenantor from (i) owning less than five percent (5%) of the combined voting power of all issued and outstanding voting securities of any publicly held corporation whose stock is traded on a major stock exchange (ii) subject to the restrictions contained in 1(b) and 1(c) below, owning, maintaining, engaging in, participating in or having any interest in any propane gas business, (iii) subject to the restrictions contained in 1(b) and 1(c) below, owning, maintaining, engaging in, participating in or having any interest in Indiantown LP Gas Company, LLC, a Florida limited liability company, which is party along with Covenantee to that certain Operations and Maintenance Agreement of even date herewith or (iv) providing any services in connection with that certain Consulting Agreement of even date herewith between Covenantor and Covenantee.

b. Solicit any current or former customers of Seller (to be determined as of the Effective Date and which shall include, without limitation Louis Dreyfus and Indiantown Co-Generation, L.P.), or any present or future customers of Covenantee, in connection with selling or providing distribution or transportation of natural gas or in connection with converting from natural gas to propane;

c Solicit any potential consumers of either natural gas or propane that are located within five hundred (500) feet of Covenantee's then-existing natural gas distribution system;

d. Solicit for employment any person who, at any time within the twelve (12) month period immediately preceding such employment or engagement, was an employee, officer, director, partner, manager, member, shareholder, sales representative, agent, vendor, or independent contractor of Covenantee, or assist, direct, advise, encourage, facilitate, collaborate or cooperate with any other person in the employment or engagement of any such person.

e. Disclose to any third party any information relating to any of the current or former customers of Seller in the distribution or transportation of natural gas as of the Effective Date, including any information contained on any customer list, and any information relating to the identity,

location, and purchasing habits of any such customers.

2. Consideration. The Covenantor acknowledges that the consummation of the transactions contemplated by the Purchase Agreement by Covenantee shall be valid and adequate consideration for the covenants set forth in this Agreement. Accordingly, the Covenantor hereby waives, to the greatest extent permissible by law, inadequacy of consideration as a defense to any violation or attempted violation of the Covenentor's obligations under this Agreement.

3. Assignment. All rights, benefits, and advantages accruing to Covenantee shall be assignable and/or transferable, in whole or in part, by Covenantee to any other person, partnership, corporation, firm, joint venture, or entity.

4. Relief. Covenantor acknowledges that monetary damages may not provide Covenantee an adequate remedy in the event of breach of the obligations of this Agreement, and Covenantor hereby acknowledges that in the event he shall violate the provisions of this Agreement, Covenantee or its assignee shall have the right, in addition to any other remedies at law or in equity, to enjoin or otherwise restrain the violation and, in addition, to recover all attorneys fees and expenses incurred in the enforcement of Covenantee's rights hereunder.

5. Construction. Covenantor acknowledges that the restrictions contained herein are reasonable, but agrees that if any court of competent jurisdiction shall hold such restrictions unreasonable as to time, geographic area, activities, or otherwise, such restrictions shall be deemed to be reduced to the extent necessary in the opinion of such court to make them reasonable.

6. Extension of Term. Covenantor agrees that the noncompetition, non-disclosure, and non-solicitation obligations contained herein shall be extended by the length of time which the Covenantor shall have been in breach of any of said provisions.

7. Review by Counsel. Covenantor understands the nature of the burdens imposed by the restrictive covenants contained in this Agreement. Covenantor acknowledges that he is entering into this Agreement on his own volition, and that he has been given the opportunity to have the provisions of this Agreement reviewed by his legal counsel. Covenantor represents that upon careful review, he knows

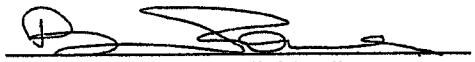
of no reason why any restrictive covenants contained in this Agreement are not reasonable and enforceable.

8. Severability. It is the intention of the parties that the provisions of the restrictive covenants herein shall be enforceable to the fullest extent permissible under the applicable law. If any clause or provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term hereof, then the remainder of this Agreement shall not be affected thereby, and in lieu of each clause or provision of this Agreement which is illegal, invalid, or unenforceable, there shall be added, as part of this Agreement, a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and as may be legal, valid, and enforceable.

9. Choice of Law and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida applicable to contracts executed in and to be performed in that state and without regard to conflicts of laws. The parties hereby irrevocably submit to the exclusive jurisdiction of the courts in the State of Florida (state or federal), with venue in Martin County, over any dispute arising out of this Agreement and agree that all claims in respect of such dispute or proceeding shall be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection that they may have to the venue of such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY, AFTER CAREFUL CONSIDERATION AND AN OPPORTUNITY TO SEEK LEGAL ADVICE, WAIVE THEIR RIGHT TO HAVE A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF OR IN ANY WAY CONNECTED WITH ANY OF THE PROVISIONS OF OR MATTERS RELATED TO THIS AGREEMENT.

10. Counterparts. For the convenience of the parties and to facilitate execution, this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

IN WITNESS WHEREOF, the Covenantor has caused this Agreement to be executed and delivered to Covenantee effective as of the Effective Date.



Brian J. Powers, individually

NON-COMPETITION AGREEMENT

THIS AGREEMENT (this "**Agreement**") is made and entered into this 6th day of August, 2010, to be effective as of the 31st day of July 2010 (the "**Effective Date**"), by Kevin P. Powers, an individual ("**Covenantor**"), in favor of Florida Public Utilities Company, a Florida corporation, its successors or assigns (hereinafter called "**Covenantee**").

W I T N E S S E T H :

WHEREAS, Covenantor has managed and/or otherwise been involved in, as a part of his energy investments, a natural gas distribution and transportation business operated by Indiantown Gas Company, a Florida corporation ("**Seller**"), which has serviced various customers in the State of Florida; and

WHEREAS, Covenantor is a party to an Asset Purchase Agreement of even date herewith (hereinafter called the "**Purchase Agreement**") under the terms of which Covenantee has purchased certain assets from Seller; and

WHEREAS, as an inducement to Covenantee to enter into and consummate the transactions contemplated in the Purchase Agreement, it is a condition of the Purchase Agreement that Covenantor enter into and deliver this Agreement in favor of Covenantee.

NOW, THEREFORE, Covenantor, intending to be legally bound hereby, for and in consideration of the consideration set forth in the Purchase Agreement and the additional payment by Covenantee to Covenantor of $55,000.00, the legal sufficiency and adequacy of which is hereby acknowledged, does represent, warrant, covenant, understand, and agree as follows:

1. Covenant. For a period of five (5) years after the Effective Date, Covenantor shall not directly or indirectly, for himself or for or on behalf of, or in conjunction with any other person, persons, partnership, firm, association, or corporation:

a Own, maintain, engage in, be employed in, participate in, or have any interest, purely economic or otherwise, in the operation of any business engaged in the distribution or transportation of natural gas within the State of Florida; provided, however, nothing contained in this Section

shall be deemed to preclude Covenantor from (i) owning less than five percent (5%) of the combined voting power of all issued and outstanding voting securities of any publicly held corporation whose stock is traded on a major stock exchange (ii) subject to the restrictions contained in 1(b) and 1(c) below, owning, maintaining, engaging in, participating in or having any interest in any propane gas business, or (iii) subject to the restrictions contained in 1(b) and 1(c) below, owning, maintaining, engaging in, participating in or having any interest in Indiantown LP Gas Company, LLC, a Florida limited liability company, which is party along with Covenantee to that certain Operations and Maintenance Agreement of even date.

b. Solicit any current or former customers of Seller (to be determined as of the Effective Date and which shall include, without limitation Louis Dreyfus and Indiantown Co-Generation, L.P.), or any present or future customers of Covenantee, in connection with selling or providing distribution or transportation of natural gas or in connection with converting from natural gas to propane;

c. Solicit any potential consumers of either natural gas or propane that are located within five hundred (500) feet of Covenantee's then-existing natural gas distribution system;

d. Solicit for employment any person who, at any time within the twelve (12) month period immediately preceding such employment or engagement, was an employee, officer, director, partner, manager, member, shareholder, sales representative, agent, vendor, or independent contractor of Covenantee, or assist, direct, advise, encourage, facilitate, collaborate or cooperate with any other person in the employment or engagement of any such person.

e. Disclose to any third party any information relating to any of the current or former customers of Seller in the distribution or transportation of natural gas as of the Effective Date, including any information contained on any customer list, and any information relating to the identity, location, and purchasing habits of any such customers.

2. Consideration. The Covenantor acknowledges that the consummation of the transactions

contemplated by the Purchase Agreement by Covenantee shall be valid and adequate consideration for the covenants set forth in this Agreement. Accordingly, the Covenantor hereby waives, to the greatest extent permissible by law, inadequacy of consideration as a defense to any violation or attempted violation of the Covenentor's obligations under this Agreement.

3. Assignment. All rights, benefits, and advantages accruing to Covenantee shall be assignable and/or transferable, in whole or in part, by Covenantee to any other person, partnership, corporation, firm, joint venture, or entity.

4. Relief: Covenantor acknowledges that monetary damages may not provide Covenantee an adequate remedy in the event of breach of the obligations of this Agreement, and Covenantor hereby acknowledges that in the event he shall violate the provisions of this Agreement, Covenantee or its assignee shall have the right, in addition to any other remedies at law or in equity, to enjoin or otherwise restrain the violation and, in addition, to recover all attorneys fees and expenses incurred in the enforcement of Covenantee's rights hereunder.

5. Construction. Covenantor acknowledges that the restrictions contained herein are reasonable, but agrees that if any court of competent jurisdiction shall hold such restrictions unreasonable as to time, geographic area, activities, or otherwise, such restrictions shall be deemed to be reduced to the extent necessary in the opinion of such court to make them reasonable.

6. Extension of Term. Covenantor agrees that the noncompetition, non-disclosure, and non-solicitation obligations contained herein shall be extended by the length of time which the Covenantor shall have been in breach of any of said provisions.

7. Review by Counsel. Covenantor understands the nature of the burdens imposed by the restrictive covenants contained in this Agreement. Covenantor acknowledges that he is entering into this Agreement on his own volition, and that he has been given the opportunity to have the provisions of this Agreement reviewed by his legal counsel. Covenantor represents that upon careful review, he knows of no reason why any restrictive covenants contained in this Agreement are not reasonable and enforceable.

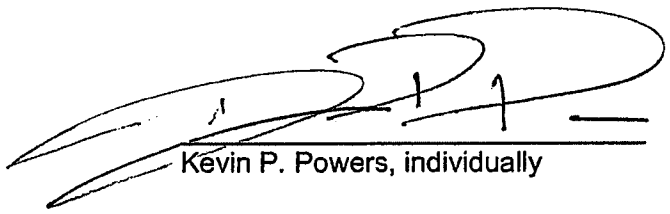
8. Severability. It is the intention of the parties that the provisions of the restrictive covenants herein shall be enforceable to the fullest extent permissible under the applicable law. If any clause or provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term hereof, then the remainder of this Agreement shall not be affected thereby, and in lieu of each clause or provision of this Agreement which is illegal, invalid, or unenforceable, there shall be added, as part of this Agreement, a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and as may be legal, valid, and enforceable.

9. Choice of Law and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida applicable to contracts executed in and to be performed in that state and without regard to conflicts of laws. The parties hereby irrevocably submit to the exclusive jurisdiction of the courts in the State of Florida (state or federal), with venue in Martin County, over any dispute arising out of this Agreement and agree that all claims in respect of such dispute or proceeding shall be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection that they may have to the venue of such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY, AFTER CAREFUL CONSIDERATION AND AN OPPORTUNITY TO SEEK LEGAL ADVICE, WAIVE THEIR RIGHT TO HAVE A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF OR IN ANY WAY CONNECTED WITH ANY OF THE PROVISIONS OF OR MATTERS RELATED TO THIS AGREEMENT.

10. Counterparts. For the convenience of the parties and to facilitate execution, this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

[Signature page follows.]

IN WITNESS WHEREOF, the Covenantor has caused this Agreement to be executed and delivered to Covenantee effective as of the Effective Date.



Kevin P. Powers, individually

NON-COMPETITION AGREEMENT

THIS AGREEMENT (this "**Agreement**") is made and entered into this 6th day of August, 2010, to be effective as of the 31st day of July 2010 (the "**Effective Date**"), by David R. Powers ("**Covenantor**"), in favor of Florida Public Utilities Company, a Florida corporation, its successors or assigns (hereinafter called "**Covenantee**").

W I T N E S S E T H :

WHEREAS, Covenantor has managed and/or otherwise been involved in, as a part of his energy investments, a natural gas distribution and transportation business operated by Indiantown Gas Company, a Florida corporation ("**Seller**"), which has serviced various customers in the State of Florida; and

WHEREAS, Covenantor is a party to an Asset Purchase Agreement of even date herewith (hereinafter called the "**Purchase Agreement**") under the terms of which Covenantee has purchased certain assets from Seller; and

WHEREAS, as an inducement to Covenantee to enter into and consummate the transactions contemplated in the Purchase Agreement, it is a condition of the Purchase Agreement that Covenantor enter into and deliver this Agreement in favor of Covenantee.

NOW, THEREFORE, Covenantor, intending to be legally bound hereby, for and in consideration of the consideration set forth in the Purchase Agreement and the additional payment by Covenantee to Covenantor of $112,500.00, the legal sufficiency and adequacy of which is hereby acknowledged, does represent, warrant, covenant, understand, and agree as follows:

1. Covenant. For a period of five (5) years after the Effective Date, Covenantor shall not directly or indirectly, for himself or for or on behalf of, or in conjunction with any other person, persons, partnership, firm, association, or corporation:

a Own, maintain, engage in, be employed in, participate in, or have any interest, purely economic or otherwise, in the operation of any business engaged in the distribution or transportation of natural gas within the State of Florida; provided, however, nothing contained in this Section

shall be deemed to preclude Covenantor from (i) owning less than five percent (5%) of the combined voting power of all issued and outstanding voting securities of any publicly held corporation whose stock is traded on a major stock exchange (ii) subject to the restrictions contained in 1(b) and 1(c) below, owning, maintaining, engaging in, participating in or having any interest in any propane gas business, or (iii) subject to the restrictions contained in 1(b) and 1(c) below, owning, maintaining, engaging in, participating in or having any interest in Indiantown LP Gas Company, LLC, a Florida limited liability company, which is party along with Covenantee to that certain Operations and Maintenance Agreement of even date herewith.

b. Solicit any current or former customers of Seller (to be determined as of the Effective Date and which shall include, without limitation Louis Dreyfus and Indiantown Co-Generation, L.P.), or any present or future customers of Covenantee, in connection with selling or providing distribution or transportation of natural gas or in connection with converting from natural gas to propane;

c. Solicit any potential consumers of either natural gas or propane that are located within five hundred (500) feet of Covenantee's then-existing natural gas distribution system;

d. Solicit for employment any person who, at any time within the twelve (12) month period immediately preceding such employment or engagement, was an employee, officer, director, partner, manager, member, shareholder, sales representative, agent, vendor, or independent contractor of Covenantee, or assist, direct, advise, encourage, facilitate, collaborate or cooperate with any other person in the employment or engagement of any such person.

e. Disclose to any third party any information relating to any of the current or former customers of Seller in the distribution or transportation of natural gas as of the Effective Date, including any information contained on any customer list, and any information relating to the identity, location, and purchasing habits of any such customers.

2. Consideration. The Covenantor acknowledges that the consummation of the transactions

contemplated by the Purchase Agreement by Covenantee shall be valid and adequate consideration for the covenants set forth in this Agreement. Accordingly, the Covenantor hereby waives, to the greatest extent permissible by law, inadequacy of consideration as a defense to any violation or attempted violation of the Covenentor's obligations under this Agreement.

3. Assignment. All rights, benefits, and advantages accruing to Covenantee shall be assignable and/or transferable, in whole or in part, by Covenantee to any other person, partnership, corporation, firm, joint venture, or entity.

4. Relief. Covenantor acknowledges that monetary damages may not provide Covenantee an adequate remedy in the event of breach of the obligations of this Agreement, and Covenantor hereby acknowledges that in the event he shall violate the provisions of this Agreement, Covenantee or its assignee shall have the right, in addition to any other remedies at law or in equity, to enjoin or otherwise restrain the violation and, in addition, to recover all attorneys fees and expenses incurred in the enforcement of Covenantee's rights hereunder.

5. Construction. Covenantor acknowledges that the restrictions contained herein are reasonable, but agrees that if any court of competent jurisdiction shall hold such restrictions unreasonable as to time, geographic area, activities, or otherwise, such restrictions shall be deemed to be reduced to the extent necessary in the opinion of such court to make them reasonable.

6. Extension of Term. Covenantor agrees that the noncompetition, non-disclosure, and non-solicitation obligations contained herein shall be extended by the length of time which the Covenantor shall have been in breach of any of said provisions.

7. Review by Counsel. Covenantor understands the nature of the burdens imposed by the restrictive covenants contained in this Agreement. Covenantor acknowledges that he is entering into this Agreement on his own volition, and that he/ has been given the opportunity to have the provisions of this Agreement reviewed by his legal counsel. Covenantor represents that upon careful review, he knows of no reason why any restrictive covenants contained in this Agreement are not reasonable and enforceable.

8. Severability. It is the intention of the parties that the provisions of the restrictive covenants herein shall be enforceable to the fullest extent permissible under the applicable law. If any clause or provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term hereof, then the remainder of this Agreement shall not be affected thereby, and in lieu of each clause or provision of this Agreement which is illegal, invalid, or unenforceable, there shall be added, as part of this Agreement, a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and as may be legal, valid, and enforceable.

9. Choice of Law and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida applicable to contracts executed in and to be performed in that state and without regard to conflicts of laws. The parties hereby irrevocably submit to the exclusive jurisdiction of the courts in the State of Florida (state or federal), with venue in Martin County, over any dispute arising out of this Agreement and agree that all claims in respect of such dispute or proceeding shall be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection that they may have to the venue of such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY, AFTER CAREFUL CONSIDERATION AND AN OPPORTUNITY TO SEEK LEGAL ADVICE, WAIVE THEIR RIGHT TO HAVE A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF OR IN ANY WAY CONNECTED WITH ANY OF THE PROVISIONS OF OR MATTERS RELATED TO THIS AGREEMENT.

10. Counterparts. For the convenience of the parties and to facilitate execution, this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

[Signature page follows.]

IN WITNESS WHEREOF, the Covenantor has caused this Agreement to be executed and delivered to Covenantee effective as of the Effective Date.

David R. Powers

David R. Powers, individually

NON-COMPETITION AGREEMENT

THIS AGREEMENT (this "**Agreement**") is made and entered into this 6th day of August, 2010, to be effective as of the 31st day of July 2010 (the "**Effective Date**"), by Mary Beth Bachelor, an individual ("**Covenantor**"), in favor of Florida Public Utilities Company, a Florida corporation, its successors or assigns (hereinafter called "**Covenantee**").

W I T N E S S E T H :

WHEREAS, Covenantor has managed and/or otherwise been involved in, as a part of her energy investments, a natural gas distribution and transportation business operated by Indiantown Gas Company, a Florida corporation ("**Seller**"), which has serviced various customers in the State of Florida; and

WHEREAS, Covenantor is a party to an Asset Purchase Agreement of even date herewith (hereinafter called the "**Purchase Agreement**") under the terms of which Covenantee has purchased certain assets from Seller; and

WHEREAS, as an inducement to Covenantee to enter into and consummate the transactions contemplated in the Purchase Agreement, it is a condition of the Purchase Agreement that Covenantor enter into and deliver this Agreement in favor of Covenantee.

NOW, THEREFORE, Covenantor, intending to be legally bound hereby, for and in consideration of the consideration set forth in the Purchase Agreement and the additional payment by Covenantee to Covenantor of $28,750.00, the legal sufficiency and adequacy of which is hereby acknowledged, does represent, warrant, covenant, understand, and agree as follows:

1. Covenant. For a period of five (5) years after the Effective Date, Covenantor shall not directly or indirectly, for herself or for or on behalf of, or in conjunction with any other person, persons, partnership, firm, association, or corporation:

a Own, maintain, engage in, be employed in, participate in, or have any interest, purely economic or otherwise, in the operation of any business engaged in the distribution or transportation of natural gas within the State of Florida; provided, however, nothing contained in this Section

shall be deemed to preclude Covenantor from (i) owning less than five percent (5%) of the combined voting power of all issued and outstanding voting securities of any publicly held corporation whose stock is traded on a major stock exchange (ii) subject to the restrictions contained in 1(b) and 1(c) below, owning, maintaining, engaging in, participating in or having any interest in any propane gas business, or (iii) subject to the restrictions contained in 1(b) and 1(c) below, owning, maintaining, engaging in, participating in or having any interest in Indiantown LP Gas Company, LLC, a Florida limited liability company, which is party along with Covenantee to that certain Operations and Maintenance Agreement of even date herewith.

b. Solicit any current or former customers of Seller (to be determined as of the Effective Date and which shall include, without limitation Louis Dreyfus and Indiantown Co-Generation, L.P.), or any present or future customers of Covenantee, in connection with selling or providing distribution or transportation of natural gas or in connection with converting from natural gas to propane;

c. Solicit any potential consumers of either natural gas or propane that are located within five hundred (500) feet of Covenantee's then-existing natural gas distribution system;

d. Solicit for employment any person who, at any time within the twelve (12) month period immediately preceding such employment or engagement, was an employee, officer, director, partner, manager, member, shareholder, sales representative, agent, vendor, or independent contractor of Covenantee, or assist, direct, advise, encourage, facilitate, collaborate or cooperate with any other person in the employment or engagement of any such person.

e. Disclose to any third party any information relating to any of the current or former customers of Seller in the distribution or transportation of natural gas as of the Effective Date, including any information contained on any customer list, and any information relating to the identity, location, and purchasing habits of any such customers.

2. Consideration. The Covenantor acknowledges that the consummation of the transactions

contemplated by the Purchase Agreement by Covenantee shall be valid and adequate consideration for the covenants set forth in this Agreement. Accordingly, the Covenantor hereby waives, to the greatest extent permissible by law, inadequacy of consideration as a defense to any violation or attempted violation of the Covenentor's obligations under this Agreement.

3. Assignment. All rights, benefits, and advantages accruing to Covenantee shall be assignable and/or transferable, in whole or in part, by Covenantee to any other person, partnership, corporation, firm, joint venture, or entity.

4. Relief. Covenantor acknowledges that monetary damages may not provide Covenantee an adequate remedy in the event of breach of the obligations of this Agreement, and Covenantor hereby acknowledges that in the event she shall violate the provisions of this Agreement, Covenantee or its assignee shall have the right, in addition to any other remedies at law or in equity, to enjoin or otherwise restrain the violation and, in addition, to recover all attorneys fees and expenses incurred in the enforcement of Covenantee's rights hereunder.

5. Construction. Covenantor acknowledges that the restrictions contained herein are reasonable, but agrees that if any court of competent jurisdiction shall hold such restrictions unreasonable as to time, geographic area, activities, or otherwise, such restrictions shall be deemed to be reduced to the extent necessary in the opinion of such court to make them reasonable.

6. Extension of Term. Covenantor agrees that the noncompetition, non-disclosure, and non-solicitation obligations contained herein shall be extended by the length of time which the Covenantor shall have been in breach of any of said provisions.

7. Review by Counsel. Covenantor understands the nature of the burdens imposed by the restrictive covenants contained in this Agreement. Covenantor acknowledges that she is entering into this Agreement on her own volition, and that she has been given the opportunity to have the provisions of this Agreement reviewed by her legal counsel. Covenantor represents that upon careful review, she knows of no reason why any restrictive covenants contained in this Agreement are not reasonable and enforceable.

8. Severability. It is the intention of the parties that the provisions of the restrictive covenants herein shall be enforceable to the fullest extent permissible under the applicable law. If any clause or provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term hereof, then the remainder of this Agreement shall not be affected thereby, and in lieu of each clause or provision of this Agreement which is illegal, invalid, or unenforceable, there shall be added, as part of this Agreement, a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and as may be legal, valid, and enforceable.

9. Choice of Law and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida applicable to contracts executed in and to be performed in that state and without regard to conflicts of laws. The parties hereby irrevocably submit to the exclusive jurisdiction of the courts in the State of Florida (state or federal), with venue in Martin County, over any dispute arising out of this Agreement and agree that all claims in respect of such dispute or proceeding shall be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection that they may have to the venue of such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY, AFTER CAREFUL CONSIDERATION AND AN OPPORTUNITY TO SEEK LEGAL ADVICE, WAIVE THEIR RIGHT TO HAVE A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF OR IN ANY WAY CONNECTED WITH ANY OF THE PROVISIONS OF OR MATTERS RELATED TO THIS AGREEMENT.

10. Counterparts. For the convenience of the parties and to facilitate execution, this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

[Signature page follows.]

IN WITNESS WHEREOF, the Covenantor has caused this Agreement to be executed and delivered to Covenantee effective as of the Effective Date.

Mary Beth Batchelor

Mary Beth Batchelor, individually

NON-COMPETITION AGREEMENT

THIS AGREEMENT (this "**Agreement**") is made and entered into this 6th day of August, 2010, to be effective as of the 31st day of July 2010 (the "**Effective Date**"), by Colette M. Powers, an individual ("**Covenantor**"), in favor of Florida Public Utilities Company, a Florida corporation, its successors or assigns (hereinafter called "**Covenantee**").

W I T N E S S E T H :

WHEREAS, Covenantor is the trustee and a beneficiary under the Timer E. Powers Revocable Trust under Trust Agreement dated September 13, 1991 (the "**Trust**");

WHEREAS, in Covenantor's capacity as trustee and beneficiary of the Trust, Covenantor has managed and/or otherwise been involved in, as a part of her energy investments, a natural gas distribution and transportation business operated by Indiantown Gas Company, a Florida corporation ("**Seller**"), which has serviced various customers in the State of Florida; and

WHEREAS, Covenantor, in her capacity as trustee of the Trust, is a party to an Asset Purchase Agreement of even date herewith (hereinafter called the "**Purchase Agreement**") under the terms of which Covenantee has purchased certain assets from Seller; and

WHEREAS, as an inducement to Covenantee to enter into and consummate the transactions contemplated in the Purchase Agreement, it is a condition of the Purchase Agreement that Covenantor enter into and deliver this Agreement in favor of Covenantee.

NOW, THEREFORE, Covenantor, intending to be legally bound hereby, for and in consideration of the consideration set forth in the Purchase Agreement and the additional payment by Covenantee to Covenantor of $28,750.00, the legal sufficiency and adequacy of which is hereby acknowledged, does represent, warrant, covenant, understand, and agree as follows:

1. Covenant. For a period of five (5) years after the Effective Date, Covenantor shall not directly or indirectly, for herself or for or on behalf of, or in conjunction with any other person, persons, partnership, firm, association, or corporation, including the Trust:

a Own, maintain, engage in, be employed in, participate in, or have any interest,

purely economic or otherwise, in the operation of any business engaged in the distribution or transportation of natural gas within the State of Florida; provided, however, nothing contained in this Section shall be deemed to preclude Covenantor from (i) owning less than five percent (5%) of the combined voting power of all issued and outstanding voting securities of any publicly held corporation whose stock is traded on a major stock exchange (ii) subject to the restrictions contained in 1(b) and 1(c) below, owning, maintaining, engaging in, participating in or having any interest in any propane gas business, or (iii) subject to the restrictions contained in 1(b) and 1(c) below, owning, maintaining, engaging in, participating in or having any interest in Indiantown LP Gas Company, LLC, a Florida limited liability company, which is party along with Covenantee to that certain Operations and Maintenance Agreement of even date herewith.

b. Solicit any current or former customers of Seller (to be determined as of the Effective Date and which shall include, without limitation Louis Dreyfus and Indiantown Co-Generation, L.P.), or any present or future customers of Covenantee, in connection with selling or providing distribution or transportation of natural gas or in connection with converting from natural gas to propane;

c. Solicit any potential consumers of either natural gas or propane that are located within five hundred (500) feet of Covenantee's then-existing natural gas distribution system;

d. Solicit for employment any person who, at any time within the twelve (12) month period immediately preceding such employment or engagement, was an employee, officer, director, partner, manager, member, shareholder, sales representative, agent, vendor, or independent contractor of Covenantee, or assist, direct, advise, encourage, facilitate, collaborate or cooperate with any other person in the employment or engagement of any such person.

e. Disclose to any third party any information relating to any of the current or former customers of Seller in the distribution or transportation of natural gas as of the Effective Date, including any information contained on any customer list, and any information relating to the identity,

location, and purchasing habits of any such customers.

2. Consideration. The Covenantor acknowledges that the consummation of the transactions contemplated by the Purchase Agreement by Covenantee shall be valid and adequate consideration for the covenants set forth in this Agreement. Accordingly, the Covenantor hereby waives, to the greatest extent permissible by law, inadequacy of consideration as a defense to any violation or attempted violation of the Covenentor's obligations under this Agreement.

3. Assignment. All rights, benefits, and advantages accruing to Covenantee shall be assignable and/or transferable, in whole or in part, by Covenantee to any other person, partnership, corporation, firm, joint venture, or entity.

4. Relief. Covenantor acknowledges that monetary damages may not provide Covenantee an adequate remedy in the event of breach of the obligations of this Agreement, and Covenantor hereby acknowledges that in the event she shall violate the provisions of this Agreement, Covenantee or its assignee shall have the right, in addition to any other remedies at law or in equity, to enjoin or otherwise restrain the violation and, in addition, to recover all attorneys fees and expenses incurred in the enforcement of Covenantee's rights hereunder.

5. Construction. Covenantor acknowledges that the restrictions contained herein are reasonable, but agrees that if any court of competent jurisdiction shall hold such restrictions unreasonable as to time, geographic area, activities, or otherwise, such restrictions shall be deemed to be reduced to the extent necessary in the opinion of such court to make them reasonable.

6. Extension of Term. Covenantor agrees that the noncompetition, non-disclosure, and non-solicitation obligations contained herein shall be extended by the length of time which the Covenantor shall have been in breach of any of said provisions.

7. Review by Counsel. Covenantor understands the nature of the burdens imposed by the restrictive covenants contained in this Agreement. Covenantor acknowledges that she is entering into this Agreement on her own volition, and that she has been given the opportunity to have the provisions of this Agreement reviewed by her legal counsel. Covenantor represents that upon careful review, she knows

of no reason why any restrictive covenants contained in this Agreement are not reasonable and enforceable.

8. Severability. It is the intention of the parties that the provisions of the restrictive covenants herein shall be enforceable to the fullest extent permissible under the applicable law. If any clause or provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term hereof, then the remainder of this Agreement shall not be affected thereby, and in lieu of each clause or provision of this Agreement which is illegal, invalid, or unenforceable, there shall be added, as part of this Agreement, a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and as may be legal, valid, and enforceable.

9. Choice of Law and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida applicable to contracts executed in and to be performed in that state and without regard to conflicts of laws. The parties hereby irrevocably submit to the exclusive jurisdiction of the courts in the State of Florida (state or federal), with venue in Martin County, over any dispute arising out of this Agreement and agree that all claims in respect of such dispute or proceeding shall be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection that they may have to the venue of such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY, AFTER CAREFUL CONSIDERATION AND AN OPPORTUNITY TO SEEK LEGAL ADVICE, WAIVE THEIR RIGHT TO HAVE A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF OR IN ANY WAY CONNECTED WITH ANY OF THE PROVISIONS OF OR MATTERS RELATED TO THIS AGREEMENT.

10. Counterparts. For the convenience of the parties and to facilitate execution, this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

IN WITNESS WHEREOF, the Covenantor has caused this Agreement to be executed and delivered to Covenantee effective as of the Effective Date.

Colette M. Powers

Colette M. Powers, Individually

Attachment 10 – IGC Audit Report

State of Florida

Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Miami District Office

Auditor's Report

Florida Public Utilities Company-
Indiantown Division
Review of Plant in Service

Period Ended July 31, 2010

Undocketed
Audit Control No. 10-295-4-1
December 21, 2010

Kathy L. Welch
Audit Manager

Iliana Piedra
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request dated October 22, 2010. We have applied these procedures to the rate base additions from December 31, 2002 to July 31, 2010 for Florida Public Utilities Company – Indiantown Division (Utility).

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed upon procedures and the report is intended only for internal Commission use.

Objectives and Procedures

Objective: The objective of the audit was to verify plant in service since the last rate case.

Procedures: We prepared an analytical review of plant additions since the last rate case in Docket No. 030954-GU. This rate case used a 2004 forecasted test year but a December 31, 2002 actual test year. The beginning balances were reconciled to the last audit workpapers and we verified that the adjustments from Commission order PSC-04-0565-PAA-GU were posted to the ledgers. We selected samples of the plant additions and traced them to the work orders and invoices. No errors were found. We read the contract for sale to determine which assets were being transferred. We determined that all of the natural gas company assets were being transferred except for transportation equipment.

Objective: The objective was to verify accumulated depreciation since the last rate case.

Procedures: We prepared an analytical review of accumulated depreciation from December 31, 2002 to July 2010. We attempted to verify the accumulated depreciation balances at December 31, 2008 to the order establishing the reserve amounts for the 2008 depreciation study. Indiantown incorrectly posted the adjustments from the study. Audit Finding 1 discusses this error. We recalculated depreciation expense for 2009 and 2010.

Audit Finding 1

Subject: Depreciation Study Entries

Audit Analysis: Commission order PSC-09-0328-PAA-GU established the accumulated depreciation balances at December 31, 2008. The Utility booked these entries in reverse (i.e. debits were booked as credits). The following analysis shows the differences between the order and the ledger.

	Balance Per Order	Balance Per Books After Adjustment	Adjustment Needed To Correct
Accumulated Depreciation Mains Plastic	$ (91,039)	$ (159,006)	$ 67,967
Accumulated Depreciation Mains Steel	(234,432)	(210,650)	(23,782)
Accumulated Depreciation Measuring Eq.	(14,527)	(2,642)	(11,885)
Accumulated Depreciation Services	(52,094)	(20,374)	(31,721)
Accumulated Depreciation Meters	(22,012)	(14,359)	(7,653)
Accumulated Depreciation Meter Installation	(2,785)	(3,753)	968
Accumulated Depreciation House Regulators	(5,389)	(4,547)	(842)
Accumulated Depreciation Measuring Eq. Industrial	(61,783)	(66,026)	4,243
Accumulated Depreciation Structures and Inprovements	(43,740)	(43,740)	(0)
Accumulated Depreciation Furniture and Equipament	(11,804)	(11,804)	(0)
Accumulated Depreciation Computer Equipment	(2,092)	(887)	(1,205)
Accumulated Depreciation Tools, Shop and Garage Eq.	(3,751)	(3,751)	0
Accumulated Depreciation Power Operated Equipment	(12,816)	(12,816)	0
Accumulated Depreciation Other Equipment	(4,722)	(4,722)	0
Accumulated Depreciation Computer Software	(5,885)	(5,885)	0
	$ (568,871)	**$ (564,963)**	**$ (3,909)**

A difference remains because not all assets were sold to Florida Public Utilities.

Effect on the General Ledger: The accumulated depreciation balances should be adjusted as follows.

	Debit	Credit
Accumulated Depreciation Mains Plastic	$67,967.37	
Accumulated Depreciation Meter Installation	$ 967.98	
Accumulated Depreciation Measuring Eq. Industrial	$ 4,243.08	
Acquisition Adjustment	$ 3,910.00	
Accumulated Depreciation Mains Steel		$23,782.04
Accumulated Depreciation Measuring Eq.		$11,885.21
Accumulated Depreciation Services		$31,720.50
Accumulated Depreciation Meters		$ 7,653.07
Accumulated Depreciation House Regulators		$ 841.65
Accumulated Depreciation Computer Equipment		$ 1,205.46

Exhibit – Rate Base

	Balance July 31, 2010	Staff Adjustment	Adjusted Balance
Mains Plastic	$ 192,545.00	$ -	$ 192,545.00
Mains Steel	249,316.00		249,316.00
Measuring and Regulating Equipment	47,982.00		47,982.00
Services	106,770.00		106,770.00
Meters	64,829.00		64,829.00
Meter Installation	15,792.00		15,792.00
House Regulators	20,315.86		20,315.86
Measuring Equipment Industrial	99,571.00		99,571.00
Land	12,500.00		12,500.00
Structures and Improvements	171,895.00		171,895.00
Office Furniture and Equipment	27,774.00		27,774.00
Computer Equipment	13,227.00		13,227.00
Tools, Shop and Garage Equipment	13,438.12		13,438.12
Power Operated Equipment	25,970.00		25,970.00
Other Equipment	13,647.00		13,647.00
Computer Software	26,589.00		26,589.00
A/D Mains Plastic	(168,630.07)	67,967.37	(100,662.70)
A/D Mains Steel	(223,676.74)	(23,782.04)	(247,458.78)
A/D Main Replacement	1,924.07		1,924.07
A/D Measuring and Regulating Equipment	(5,452.65)	(11,885.21)	(17,337.86)
A/D Services	(26,904.38)	(31,720.50)	(58,624.88)
A/D Meters	(19,346.78)	(7,653.07)	(26,999.85)
A/D Meter Installation	(4,370.24)	967.98	(3,402.26)
A/D Regulators	(5,592.79)	(841.65)	(6,434.44)
A/D Measuring Equipment Industrial	(71,228.66)	4,243.08	(66,985.58)
A/D Structures	(49,999.67)		(49,999.67)
A/D Computer Equipment	(2,756.31)	(1,205.46)	(3,961.77)
A/D Office Furniture	(13,870.43)		(13,870.43)
A/D Tools and Equipment	926.87		926.87
A/D Power Operating Equipment	(7,951.42)		(7,951.42)
A/D Computer Software	(9,754.73)		(9,754.73)
A/D Miscellaneous Equipment	(6,645.50)		(6,645.50)
NET RATE BASE	$ 488,831.55	$ (3,909.50)	$ 484,922.05
PURCHASE PRICE	780,721.92		780,721.92
ACQUISITION ADJUSTMENT	$ 291,890.37	$ 3,909.50	$ 295,799.87

Attachment 25a - Long Term Debt Refinanced

EXECUTION COPY

CHESAPEAKE UTILITIES CORPORATION

NOTE AGREEMENT

Dated June 29, 2010

$36,000,000

Senior Notes

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Schedules

CHESAPEAKE UTILITIES CORPORATION
909 Silver Lake Boulevard
Dover, Delaware 19904

NOTE AGREEMENT

$36,000,000

Senior Notes

As of June 29, 2010

To the Purchasers listed in the
attached Purchaser Schedule

Ladies and Gentlemen:

Chesapeake Utilities Corporation, a Delaware corporation (the "Company"), hereby agrees with the purchasers listed in the attached Purchaser Schedule (collectively, the "Purchasers" and, individually, a "Purchaser") as follows:

SECTION 1. PURCHASE AND SALE OF NOTES

Section 1.1 Issue of Notes.

(a) Series A Notes. The Company will authorize the issue of $29,000,000 principal amount of its Senior Notes, Series A, due on the Series A Maturity Date (the "Series A Notes"). Each Series A Note will bear interest on the unpaid principal balance thereof, from the date of the Series A Note or the most recent date to which interest thereon has been paid, until the same is due and payable, at an annual rate equal to the Series A Interest Rate (computed on the basis of a 360-day year of twelve 30-day months), payable semi-annually on each Series A Semi-Annual Interest Payment Date, beginning with the first Series A Semi-Annual Interest Payment Date to occur after the Series A Closing Date. The Series A Notes will be subject to certain mandatory principal repayments prior to maturity, as provided in Section 2.1 and will mature on the Series A Maturity Date. Payments of principal, Make Whole Amount, if any, and, to the extent permitted by law, interest on and with respect to the Series A Notes not paid when due will bear interest from the date such payment was due until paid at a rate per annum from time to time equal to the greater of (i) the Series A Default Rate or (ii) the rate of interest publicly announced

by JPMorgan Chase Bank from time to time in New York City as its Prime Rate. The Series A Notes will be registered notes in the form set out in Exhibit A-1.

(b) Series B Notes. The Company will authorize the issue of $7,000,000 principal amount of its Senior Notes, Series B, due on the Series B Maturity Date (the "Series B Notes"). Each Series B Note will bear interest on the unpaid principal balance thereof, from the date of the Series B Note or the most recent date to which interest thereon has been paid, until the same is due and payable, at an annual rate equal to the Series B Interest Rate (computed on the basis of a 360-day year of twelve 30-day months), payable semi-annually on each Series B Semi-Annual Interest Payment Date, beginning with the first Series B Semi-Annual Interest Payment Date to occur after the Series B Closing Date. The Series B Notes will be subject to certain mandatory principal repayments prior to maturity, as provided in Section 2.1 and will mature on the Series B Maturity Date. Payments of principal, Make Whole Amount, if any, and, to the extent permitted by law, interest on and with respect to the Series B Notes not paid when due will bear interest from the date such payment was due until paid at a rate per annum from time to time equal to the greater of (i) the Series B Default Rate or (ii) the rate of interest publicly announced by JPMorgan Chase Bank from time to time in New York City as its Prime Rate. The Series B Notes will be registered notes in the form set out in Exhibit A-2.

Section 1.2 The Closings.

(a) Series A Closing. The Company agrees to sell to each Purchaser shown on the Purchaser Schedule hereto as a purchaser of Series A Notes and each such Purchaser agrees to purchase from the Company, in accordance with the provisions of this Agreement, the principal amount of the Series A Notes indicated for such Purchaser on the Purchaser Schedule attached hereto at par. The closing of the sale and purchase of the Series A Notes will be held at 10:00 a.m. on the Series A Closing Date, at the offices of Schiff Hardin LLP, 233 S. Wacker Drive, Suite 6600, Chicago, Illinois. On the Series A Closing Date, the Company will deliver to each such Purchaser one or more of the Series A Notes, as specified in the Purchaser Schedule attached hereto in the aggregate amount of each Purchaser's purchase, dated the Series A Closing Date and payable to such Purchaser or such Purchaser's nominee(s), if any, listed in the Purchaser Schedule, against payment in immediately available funds. Each Purchaser's obligations hereunder are several and not joint and no Purchaser shall have any obligation or liability to any Person for the performance or nonperformance by any other Purchaser hereunder. If on the Series A Closing Date the Company shall fail to tender such Series A Notes to any Purchaser thereof as provided above in this Section 1.2(a), or any of the conditions specified in Section 1.4 shall not have been fulfilled on the Series A Closing Date to such Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement with respect to the Series A Notes, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

(b) Series B Closing. The Company agrees to sell to each Purchaser shown on the Purchaser Schedule hereto as a purchaser of Series B Notes and, provided that the sale and purchase of the Series A Notes has been consummated concurrently with or before the purchase and sale of the Series B Notes, each such Purchaser agrees to purchase from the Company, in accordance with the provisions of this Agreement, the principal amount of the Series B Notes indicated for such Purchaser on the Purchaser Schedule attached hereto at par. The closing of

the sale and purchase of the Series B Notes will be held at 10:00 a.m. on the Series B Closing Date, at the offices of Schiff Hardin LLP, 233 S. Wacker Drive, Suite 6600, Chicago, Illinois, provided that the closing of the sale and purchase of the Series B Notes shall not take place before the sale and purchase of the Series A Notes. On the Series B Closing Date, the Company will deliver to each such Purchaser one or more of the Series B Notes, as specified in the Purchaser Schedule attached hereto in the aggregate amount of each Purchaser's purchase, dated the Series B Closing Date and payable to such Purchaser or such Purchaser's nominee(s), if any, listed in the Purchaser Schedule, against payment in immediately available funds. Each Purchaser's obligations hereunder are several and not joint and no Purchaser shall have any obligation or liability to any Person for the performance or nonperformance by any other Purchaser hereunder. If the sale and purchase of the Series A Notes fails to occur on or before July 9, 2012, or if on the Series B Closing Date the Company shall fail to tender such Series B Notes to any Purchaser thereof as provided above in this Section 1.2(b), or any of the conditions specified in Section 1.4 shall not have been fulfilled on the Series B Closing Date to such Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement with respect to the Series B Notes, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

Section 1.3 Expenses.

Whether or not the Notes are sold, the Company will, upon presentation to the Company of documentation in reasonable detail, pay the following expenses relating to this Agreement, including:

(a) the cost of reproducing this Agreement and the Notes, appropriately completed;

(b) the reasonable fees and disbursements (including the cost of obtaining the private placement numbers) of the Purchasers' special counsel;

(c) the cost of any fees of agents, brokers or dealers or otherwise incurred in connection with the sale of the Notes pursuant to this Agreement but not with respect to any subsequent resale;

(d) each Purchaser's reasonable out-of-pocket expenses incurred in negotiating this Agreement;

(e) the cost of delivering to or from any Purchaser's home office, insured to any Purchaser's satisfaction, the Notes purchased by any Purchaser, any Note surrendered by any Purchaser to the Company pursuant to this Agreement and any Note issued to any Purchaser in substitution or replacement for a surrendered Note; and

(f) all costs (including reasonable fees and expenses of counsel) related to proposed or actual modifications of, or proposed or actual consents under, this Agreement.

The obligations of the Company under this Section 1.3 shall survive the payment of the Notes and the termination of this Agreement, and shall continue regardless of whether or not either Closing Date occurs and whether or not any Purchaser has purchased Notes hereunder.

Section 1.4 Closing Conditions.

Each Purchaser's obligation to purchase and pay for the Notes to be purchased by such Purchaser on either Closing Date hereunder is subject to the satisfaction or waiver in writing by the Purchasers, on or before such Closing Date, of the following conditions:

(a) Certain Documents. Such Purchaser shall have received the following dated as of such Closing Date:

(i) The Series A Notes or the Series B Notes, as the case may be, to be purchased by such Purchaser on such Closing Date, in the form of Exhibit A-1 or Exhibit A-2 hereto, as the case may be, appropriately completed with the Series A Interest Rate or the Series B Interest Rate, as the case may be, the Series A Maturity Date or the Series B Maturity Date, as the case may be, and the Series A Semi-Annual Interest Payment Dates or the Series B Semi-Annual Interest Payment Dates, as the case may be.

(ii) Certified copies of the resolutions of the Board of Directors of the Company approving this Agreement and the Notes to be issued on such Closing Date, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the Notes.

(iii) A certificate of the Secretary or an Assistant Secretary of the Company certifying the names and true signatures of the officers of the Company authorized to sign this Agreement and the Notes to be issued on such Closing Date and the other documents to be delivered hereunder.

(iv) Certified copies of the Certificate of Incorporation and By-laws of the Company.

(v) Good standing certificates for the Company from each of the Secretary of State of Delaware, the Secretary of State of Maryland, and the Secretary of State of Florida, dated of a recent date.

(b) Opinion of Purchasers' Special Counsel. Such Purchaser shall have received from Schiff Hardin LLP, who are acting as special counsel for the Purchasers in connection with this transaction, a favorable opinion satisfactory to the Purchasers as to such matters as the Purchasers may request dated as of such Closing Date.

(c) Opinion of Company's Special and Local Counsel. Such Purchaser shall have received from Baker & Hostetler LLP (or other counsel acceptable to such Purchaser), who are acting as special counsel for the Company in connection with this transaction, a favorable opinion satisfactory to the Purchasers substantially in the form of Exhibit B-1 hereto, from Parkowski, Guerke and Swayze (or other counsel acceptable to such Purchaser), who are acting as Delaware counsel for the Company in connection with this transaction, a favorable opinion satisfactory to the Purchasers substantially in the form of Exhibit B-2 hereto, from DLA Piper LLP (or other counsel acceptable to such Purchaser), who are acting as Maryland counsel for the Company in connection with this transaction, a favorable opinion satisfactory to the Purchasers

substantially in the form of Exhibit B-3 hereto, and from Akerman Senterfitt (or other counsel acceptable to such Purchaser), who are acting as Florida counsel for the Company in connection with this transaction, a favorable opinion satisfactory to the Purchasers substantially in the form of Exhibit B-4 hereto, each dated as of such Closing Date. The Company hereby directs each such counsel to deliver such opinions, agrees that the issuance and sale of any Notes will constitute a reconfirmation of such direction, and understands and agrees that each Purchaser will rely on such opinions.

(d) Representations and Warranties; No Default. The representations and warranties contained in Section 6 shall be true on and as of such Closing Date, except to the extent of changes caused by the transactions herein contemplated; there shall exist on such Closing Date no Event of Default or Default; and the Company shall have delivered to such Purchaser an Officer's Certificate, dated such Closing Date to both such effects. The delivery of such Officer's Certificate will constitute the repeating of such representations and warranties by the Company as of such Closing Date.

(e) Purchase Permitted By Applicable Laws. The purchase of and payment for the Notes to be purchased by such Purchaser on either Closing Date on the terms and conditions herein provided (including the use of the proceeds of such Notes by the Company) shall not violate any applicable law or governmental regulation (including, without limitation, Section 5 of the Securities Act or Regulation T, U or X of the Board of Governors of the Federal Reserve System) and shall not subject such Purchaser to any tax, penalty, liability or other onerous condition under or pursuant to any applicable law or governmental regulation, and such Purchaser shall have received such certificates or other evidence as it may reasonably request to establish compliance with this condition. The orders of the Delaware and Florida State Commissions referred to in Section 6.10 shall be satisfactory to such Purchaser and on such Closing Date shall be final and in full force and effect. No appeal, review or contest of either thereof shall be pending on such Closing Date, and, as of such Closing Date the time for appeal or to seek review or reconsideration of such orders shall have expired. Any conditions contained in either order shall have been satisfied to such Purchaser's reasonable satisfaction. Such Purchaser and its special counsel shall have received copies of such documents and papers (including, without limitation, a certified or attested copy of such orders) as such Purchaser may reasonably request in connection therewith or as a basis for the Purchasers' special counsel's closing opinion, all in form and substance satisfactory to such Purchaser and the Purchasers' special counsel.

(f) Diversification Event. No Diversification Event shall have occurred.

(g) Proceedings. All corporate and other proceedings taken or to be taken in connection with the transactions contemplated hereby and all documents incident thereto shall be satisfactory in substance and form to such Purchaser, and such Purchaser shall have received all such counterpart originals or certified or other copies of such documents as it may reasonably request.

SECTION 2. PAYMENTS

Section 2.1 Required Payments.

(a) Until the Series A Notes are paid in full, the Company will pay $2,900,000 in aggregate principal amount of the Series A Notes on each Series A Principal Amortization Date. The entire outstanding principal amount and unpaid interest thereon shall be due and payable on the Series A Maturity Date. Prepayments on each holder's Series A Notes under Section 2.2 shall be applied to mandatory payments on such Series A Notes in inverse order of maturity and the Company's obligation to make the payments required by this Section 2.1(a) shall not be reduced by any payment pursuant to Section 2.2. Notwithstanding the foregoing, upon any payment of less than all of the outstanding Series A Notes pursuant to Section 2.1(c) hereof or any acquisition of any Series A Notes by the Company or any Subsidiary or Affiliate permitted by Section 9.7(b) hereof, the principal amount of such required prepayment of the Series A Notes becoming due under this Section 2.1(a) on or after the day of such payment or acquisition shall be reduced in the same proportion as the aggregate unpaid principal amount of the Series A Notes is reduced as a result of such prepayment or purchase.

(b) Until the Series B Notes are paid in full, the Company will pay $700,000 in aggregate principal amount of the Series B Notes on each Series B Principal Amortization Date. The entire outstanding principal amount and unpaid interest thereon shall be due and payable on the Series B Maturity Date. Prepayments on each holder's Series B Notes under Section 2.2 shall be applied to mandatory payments on such Series B Notes in inverse order of maturity and the Company's obligation to make the payments required by this Section 2.1(b) shall not be reduced by any payment pursuant to Section 2.2. Notwithstanding the foregoing, upon any payment of less than all of the outstanding Series B Notes pursuant to Section 2.1(c) hereof or any acquisition of any Series B Notes by the Company or any Subsidiary or Affiliate permitted by Section 9.7(b) hereof, the principal amount of such required prepayment of the Series B Notes becoming due under this Section 2.1(b) on or after the day of such payment or acquisition shall be reduced in the same proportion as the aggregate unpaid principal amount of the Series B Notes is reduced as a result of such prepayment or purchase.

(c) If, at any time, the aggregate net book value of all assets that are used in the regulated utilities business segments of the Company and its Subsidiaries is less than 50% of Consolidated Total Assets (a "Diversification Event"), any holder of any of the Notes then outstanding may elect, at its option, by notice to the Company, to declare the outstanding Notes held by such holder to be due and payable on the next business day after the 30th day following such notice (the "Required Payment Date"). Upon such election by any holder of the Notes, the Company will pay the aggregate principal amount of such holder's Notes on the Required Payment Date, together with interest accrued to the Required Payment Date on such principal amount, and a premium equal to the Make Whole Amount, if any, applicable to such payment. Upon the occurrence of a Diversification Event, the Company shall deliver to each holder of the outstanding Notes a notice that such event has occurred and the reason or reasons for such occurrence.

Section 2.2 Optional Prepayments.

(a) At a Premium. The Company may prepay the Notes of either Series in whole or part, at any time and from time to time, in multiples of $100,000, by payment of 100% of the principal amount then being prepaid, together with interest accrued to the date of prepayment on the principal amount being prepaid and a premium equal to the Make Whole Amount, if any, applicable to such prepayment; provided that no partial prepayment shall be in an amount less than (i) $1,000,000 or (ii) the aggregate principal amount remaining outstanding of the Notes of the Series being prepaid, whichever is less.

(b) Notice of Optional Prepayment. The Company will give written notice of any optional prepayment of the Notes of either Series to each holder of Notes of such Series at least 15 but not more than 45 days before the date fixed for prepayment, specifying (1) such date (the "Prepayment Date"), and (2) the amount of principal and interest with respect to the Notes of such Series and such holder's Notes of such Series to be prepaid on such date. Any such notice of prepayment will be irrevocable. Upon the giving of such notice by the Company, the principal amount of the Notes of such Series specified in the notice, together with interest accrued to the Prepayment Date on such principal amount, and a premium equal to the Make Whole Amount, if any, applicable to such payment, shall be due and payable on the Prepayment Date, and the Company shall pay such amount on the Prepayment Date. The Company shall, on or before the day on which it gives written notice of any prepayment pursuant to Section 2.2(a), give telephonic notice of the principal amounts of the Note of either Series to be prepaid and the prepayment date to each Purchaser which shall have designated a recipient of such notices in the Purchaser Schedule attached hereto or by notice in writing to the Company.

Section 2.3 Partial Payment Pro Rata.

If there is more than one Note of either Series outstanding, the principal amount of each required or optional partial payment of the Notes of such Series, other than a prepayment pursuant to Section 2.1(c), will be allocated among the Notes of such Series at the time outstanding in proportion, as nearly as practicable, to the respective outstanding principal amounts of the Notes of such Series.

SECTION 3. INFORMATION AS TO COMPANY

Section 3.1 Financial and Business Information.

The Company will deliver in duplicate to each Purchaser, if at the time such Purchaser or such Purchaser's nominee holds any Notes (or if such Purchaser is obligated to purchase any Notes), and to each other Institutional Holder of outstanding Notes:

(a) Quarterly Statements--as soon as practicable and in any event within sixty (60) days after the end of each of the first three quarterly fiscal periods in each fiscal year of the Company:

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter and as at the end of the corresponding quarter in the

most recently completed fiscal year and a consolidating balance sheet of the Company and its Subsidiaries as of the end of such quarter, and

(ii) consolidated statements of income, retained earnings and cash flows of the Company and its Subsidiaries for that quarter and for the portion of the fiscal year ending with such quarter, and for the corresponding periods in the prior fiscal year and consolidating statements of income, retained earnings and cash flows of the Company and its Subsidiaries for such quarter and for the portion of the fiscal year ending with such quarter,

setting forth in the statements of income for each fiscal period, the specific dollar amounts of depreciation charged, lease rental expense and interest expense on Indebtedness, accompanied by a certificate signed by a principal financial officer of the Company stating that such financial statements present fairly the financial condition of the companies being reported upon and have been prepared in accordance with generally accepted accounting principles consistently applied, with such adjustments as may be required to present fairly the financial statements therein contained; provided that if the Company is subject to the reporting requirements of the Exchange Act, the delivery to such recipients of the Company's Quarterly Report on Form 10-Q containing such information within the specified time period shall satisfy this requirement;

(b) Annual Statements--as soon as practicable and in any event within one hundred twenty (120) days after the end of each fiscal year of the Company:

(i) a consolidated and consolidating balance sheet of the Company and its Subsidiaries, as at the end of that fiscal year, and

(ii) consolidated and consolidating statements of income, retained earnings and cash flows of the Company and its Subsidiaries, for that year,

setting forth in the case of such consolidated financial statements, the figures for the previous fiscal year in comparative form, and setting forth in such statements of income, the specific dollar amounts of depreciation charged, lease rental expense, and interest expense on Indebtedness, and accompanied in the case of such consolidated financial statements by an opinion of a firm of independent public accountants of recognized national standing stating that such financial statements present fairly the results of the operations and financial condition of the companies being reported upon and have been prepared in accordance with generally accepted accounting principles consistently applied (except for changes in application in which such accountants concur); provided that if the Company is subject to the reporting requirements of the Exchange Act, the delivery to such recipients of the Company's Quarterly Report on Form 10-K containing such information within the specified time period shall satisfy this requirement;

(c) Audit Reports--promptly upon receipt thereof, one copy of each other report submitted to the Company or any Subsidiary by independent accountants in connection with any annual, interim or special audit made by them of the books of the Company or any Subsidiary;

(d) SEC and Other Reports--promptly upon their becoming available, copies of each periodic report (including Forms 8-K, 10-K, and 10-Q, proxy statement and registration statement or prospectus (other than registration statements on Form S-8 and any corresponding

prospectus) relating to Securities of the Company filed with or delivered to any securities exchange, the Securities and Exchange Commission or any successor agency, and promptly upon transmission thereof, copies of such other financial statements, notices and reports, if any, as the Company or any Subsidiary shall send to its public stockholders;

(e) Annual Regulatory Reports--promptly upon their becoming available, copies of each annual report required to be filed by the Company or any Subsidiary with any of the State Commissions or with the FERC;

(f) Notice of Default or Event of Default-- immediately upon becoming aware of the existence of any Default or Event of Default, a notice describing in reasonable detail its nature and what action the affected Company or Subsidiary is taking or proposes to take with respect thereto;

(g) Notice of Claimed Default--immediately upon becoming aware that the holder of any Note or of any other evidence of Indebtedness or other Security of the Company or any Subsidiary has given notice (or taken any other action) with respect to a claimed default, breach, Default or Event of Default, a notice describing in reasonable detail the notice given (or action taken) and in reasonable detail the nature of the claimed default, breach, Default or Event of Default and what action the affected Company or Subsidiary is taking or proposes to take with respect thereto;

(h) Report on Proceedings--promptly upon the Company's making public information with respect to (1) any proposed or pending investigation of it or any Subsidiary by any governmental authority or agency, or (2) any court or administrative proceeding, which in either case involves the possibility of materially and adversely affecting the Properties, business, prospects, profits or financial condition of the Company and its Subsidiaries taken as a whole, a notice specifying its nature and the action the Company is taking with respect thereto; and

(i) Requested Information--with reasonable promptness, any other data and information which may be reasonably requested from time to time, including without limitation any information required to be made available at any time to any prospective transferee of any Notes in order to satisfy the requirements of Rule 144A under the Securities Act of 1933, as amended.

Section 3.2 Officer's Certificates.

With each set of financial statements delivered pursuant to Section 3.1(a) or 3.1(b), the Company will deliver to each Purchaser a certificate signed by its Chief Financial Officer and setting forth:

(a) Covenant Compliance--the information required in order to establish compliance with Section 4 during the period covered by the financial statements then being furnished; and

(b) Default or Event of Default--that the signer has reviewed the relevant terms of this Agreement and has made, or caused to be made, under the signer's supervision, a review of the transactions and condition of the Company and its Subsidiaries from the beginning of the period covered by the financial statements then being furnished and that the review has not

disclosed the existence of any Default or Event of Default or, if a Default or Event of Default exists, describing its nature.

Section 3.3 Accountants' Certificates.

Each set of annual financial statements delivered pursuant to Section 3.1(b) will be accompanied by a certificate of the accountants who certify such financial statements, stating that, in making the audit necessary to the certification of such financial statements, they have reviewed this Agreement and obtained no knowledge of any Event of Default or Default, or, if they have obtained knowledge of any Event of Default or Default, specifying the nature and period of existence thereof.

Section 3.4 Inspection.

The Company will permit each Purchaser's representatives, while such Purchaser or such Purchaser's nominee holds any Note, and the representatives of any other Institutional Holder of the Notes to visit and inspect any of the Properties of the Company or any Subsidiary, to examine and make copies and extracts of all their books of account, records, reports and other papers, and to discuss their respective affairs, finances and accounts with their respective officers, employees with management duties and independent public accountants (and by this provision the Company authorizes said accountants to so discuss the finances and affairs of the Company and its Subsidiaries), all upon reasonable notice, at reasonable times and as often as may be reasonably requested. Any holder making any visit or inspection pursuant to this Section 3.4 shall pay its own costs and expenses thereof unless, at the time of such visit or inspection, there shall exist a Default or Event of Default, in which event the Company shall bear the costs and expenses thereof.

SECTION 4. COMPANY BUSINESS COVENANTS

The Company covenants that on and after the date of this Agreement until the Notes are paid in full:

Section 4.1 Payment of Taxes and Claims.

The Company shall, and shall cause each Subsidiary to, pay, before they become delinquent,

(a) all taxes, assessments and governmental charges or levies imposed upon it or its Property, and

(b) all claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other like Persons which, if unpaid, might result in the creation of a Lien upon its Property,

provided that items of the foregoing description need not be paid while being contested in good faith and by appropriate proceedings and provided further that adequate book reserves have been established with respect thereto and provided further that the owning company's title to, and its right to use, its Property is not materially adversely affected thereby.

Section 4.2 Maintenance of Properties and Corporate Existence.

The Company shall, and shall cause each Subsidiary to:

(a) Property--maintain its Property in good condition and make all necessary renewals, replacements, additions, betterments and improvements thereto;

(b) Insurance--maintain, with financially sound and reputable insurers, insurance with respect to its Properties and business against such casualties and contingencies, of such types (including public liability, larceny, embezzlement or other criminal misappropriation insurance) and in such amounts as is customary in the case of corporations of established reputations engaged in the same or a similar business and similarly situated;

(c) Financial Records--keep true books of records and accounts in which full and correct entries will be made of all its business transactions, and will reflect in its financial statements adequate accruals and appropriations to reserves, all in accordance with generally accepted accounting principles;

(d) Corporate Existence and Rights--do or cause to be done all things necessary (a) to preserve and keep in full force and effect its existence, rights and franchises and (b) except as provided in Section 4.10 or 4.11, to maintain each Subsidiary as a Subsidiary; and

(e) Compliance with Law--comply with all laws (including but not limited to environmental laws), ordinances, or governmental rules and regulations (including, without limitation, federal, state and local environmental laws, rules and regulations) to which it is subject and maintain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of its Properties or to the conduct of its business, if the failure to so comply or the failure to so maintain might materially adversely affect the Properties, business, prospects, profits or condition (financial or otherwise) of the Company and its Subsidiaries or the ability of the Company to perform its obligations set forth in this Agreement and in the Notes.

Section 4.3 Payment of Notes and Maintenance of Office.

The Company will punctually pay or cause to be paid the principal and interest (and premium, if any) to become due in respect of the Notes according to the terms thereof and will maintain an office at the address of the Company set forth in Section 9.1 where notices, presentations and demands in respect of this Agreement or the Notes may be made upon it. Such office shall be maintained at such address until such time as the Company shall notify the holders of the Notes of a change of location of such office within such State.

Section 4.4 Fixed Charge Coverage Ratio.

The Company will, for each fiscal year of the Company, maintain Consolidated Net Earnings Available for Fixed Charges at not less than 120% of Consolidated Fixed Charges.

Section 4.5 Minimum Consolidated Net Worth.

The Company will at all times maintain Consolidated Net Worth at not less than $50,000,000.

Section 4.6 Incurrence of Indebtedness.

The Company will not, nor will it permit any of its Subsidiaries to, create, incur, assume, become liable for, or guaranty, or permit any of its Property to become subject to, any Funded Indebtedness (and in the case of a Subsidiary, Current Indebtedness) other than:

(i) Funded Indebtedness represented by the Notes and the outstanding Indebtedness set forth in Schedule 4.6;

(ii) Unsecured Funded Indebtedness of the Company, if after giving effect thereto and to any concurrent transactions, the aggregate principal amount of outstanding secured and unsecured Funded Indebtedness of the Company and secured and unsecured Current and Funded Indebtedness of the Subsidiaries (excluding Indebtedness owed by a Subsidiary to the Company or a Wholly-Owned Subsidiary) does not exceed 65% of Total Capitalization; and

(iii) Purchase Money Indebtedness of the Company or a Subsidiary and unsecured Current or Funded Indebtedness of a Subsidiary, if after giving effect thereto and to any concurrent transactions, (a) the conditions set forth in Section 4.6(ii) are satisfied, and (b) the aggregate principal amount of outstanding Purchase Money Indebtedness of the Company and its Subsidiaries, the FPU Indebtedness and the unsecured Current and Funded Indebtedness of the Subsidiaries, excluding Current or Funded Indebtedness owed by a Subsidiary to the Company or a Wholly-Owned Subsidiary, does not exceed 20% of Consolidated Tangible Net Worth.

For the avoidance of doubt, this Section 4.6 does not prohibit the Company from creating, incurring, becoming liable for or guaranteeing any Current Indebtedness.

Section 4.7 Guaranties.

The Company will not, and will not permit any Subsidiary to, become liable for or permit any of its Property to become subject to any Guaranty except Guaranties under which the maximum aggregate amount of Indebtedness, dividend or other obligation being guaranteed can be mathematically determined at the time of issuance. Each Guaranty permitted by this Section 4.7 must comply with the applicable requirements of Section 4.6 above.

Section 4.8 Liens and Encumbrances.

The Company will not, and will not permit any Subsidiary to, cause or permit or agree or consent to cause or permit in the future (upon the happening of a contingency or otherwise), any of its Property, whether now owned or subsequently acquired, to be subject to a Lien except:

(a) Liens securing the payment of taxes, assessments or governmental charges or levies or the demands of suppliers, mechanics, carriers, warehousers, landlords and other like Persons, provided that payment thereof is not at the time required by Section 4.1;

(b) Liens incurred or deposits made in the ordinary course of business (i) in connection with worker's compensation, unemployment insurance, social security and other like laws, or (ii) to secure the performance of letters of credit, bids, tenders, sales contracts, leases, statutory obligations, surety, appeal and performance bonds and other similar obligations, in each case not incurred in connection with the borrowing of money, the obtaining of advances or the payment of the deferred purchase price of Property;

(c) attachment, judgment and other similar Liens arising in connection with court proceedings, provided that (i) execution and other enforcement are effectively stayed, (ii) all claims which the Liens secure are being actively contested in good faith and by appropriate proceedings, (iii) adequate book reserves have been established with respect thereto, and (iv) the owning company's right to use, its Property is not materially adversely affected thereby;

(d) Liens on Property of a Subsidiary, provided that they secure only obligations owing to the Company or a Wholly-Owned Subsidiary;

(e) the Liens existing at the date of this Agreement which are set forth in Schedule 4.8(e);

(f) Liens securing Purchase Money Indebtedness of the Company or a Subsidiary, provided (i) the incurrence of such Purchase Money Indebtedness is then permitted by Section 4.6, and (ii) after giving effect to the incurrence of such Purchase Money Indebtedness and to any concurrent transactions, the aggregate amount of outstanding Purchase Money Indebtedness of the Company and its Subsidiaries, the FPU Indebtedness and the unsecured Current and Funded Indebtedness of the Subsidiaries (excluding Indebtedness owed by a Subsidiary to the Company or a Wholly-Owned Subsidiary) does not exceed 20% of Consolidated Tangible Net Worth; and provided further that no such Lien shall extend to or cover any Property not originally subject thereto, other than improvements to the Property originally subject thereto; and

(g) other Liens securing obligations that in the aggregate do not exceed $100,000.

Section 4.9 Restricted Payments.

Except as provided in this Section 4.9, the Company will not, and the Company will not permit any Subsidiary to,

(a) declare or pay any dividends, either in cash or property, on any shares of capital stock of the Company (except dividends payable solely in shares of capital stock of the Company);

(b) directly or indirectly, purchase, redeem or retire any share of capital stock of the Company or any warrants, rights or options to purchase or acquire any shares of capital stock of the Company (other than shares of capital stock or warrants, rights or options to purchase or acquire shares of capital stock issued to employees, directors or agents of the Company pursuant to a benefit or compensation plan or agreement of the Company); or

(c) make any other payment or distribution, either directly or indirectly, in respect of capital stock of the Company (such declarations, payments, redemptions or retirements being called "Restricted Payments"),

if at the time of any such Restricted Payment and after giving effect thereto, the aggregate amount of all Restricted Payments made, paid or declared since October 31, 2008 would exceed the sum of (x) $10,000,000 plus (y) 100% of Consolidated Net Income for the period beginning on January 1, 2003 and ending on the date of the proposed Restricted Payment, computed on a cumulative basis (or if Consolidated Net Income is a deficit figure for the period, then minus 100% of such deficit).

Section 4.10 Sale of Property and Subsidiary Stock.

(a) The Company will not, and will not permit any Subsidiary to, except in the ordinary course of business, sell, lease, transfer or otherwise dispose of any of its assets (not including Excluded Assets); provided that the foregoing restriction does not apply to the sale of assets for a cash consideration to a Person other than an Affiliate, if all of the following conditions are met:

(i) the amount of such assets (valued at net book value), together with all other assets of the Company and Subsidiaries previously disposed of (other than in the ordinary course of business) as permitted by this Section 4.10(a) and the assets of any Subsidiary disposed of as permitted by Section 4.10(b)(ii) during the fiscal year in which the disposition occurs does not exceed 10% of Consolidated Total Assets as of the end of the fiscal year then most recently ended; provided that assets, as so valued, may be sold in excess of 10% of Consolidated Total Assets in any fiscal year if either (1) within one year of such sale, the proceeds from the sale of such assets are used, or committed by the Company's Board of Directors to be used, to acquire other assets of at least equivalent value and earning power, or (2) with the written consent of the holders of the Notes, the proceeds from sale of such assets are used immediately upon receipt to prepay pro rata the Notes under Section 2.2(a) hereof and other senior Funded Indebtedness of the Company; and

(ii) in the opinion of the Company's Board of Directors, the sale is for fair value and is in the best interest of the Company; and

(iii) immediately after the consummation of the sale, and after giving effect thereto, no Default or Event of Default would exist.

For the purpose of this clause (a), any transfer by the Company of any assets of its Florida division and the propane assets of Sharp Energy and Sharpgas located in Florida to FPU at a time when FPU is a Wholly-Owned Subsidiary shall be deemed to be in the ordinary course of business.

(b) The Company will not, and will not permit any Subsidiary to, dispose of its investment in any Subsidiary, and the Company will not, and will not permit any Subsidiary to, issue or transfer any shares of a Subsidiary's capital stock or any other Securities exchangeable or convertible into such Subsidiary's stock (such stock and other Securities being called "Subsidiary Stock"), if the effect would be to reduce the direct or indirect proportionate interest of the Company in the outstanding Subsidiary Stock of the Subsidiary whose shares are the subject of the transaction, provided that these restrictions do not apply to (x) the issue of directors' qualifying shares or (y) the sale for a cash consideration to a Person other than an Affiliate of the entire investment of the Company and its other Subsidiaries (i) in any Excluded Assets or (ii) in any other Subsidiary provided the Company would be permitted to dispose of all of the assets of such other Subsidiary at the time in compliance with the conditions specified in paragraphs (i), (ii) and (iii) of Section 4.10(a).

Section 4.11 Merger and Consolidation.

The Company will not, and will not permit any Subsidiary to, be a party to any merger or consolidation or sell, lease or otherwise transfer all or substantially all of its Property, provided that the Company may merge or consolidate with, or sell substantially all of its assets to, another corporation if all of the following conditions are met:

(i) the surviving or acquiring corporation is organized under the laws of the United States or a jurisdiction thereof,

(ii) the surviving or acquiring corporation, if not the Company, expressly and unconditionally assumes in writing the covenants and obligations to be performed by the Company under the Notes and this Agreement, such assumption to be in a form acceptable to the holder or holders of not less than 66-2/3% in principal amount of all Notes at the time outstanding, and

(iii) the surviving or acquiring corporation could, immediately after giving effect to the transaction, incur at least $1.00 of additional Funded Indebtedness pursuant to Section 4.6(ii), and at the time of such transaction and immediately after giving effect thereto, no Default or Event of Default shall have occurred and be continuing; and

provided, further, that any Subsidiary may merge or consolidate with or into the Company or any other Subsidiary so long as (x) immediately after giving effect to the transaction, the Company can incur at least $1.00 of additional Funded Indebtedness consistent with Section 4.6(ii), (y) at the time of such transaction and immediately after giving effect thereto, no Default or Event of

Default shall have occurred and be continuing, and (z) in any merger or consolidation involving the Company, the Company shall be the surviving or continuing corporation.

Section 4.12 Transactions with Affiliates.

The Company will not, and will not permit any Subsidiary to, enter into any transaction (including the purchase, sale or exchange of Property or the rendering of any service) with any Affiliate except in the ordinary course of and pursuant to the reasonable requirements of such Company's or Subsidiary's business and upon fair and reasonable terms which are at least as favorable to the Company or the Subsidiary as would be obtained in a comparable arm's-length transaction with a non-Affiliate.

Section 4.13 Loans, Advances and Investments.

The Company will not, and will not permit any Subsidiary to, make or permit to remain outstanding any investment in any Property or own, purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, or make or permit to remain outstanding any loan or advance to, any Person, (herein collectively referred to as "Investments") except that the Company or a Subsidiary may make or permit to remain outstanding Permitted Investments.

Section 4.14 Sale-Leaseback.

Without the written consent of the holder or holders of not less than 66-2/3% in principal amount of all Notes at the time outstanding, neither the Company nor any Subsidiary will sell and lease back (whether or not under a Financing Lease) any Property.

Section 4.15 ERISA Compliance.

(a) The Company will not permit the present value of all employee benefits vested under all Defined Benefit Plans maintained by the Company and its Subsidiaries, determined as of the end of any Defined Benefit Plan year, to exceed the present value of the assets allocable to such vested benefits as of such date of determination;

(b) All assumptions and methods used to determine the actuarial valuation of vested employee benefits under Defined Benefit Plans and the present value of assets of Defined Benefit Plans shall be reasonable in the good faith judgment of the Company and shall comply with all requirements of law, provided, however, that for purposes of the foregoing the Company shall be entitled to rely upon the independent actuaries for its Defined Benefit Plans; and

(c) The Company will not permit at any time, and will not permit any Subsidiary at any time to permit, any Pension Plan maintained by it to:

(i) engage in any "prohibited transaction" as such term is defined in section 4975 of the Code or described in section 406 of ERISA;

(ii) incur any "accumulated funding deficiency" as such term is defined in section 302 of ERISA, whether or not waived; or

(iii) terminate under circumstances which could result in the imposition of a Lien on the Property of the Company or any Subsidiary pursuant to section 4068 of ERISA.

Section 4.16 Use of Proceeds.

Neither the Company nor any Subsidiary owns or has any present intention of acquiring any "margin stock" as defined in Regulation U (12 CFR Part 221) of the Board of Governors of the Federal Reserve System (herein called "margin stock"). The proceeds of sale of the Notes will be used to refinance FPU Indebtedness or other long-term secured Indebtedness of FPU. None of such proceeds will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any margin stock or for the purpose of maintaining, reducing or retiring any Indebtedness which was originally incurred to purchase or carry any stock that is currently a margin stock or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of such Regulation U. Neither the Company nor any agent acting on its behalf has taken or will take any action which might cause this Agreement or the Notes to violate Regulation T, Regulation U or any other regulation of the Board of Governors of the Federal Reserve System or to violate the Exchange Act, in each case as in effect now or as the same may hereafter be in effect.

Section 4.17 Terrorism Sanctions Regulations.

The Company will not and will not permit any Subsidiary to (a) become a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti-Terrorism Order or (b) knowingly engage in any dealings or transactions with any such Person.

Section 4.18 Financial Covenant Calculations.

For the purposes of the calculation of financial covenants or tests under this Agreement, when determining the amount of any Indebtedness, the Company agrees to use the principal amount of Indebtedness outstanding, and not to use "fair value" as contemplated by the Financial Accounting Standard Board Statement 159.

Section 4.19 Guaranty by Subsidiaries.

(a) If at any time, pursuant to the terms and conditions of any Major Credit Facility, any existing or newly acquired or formed Subsidiary of the Company becomes obligated as a guarantor or obligor under such Major Credit Facility, the Company will, at its sole cost and expense, cause such Subsidiary to, prior to or concurrently therewith, become a Guarantor in respect of this Agreement and the Notes and deliver to each of the holders of the Notes the following items:

(1) an executed guaranty in form and substance reasonably satisfactory to the Required Holders;

(2) such documents and evidence with respect to such Subsidiary as the Required Holders may reasonably request in order to establish the existence and good standing of such Subsidiary and the authorization of the transactions contemplated by such guaranty;

(3) an opinion letter of counsel in substantially the form issued to the lenders under the Major Credit Facility; and

(4) such other certificates, resolutions, documents and instruments as may be reasonably requested by the Required Holders to give effect to the undertaking of such Subsidiary becoming a Guarantor.

(b) If at any time, pursuant to the terms and conditions of any Major Credit Facility, any Guarantor is discharged and released from its Guaranty of Indebtedness under such Major Credit Facility and (i) such Guarantor is not a co-obligor under such Major Credit Facility and (ii) the Company will have delivered to each holder of Notes an Officer's Certificate certifying that (x) the condition specified in clause (i) above has been satisfied and (y) immediately preceding the release of such Guarantor from its Guaranty of the Indebtedness under this Agreement and the Notes and after giving effect thereto, no Default or Event of Default will have existed or would exist, then, upon receipt by the holders of Notes of such Officer's Certificate, such Guarantor will be discharged and released, automatically and without the need for any further action, from its obligations under its Guaranty of Indebtedness under this Agreement and the Notes; provided that, if in connection with any release of a Guarantor from its Guaranty of Indebtedness under such Major Credit Facility any fee or other consideration (excluding, for the avoidance of doubt, any repayment of the principal or interest or payment of any pre-existing prepayment of similar repayment fee under such Major Credit Facility in connection with such release) is paid or given to any holder of Indebtedness under such Major Credit Facility in connection with such release, each holder of a Note shall receive equivalent consideration on a pro rata basis (determined, in respect of revolving credit facilities, based upon the commitment in effect thereunder rather than amounts outstanding thereunder) in connection with such Guarantor's release form its Guaranty of the Indebtedness under this Agreement and the Notes. Without limiting the foregoing, for purposes of further assurance, each of the holders of the Notes agrees to provide to the Company and such Guarantor, if reasonably requested by the Company or such Guarantor and at the Company's expense, written evidence of such discharge and release signed by such holder.

(c) For the purposes of Section 4.19:

(1) "Major Credit Facility" means (a) the Credit Agreement, dated as of September 1, 2002 as amended by a certain Seventh Loan Modification Agreement dated August 25, 2009, providing for committed revolving loans in an aggregate principal amount of up to $30 million, among the Company, the lender listed therein, Bank of America, and (b) any other committed facility or facilities providing in the aggregate credit availability in excess of $25 million to any one or more of the Company and its Subsidiaries, in each case under clauses (a) and (b), as such agreement or facility or facilities may be amended, restated, supplemented or otherwise modified and together with increase, refinancings and replacements thereof, whether such increase, refinancing or replacement includes one or more committed facilities providing such credit availability.

(2) "Required Holders" means, at any time, the Holders of at least 66 2/3% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

SECTION 5. DEFAULT

Section 5.1 Nature of Default.

An "Event of Default" shall exist if any of the following occurs and is continuing:

(a) Principal, Premium or Interest Payments--failure to pay principal or Make Whole Amount on any Note on or before the date the payment is due, or failure to pay interest on any Note on or before the fifth day after the payment is due;

(b) Breach of Particular Covenants--failure to comply with any covenant contained in Sections 4.4 through 4.11 or Section 4.14, 4.15 or 4.17;

(c) Other Breaches--failure to comply with any other provision of this Agreement, which continues for more than 30 days after it first becomes known to the chief executive officer, president, chief financial officer or treasurer of the Company;

(d) Default on Indebtedness or Other Security-- failure by the Company or any Subsidiary to make one or more payments due on aggregate indebtedness exceeding $1,000,000; or any event, other than the giving of a notice of voluntary prepayment, shall occur or any condition shall exist, the effect of which event or condition is to cause (or permit one or more Persons to cause) more than $1,000,000 of aggregate indebtedness or other Securities of the Company or any Subsidiary to become due before its (or their) stated maturity or before its (or their) regularly scheduled dates of payment;

(e) Involuntary Bankruptcy Proceedings, Etc.--a custodian, receiver, liquidator or trustee of the Company or any Subsidiary, or of any of the Property of either, is appointed or takes possession and such appointment or possession remains in effect for more than 60 days; or the Company or any Subsidiary generally fails to pay its debts as they become due; or the Company or any Subsidiary is adjudicated bankrupt or insolvent; or an order for relief is entered under the Federal Bankruptcy Code against the Company or any Subsidiary; or any of the Property of either is sequestered by court order and the order remains in effect for more than 60 days; or a petition is filed against the Company or any Subsidiary 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 60 days after filing;

(f) Voluntary Bankruptcy Proceedings, Etc.--the Company or any Subsidiary files a voluntary petition in bankruptcy or seeking relief under any provision of any 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 consents to the appointment of or taking possession by a custodian, receiver, trustee or liquidator of the Company, or a Subsidiary, or of all or any part of the Property of either; or makes an assignment for the benefit of its creditors;

(g) Warranties or Representations--any warranty, representation or other statement by or on behalf of the Company contained in this Agreement or in any document, certificate or instrument furnished in compliance with or in reference to this Agreement shall prove to have been false or misleading in any material respect on the date as of which it was made; or

(h) Undischarged Final Judgments--a final judgment for the payment of money is outstanding against one or more of the Company and its Subsidiaries and has been outstanding for more than 60 days from the date of its entry and has not been discharged in full or effectively stayed.

Section 5.2 Default Remedies.

(a) Acceleration--If an Event of Default of the type described in Sections 5.1(e) or 5.1(f) shall occur, the, entire outstanding principal amount of the Notes shall automatically become due and payable, without the taking of any action on the part of any holder of the Notes or any other Person and without the giving of any notice with respect thereto. If an Event of Default of the type described in Section 5.1(a) exists, any holder of Notes may, at its option, exercise any right, power or remedy permitted by law, including the right, by notice to the Company, to declare the Notes held by such holder to be immediately due and payable. If any other Event of Default exists, the holder or holders of at least 66-2/3% in outstanding principal amount of the Notes (exclusive of Notes owned by the Company, Subsidiaries and Affiliates) may, at its or their option, exercise any right, power or remedy permitted by law, including the right, by notice to the Company, to declare all the outstanding Notes to be immediately due and payable. Upon each such acceleration, the principal of the Notes declared due or automatically becoming due shall be immediately payable, together with all accrued interest and the Make Whole Amount, if any, applicable thereto, and the Company will immediately make payment, without any presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived.

No course of dealing or delay or failure to exercise any right on the part of any holder of the Notes shall operate as a waiver of such right or otherwise prejudice such holder's rights, powers or remedies. The Company will pay or reimburse the holders of the Notes for all costs and expenses (including reasonable attorneys' fees) incurred by them in collecting any sums due on the Notes or in otherwise enforcing any of their rights.

(b) Annulment of Acceleration--In the event of each declaration or automatic acceleration pursuant to Section 5.2(a), the holder or holders of at least 75% of the outstanding principal amount of the Notes (exclusive of Notes owned by the Company, Subsidiaries and Affiliates) may annul such declaration or automatic acceleration and its consequences if no judgment or decree has been entered for the payment of any amount due pursuant to such declaration or automatic acceleration and if all sums payable under the Notes and under this Agreement (except any principal or interest on the Notes which has become payable solely by reason of such declaration or automatic acceleration) shall have been duly paid.

Section 5.3 Other Remedies.

If any Event of Default or Default shall occur and be continuing, the holder of any Note may proceed to protect and enforce its rights under this Agreement and such Note by exercising such remedies as are available to such holder in respect thereof under applicable law, either by suit in equity or by action at law, or both, whether for specific performance of any covenant or other agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement. No remedy conferred in this Agreement upon any Purchaser or any other holder of any Note is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy conferred herein or now or hereafter existing at law or in equity or by statute or otherwise.

SECTION 6. REPRESENTATIONS, COVENANTS AND WARRANTIES

The Company represents, covenants and warrants as follows:

Section 6.1 Organization, Etc.

(a) Due Organization, Foreign Qualifications, Stock Ownership. The Company is a corporation duly organized and existing in good standing under the laws of the State of Delaware, and is qualified to do business and is in good standing in the States of Florida and Maryland, which are the only jurisdictions where the ownership by it of property or the nature of the business conducted by it makes such qualification necessary. Each Subsidiary of the Company is duly organized and existing in good standing under the laws of the jurisdictions in which it is incorporated. Neither the ownership by any Subsidiary of property or the nature of the business conducted by any Subsidiary requires any Subsidiary to be qualified to do business in any jurisdiction in which it is not already qualified to do business. The names of the Subsidiaries of the Company and the jurisdiction of incorporation of such (i) as of the date of this Agreement are listed on Schedule 6.1(a) hereto, and (ii) as of the date upon when this representation is repeated as provided in Section 1.4(d), as such Schedule may have been updated by the delivery by the Company to the Purchasers of an updated version thereof on or before such date.

(b) Power and Authority. The Company and each of its Subsidiaries has all requisite corporate power to conduct their respective businesses as currently conducted and as currently proposed to be conducted. The Company has all requisite corporate power to execute, deliver and perform its obligations under this Agreement and the Notes. The execution, delivery and performance of the obligations of the Company under this Agreement and the Notes have been duly authorized by all requisite corporate action on the part of the Company. The Company has duly executed and delivered this Agreement, and this Agreement constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms subject, as to enforceability, to applicable laws relating to bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditor's rights generally and subject to general principles of equity. As of each Closing Date, the Company shall have duly executed and delivered the Notes being issued on such Closing Date, and such Notes shall be the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their terms subject, as to enforceability, to applicable laws relating to bankruptcy,

insolvency, reorganization, moratorium, or other similar laws affecting creditor's rights generally and subject to general principles of equity.

Section 6.2 Financial Statements.

The Company has furnished each Purchaser with the following financial statements, identified by a principal financial officer of the Company: (i) a consolidated balance sheet of the Company and its Subsidiaries as at December 31 in each of the five fiscal years of the Company most recently completed prior to the date as of which this representation is made or repeated as provided in Section 1.4(d) (other than fiscal years completed within 90 days prior to such date for which audited financial statements have not been released) and consolidated statements of income, stockholders' equity and cash flows of the Company and its Subsidiaries for each such year, accompanied by the opinion thereon of PricewaterhouseCoopers, L.L.P. for the years 2004 through 2006, and Beard Miller Company LLP (or its successor, ParenteBeard LLC) for the years 2007 and thereafter (or, in the case of financial statements delivered subsequent to the date of this Agreement, accompanied by the opinion thereon of a registered public accounting firm of national standing); and (ii) a consolidated balance sheet of the Company and its Subsidiaries as at the end of each quarterly period ended after December 30, 2009 and prior to the date this representation is made or repeated as provided in Section 1.4(d) (other than quarterly periods completed within 45 days prior to such date for which financial statements have not been released) and consolidated statements of income, stockholders' equity and cash flows for the year-to-date periods ended on each such date, prepared by the Company. Such financial statements (including any related schedules and/or notes) are true and correct in all material respects (subject, as to interim statements, to changes resulting from audits and year-end adjustments), have been prepared in accordance with generally accepted accounting principles consistently followed throughout the periods involved and show all liabilities, direct and contingent, of the Company and its Subsidiaries required to be shown in accordance with such principles. The balance sheets fairly present the condition of the Company and its Subsidiaries as at the dates thereof, and the statements of income, stockholders' equity and cash flows fairly present the results of the operations of the Company and its Subsidiaries and their cash flows for the periods indicated. Since December 31, 2009, there has been no change in the financial condition, operations, business or properties of the Company or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a material adverse effect.

Section 6.3 Actions Pending.

Except as disclosed in the Company's Form 10-K most recently filed with the Securities and Exchange Commission before the date of this Agreement or subsequent Forms 10-Q or Forms 8-K filed with the Securities and Exchange Commission before the date of this Agreement, there is no action, suit, investigation or proceeding pending or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries, or any properties or rights of the Company or any of its Subsidiaries, by or before any court, arbitrator or administrative or governmental body not covered by insurance which could reasonably be expected to result in any material adverse change in the business, condition (financial or otherwise) or operations of the Company and its Subsidiaries taken as a whole.

Section 6.4 Outstanding Indebtedness.

Neither the Company nor any of its Subsidiaries has outstanding any Indebtedness except as not prohibited by Section 4.6. There does not exist any default under the provisions of any instrument evidencing such Indebtedness or of any agreement relating thereto.

Section 6.5 Title to Properties.

The Company has and each of its Subsidiaries has good and marketable title to its respective real properties (other than properties which it leases) and good title to all of its other respective properties and assets, including the properties and assets reflected in the balance sheet as of December 31, 2009 referred to in Section 6.2 (other than properties and assets disposed of in the ordinary course of business or otherwise not in violation of this Agreement (had this Agreement be in effect since December 31, 2009)), subject to no Lien of any kind except Liens permitted by Section 4.8. All leases necessary in any material respect for the conduct of the respective businesses of the Company and its Subsidiaries are valid and subsisting and are in full force and effect.

Section 6.6 Taxes.

The Company has and each of its Subsidiaries has filed all federal, state and other income tax returns which, to the knowledge of the officers of the Company, are required to be filed, and each has paid all taxes as shown on such returns and on all assessments received by it to the extent that such taxes have become due, except such taxes as are being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with generally accepted accounting principles.

Section 6.7 Conflicting Agreements and Other Matters.

Neither the execution nor delivery of this Agreement or the Notes, nor the offering, issuance and sale of the Notes, nor fulfillment of nor compliance with the terms and provisions hereof and of the Notes will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien upon any of the properties or assets of the Company or any of its Subsidiaries pursuant to, the charter or by-laws of the Company or any of its Subsidiaries, any award of any arbitrator or any agreement (including any agreement with stockholders), instrument, order, judgment, decree, statute, law, rule or regulation to which the Company or any of its Subsidiaries is subject. Neither the Company nor any of its Subsidiaries is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of the Company or such Subsidiary, any agreement relating thereto or any other contract or agreement (including its charter) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company of the type to be evidenced by the Notes except as set forth in the agreements listed in Schedule 6.7 attached hereto (i) as of the date of this Agreement and (ii) as of the date upon when this representation is repeated as provided in Section 1.4(d), as such Schedule may have been updated by the delivery by the Company to the Purchasers of an updated version thereof and approved by the Purchasers on or before such date, which approval may not be unreasonably withheld.

Section 6.8 Offering of Notes.

Neither the Company nor any agent acting on its behalf has, directly or indirectly, offered the Notes or any similar security of the Company for sale to, or solicited any offers to buy the Notes or any similar security of the Company from, or otherwise approached or negotiated with respect thereto with, any Person other than institutional investors, and neither the Company nor any agent acting on its behalf has taken or will take any action which would subject the issuance or sale of the Notes to the provisions of Section 5 of the Securities Act or to the provisions of any securities or Blue Sky law of any applicable jurisdiction.

Section 6.9 ERISA.

No accumulated funding deficiency (as defined in section 302 of ERISA and section 412 of the Code), whether or not waived, exists with respect to any Pension Plan (other than a Multiemployer Plan). No liability to the Pension Benefit Guaranty Corporation has been or is expected by the Company or any ERISA Affiliate to be incurred with respect to any Pension Plan (other than a Multiemployer Plan) by the Company, any Subsidiary or any ERISA Affiliate which is or would be materially adverse to the business, condition (financial or otherwise) or operations of the Company and its Subsidiaries taken as a whole. Neither the Company, any Subsidiary nor any ERISA Affiliate has incurred or presently expects to incur any withdrawal liability under Title IV of ERISA with respect to any Multiemployer Plan which is or would be materially adverse to the business, condition (financial or otherwise) or operations of the Company and its Subsidiaries taken as a whole. The execution and delivery of this Agreement and the issuance and sale of the Notes will be exempt from, or will not involve any transaction which is subject to, the prohibitions of section 406 of ERISA and will not involve any transaction in connection with which a penalty could be imposed under section 502(i) of ERISA or a tax could be imposed pursuant to section 4975 of the Code. The representation by the Company in the next preceding sentence is made in reliance upon and subject to the accuracy of each Purchaser's representation in Section 9.5.

Section 6.10 Governmental Consent.

Neither the nature of the Company or of any Subsidiary, nor any of their respective businesses or properties, nor any relationship between the Company or any Subsidiary and any other Person, nor any circumstance in connection with the offering, issuance, sale or delivery of the Notes is such as to require any authorization, consent, approval, exemption or other action by or notice to or filing with any court or administrative or governmental body, including, without limitation, the Maryland State Commission (other than routine filings after the date of closing with the Securities and Exchange Commission and/or state Blue Sky authorities, if any) in connection with the execution and delivery of this Agreement, the offering, issuance, sale or delivery of the Notes or fulfillment of or compliance with the terms and provisions hereof or of the Notes, other than (i) Order No. 7787 of the Public Service Commission of the State of Delaware entered in PSC Docket No. 10-187 dated May 25, 2010, (ii) Order No. PSC-09-0813-FOF-GU of the Florida Public Service Commission entered in Docket No. 090487-GU, dated December 9, 2009 and (iii) subsequent annual orders of the Florida Public Service Commission issued after the date hereof and prior to such Closing Date, which orders have been duly issued, are final and in full force and effect, no appeal, review or contest thereof is pending and the time

for appeal or to seek review or reconsideration thereof has expired. The Company has delivered and will deliver prior to such Closing Date, as the case may be, to each Purchaser true and complete copies of such orders of the Public Service Commission of the State of Delaware and such order of the Florida Public Service Commission.

Section 6.11 Environmental Compliance.

Except as disclosed in the Company's Form 10-K most recently filed with the Securities and Exchange Commission before the date of this Agreement or subsequent Forms 10-Q or Forms 8-K filed with the Securities and Exchange Commission before the date of this Agreement, the Company and its Subsidiaries and all of their respective properties and facilities have complied at all times and in all respects with all federal, state, local and regional statutes, laws, ordinances and judicial or administrative orders, judgments, rulings and regulations relating to protection of the environment except, in any such case, where failure to comply would not reasonably be expected to result in a material adverse effect on the business, condition (financial or otherwise) or operations of the Company and its Subsidiaries taken as a whole.

Section 6.12 Permits and Other Operating Rights.

The Company and each of its Subsidiaries has all such valid and sufficient franchises, licenses, permits, operating rights, certificates of convenience and necessity, other authorizations from federal, state, regional, municipal and other local regulatory bodies or administrative agencies or other governmental bodies having jurisdiction over the Company or any of its Subsidiaries or any of its respective properties, easements and rights-of-way as are necessary for the ownership, operation and maintenance of its respective businesses and respective properties, subject to minor exceptions and deficiencies which do not materially affect its business and operations considered as a whole or any material part thereof, and neither the Company nor any of its Subsidiaries is in violation of any thereof in any material respect.

Section 6.13 Disclosure.

Neither this Agreement nor any other document, certificate or statement furnished to any Purchaser by or on behalf of the Company in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact peculiar to the Company or any of its Subsidiaries which materially adversely affects or in the future may (so far as the Company can now foresee) materially adversely affect the business, property or assets, or financial condition of the Company or any of its Subsidiaries taken as a whole and which has not been set forth in this Agreement or in the other documents, certificates and statements furnished to each Purchaser by or on behalf of the Company prior to the date hereof or prior to such Closing Date, as the case may be, in connection with the transactions contemplated hereby.

Section 6.14 Regulatory Status of Company; Trust Indenture Act.

The Company is not an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended. The Company is not a "holding company" or a "subsidiary company" or an "affiliate" of a "holding company" within the meaning of the Energy Policy Act of 2005, and is not a

"public utility" within the meaning of the Federal Power Act, as amended. By purchasing the Notes, no Purchaser will be (a) a "public utility company," a "holding company" or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company" within the meaning of the Energy Policy Act of 2005, (b) a "transmitting utility" or an "electric utility" within the meaning of the Federal Power Act, as amended, (c) a "public utility" or an "electric utility" under Delaware law, Florida law, Maryland law or the law of any other state or (d) subject to the jurisdiction of the Federal Energy Regulatory Commission, the Public Service Commission of the State of Delaware, the Public Service Commission of the State of Florida or any other commission or person in any other state.

Section 6.15. Foreign Assets Control Regulations, Etc.

(a) The use of the proceeds of the sale of the Notes by the Company hereunder will not violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

(b) Neither the Company nor any Subsidiary (i) is a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti-Terrorism Order or (ii) to its knowledge, engages in any dealings or transactions with any such Person. The Company and its Subsidiaries are in compliance, in all material respects, with the USA Patriot Act.

(c) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

Section 6.16. First Mortgage Indenture.

No Bonds are outstanding. The First Mortgage Indenture has been terminated and discharged and no further Bonds may be issued thereunder.

SECTION 7. INTERPRETATION OF THIS AGREEMENT

Section 7.1 Terms Defined.

As used in this Agreement (including Exhibits and Schedules), the following terms have the respective meanings set forth below or in the Section indicated. Unless the context otherwise requires, (a) words denoting the singular number only shall include the plural and vice versa and (b) references to a gender shall include all genders.

Affiliate--means a Person (other than a Subsidiary) (1) which directly or indirectly controls, or is controlled by, or is under common control with, the Company, (2) which owns 5% or more of the Voting Stock of the Company or (3) 5% or more of the Voting Stock (or in the case of a Person which is not a corporation, 5% or more of the equity interest) of which is owned by the Company or a Subsidiary. The term "control" means the possession, directly or

indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of Voting Stock, by contract or otherwise.

Agreement--means this Note Agreement dated as of June 29, 2010 between the Company and each Purchaser (including Exhibits and Schedules), as amended or modified from time to time.

Anti-Terrorism Order--means Executive Order No. 13,224 of September 24, 2001, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism, 66 U.S. Fed. Reg. 49, 079 (2001), as amended.

Bonds--has the meaning that was specified in the First Mortgage Indenture.

Business Day--means any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed.

Called Principal--means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 2.2(a) or is declared to be due and payable pursuant to Section 2.1(c) or 5.2(a), as the context requires.

Closing Date—means the Series A Closing Date or the Series B Closing Date.

Code--means the Internal Revenue Code of 1986, as amended.

Confidential Information--means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any person acting on such Purchaser's behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser under Section 3.1 that are otherwise publicly available.

Company--Preamble.

Consolidated Fixed Charges--for any period, means the net amount deducted, in determining Consolidated Net Income for such period, for interest on Indebtedness and lease rental expense of the Company and its Subsidiaries.

Consolidated Net Earnings Available for Fixed Charges--for any period, means Consolidated Net Income for such period plus the net amount deducted in the determination thereof for (i) interest on Indebtedness, (ii) lease rental expense and (iii) income taxes.

Consolidated Net Income--for any period, means the gross revenue of the Company and its Subsidiaries determined on a consolidated basis minus all proper expenses (including income taxes) determined on a consolidated basis for such period, but in any event excluding:

(1) any gain or loss on the sale of Investments or fixed assets, and any taxes on such excluded gain or loss;

(2) any proceeds from life insurance;

(3) any portion of the net earnings of any Subsidiary which for any reason is unavailable to pay dividends to the Company or any other Subsidiary;

(4) any gain arising from any write-up or reappraisal of assets;

(5) any deferred or other credit representing the excess of equity of an acquired Person over the amount invested by the Company and its Subsidiaries in such Person;

(6) any gain arising from the acquisition of any Securities of the Company or any Subsidiary;

(7) net earnings of any Person (other than a Subsidiary) in which the Company or any Subsidiary has an ownership interest unless those net earnings have actually been received by the Company or the Subsidiary in the form of cash distributions or, to the extent of their fair market value, in the form of any other freely transferable Property; and

(8) earnings of any Person accrued prior to the date it becomes a Subsidiary or its assets are acquired by the Company or a Subsidiary.

Consolidated Net Worth--means as of any date, the sum of the amounts that would be shown on a consolidated balance sheet of the Company and its Subsidiaries at such date for (i) capital stock, (ii) capital surplus and (iii) retained earnings.

Consolidated Tangible Net Worth--means as of any date Consolidated Net Worth at such date minus the amount at which any assets other than Tangible Assets would be shown on a consolidated balance sheet of the Company and its Subsidiaries at such date.

Consolidated Total Assets--means as of any date the aggregate amount at which the assets of the Company and its Subsidiaries would be shown on a consolidated balance sheet at such date.

Current Indebtedness--with respect to any Person, means all liabilities for borrowed money and all liabilities secured by any Lien existing on Property owned by that Person (whether or not those liabilities have been assumed) which, in either case, are payable on demand or within one year from their creation, plus the aggregate amount of Guaranties by that Person of all such liabilities of other Persons, except:

(1) any liabilities which are renewable or extendible at the option of the debtor to a date more than one year from the date of creation thereof; and

(2) any liabilities which, although payable within one year, constitute principal payments on indebtedness expressed to mature more than one year from the date of its creation.

Default--means an event or condition which will, with the lapse of time or the giving of notice or both, become an Event of Default.

Defined Benefit Plan--means a plan (within the meaning of section 4001(a)(15) of ERISA) that is covered by Title IV of ERISA.

Discounted Value-- means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

Diversification Event--Section 2.1(c).

Energy Policy Act of 2005--means the Energy Policy Act of 2005.

ERISA--means the Employee Retirement Income Security Act of 1974, as amended.

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

Event of Default--Section 5.1.

Exchange Act--means the Securities Exchange Act of 1934, as amended.

Excluded Assets-- means (i) each of the following Subsidiaries or the assets of any of the following Subsidiaries: Sharp Water, Inc.; BravePoint, Inc.; Skipjack, Inc.; Eastern Shore Real Estate, Inc.; aQuality Company, Inc.; Peninsula Pipeline Company, Inc.; Peninsula Energy Services Company, Inc.; and Chesapeake OnSight Services, LLC and (ii) any Subsidiary that the Company may create or acquire after the date hereof which is not (x) a "public utility company," a "holding company" or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company" within the meaning of the Energy Policy Act of 2005 or (y) a "transmitting utility" within the meaning of the Federal Power Act, as amended.

FERC--means the Federal Energy Regulatory Commission or a successor thereto.

Financing Lease--means any lease which is shown or is required to be shown in accordance with generally accepted accounting principles as a liability on a balance sheet of the lessee thereunder.

Financing Lease Obligation--means the obligation of the lessee under a Financing Lease. The amount of a Financing Lease Obligation at any date is the amount at which the lessee's liability under the Lease would be required to be shown on its balance sheet at such date.

First Mortgage Indenture--means the Indenture formerly in effect dated as of December 1, 1959, between Chesapeake Utilities Corporation and Fidelity-Baltimore National Bank, Trustee, as amended and supplemented.

FPU--means Florida Public Utilities Company, a Florida corporation.

FPU Indebtedness--means FPU's 9.57% First Mortgage Bonds due May 1, 2018, 10.03% First Mortgage Bonds due May 1, 2018 and 9.08% First Mortgage Bonds due June 1, 2022, which Indebtedness is described on Schedule 4.6.

Funded Indebtedness--with respect to any Person, means without duplication:

(1) its liabilities for borrowed money, other than Current Indebtedness;

(2) liabilities secured by any Lien existing on Property owned by the Person (whether or not those liabilities have been assumed);

(3) the aggregate amount of Guaranties by the Person, other than Guaranties which constitute Current Indebtedness; and

(4) its Financing Lease Obligations.

Guaranty--with respect to any Person, means all guaranties of, and all other obligations which in effect guaranty, any indebtedness, dividend or other obligation of any other Person (the "primary obligor") in any manner (except any indebtedness or other obligation of any Subsidiary or any Funded Indebtedness of the Company), including obligations incurred through an agreement, contingent or otherwise, by such Person:

(1) to purchase such indebtedness or obligation or any Property constituting security therefor;

(2) to advance or supply funds

(A) for the purchase or payment of such indebtedness or obligation, or

(B) to maintain working capital or any balance sheet or income statement condition;

(C) to lease Property, or to purchase Securities or other Property or services, primarily for the purpose of assuring the owner of such indebtedness or

obligation of the ability of the primary obligor to make payment of the indebtedness or obligation; or

(D) otherwise to assure the owner of such indebtedness or obligation, or the primary obligor, against loss;

but excluding endorsements in the ordinary course of business of negotiable instruments for deposit or collection.

The amount of any Guaranty shall be deemed to be the maximum amount for which such Person may be liable, upon the occurrence of any contingency or otherwise, under or by virtue of the Guaranty.

Indebtedness--means Current Indebtedness and Funded Indebtedness.

Institutional Holder--means a "qualified institutional buyer" as defined in Regulation 230.144A issued pursuant to the Securities Act of 1933, as amended.

Investments--Section 4.13.

Lien--means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether the interest is based on common law, statute or contract (including the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes). The term "Lien" shall not include minor reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions and other minor title exceptions affecting Property, provided that they do not constitute security for a monetary obligation. For the purposes of this Agreement, the Company or a Subsidiary shall be deemed to be the owner of any Property which it has acquired or holds subject to a Financing Lease or a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes, and such retention or vesting shall be deemed to be a Lien.

Make Whole Amount-- means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, *provided* that the Make-Whole Amount may in no event be less than zero.

Notes—means the Series A Notes and the Series B Notes.

Pension Plan--means any "employee pension benefit plan" (as such term is defined in Section 3 of ERISA) maintained by the Company and its Related Persons, or in which employees of the Company or any Related Person are entitled to participate, as from time to time in effect.

Permitted Investments--means:

(1) Investments in any Person outstanding on the date hereof, which are set forth in Schedule 7.1 hereto;

(2) Investments in any Person which is or would immediately thereafter become a Subsidiary or a division of the Company or a Subsidiary, whether by acquisition of stock, indebtedness, other obligation or Security, or by loan, Guaranty, advance, capital contribution, or otherwise;

(3) Investments in cash equivalent short-term investments maturing within one year of acquisition;

(4) Investments in mutual funds which invest only in either money market securities or direct obligations of the United States of America or any of its agencies, or obligations fully guaranteed by the United States of America, which mature within three years from the date acquired;

(5) Investments in related industries;

(6) Direct obligations of the United States of America or any of its agencies, or obligations fully guaranteed by the United States of America, provided that such obligations mature within one year from the date acquired;

(7) Negotiable certificates of deposit maturing within one year from the date acquired and issued by a bank or trust company organized under the laws of the United States or any of its states, and having capital, surplus and undivided profits aggregating at least $100,000,000;

(8) commercial paper rated A-1 or better by Standard & Poor's Corporation on the date of acquisition and maturing not more than 270 days from the date of creation thereof; and

(9) other investments in an aggregate amount not in excess of 20% of Consolidated Net Worth at any one time.

Person--means an individual, partnership, corporation, limited liability company, trust or unincorporated organization, and a government or a governmental agency or political subdivision.

Prepayment Date--Section 2.2(b).

Process Agent--Section 7.4.

Property--means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

PTE--Section 9.5.

Purchaser--Preamble.

Purchase Money Indebtedness--means Indebtedness of the Company which is secured by a Lien on Property of the Company which either existed at the time of the original acquisition of

the Property by the Company or was granted or retained in connection with the acquisition or improvement of the Property by the Company in order to facilitate the financing of such acquisition or improvement.

Reinvestment Yield-- means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on the run U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date.

In the case of each determination under clause (i) or clause (ii), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (a) converting actively traded U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the applicable actively traded U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the applicable actively traded U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

Related Person--means any Person (whether or not incorporated) which is under common control with the Company within the meaning of section 414(c) of the Internal Revenue Code of 1986, as amended, or of section 4001(b) of ERISA.

Remaining Average Life--means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

Remaining Scheduled Payments--means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 2.2(a) or Section 5.2(a).

Required Payment Date--Section 2.1(c).

Restricted Payments--Section 4.9.

Security--shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

Series A Closing Date--means a Business Day on or prior to July 9, 2012 specified as the "Series A Closing Date" in a notice given to the Purchasers of Series A Notes by the Company no less than 30 days prior to the date so specified in such notice as the Series A Closing Date; provided, however that if the Company shall not have given such a notice to the Purchasers on or before June 8, 2012 specifying a Business Day on or prior to July 9, 2012 as the "Series A Closing Date", then the Series A Closing Date will mean July 9, 2012. Any notice given by the Company pursuant to this definition shall be irrevocable. The Company may give only one notice pursuant to this definition and any additional notices that may be given by the Company shall be ineffective.

Series A Default Rate--means the Series A Interest Rate plus 2.00%.

Series A Interest Rate--means (i) 5.28% plus (ii)(a) if the Series A Closing Date is on or before July 8, 2011, 0.40%, or (b) if the Series A Closing Date is after July 8, 2011 but on or before July 9, 2012, 0.85%.

Series A Maturity Date--means the date which is the 15th annual anniversary date of the Series A Closing Date.

Series A Notes--Section 1.1(a).

Series A Principal Amortization Dates--means the dates which are the 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th and 14th annual anniversary dates of the Series A Closing Date.

Series A Semi-Annual Interest Payment Date--means each date which is a numerically corresponding date of the Series A Closing Date in each 6th month anniversary of the Series A Closing Date in each year (provided that if there is no such numerically corresponding date in any such 6th month, then the last date of such 6th month).

Series B Closing Date--means a Business Day on or after the Series A Closing Date and prior to May 3, 2013 specified as the "Series B Closing Date" in a notice given to the Purchasers of Series B Notes by the Company no less than 30 days prior to the date so specified in such notice as the Series B Closing Date; provided, however, that if the Company shall not have given such a notice to the Purchasers on or before April 2, 2013 specifying a Business Day on or after the Series A Closing Date and prior to May 3, 2013 as the "Series B Closing Date", then the Series B Closing Date shall mean May 2, 2013. Any notice given by the Company pursuant to this definition shall be irrevocable. The Company may give only one notice pursuant to this definition and any additional notices that may be given by the Company shall be ineffective.

Series B Default Rate--means the Series B Interest Rate plus 2.00%.

Series B Interest Rate--means (i) 5.28% plus (ii)(a) if the Series B Closing Date is on or before July 8, 2011, 0.40%, (b) if the Series B Closing Date is after July 8, 2011 but on or before July 9, 2012, 0.85%, or (c) if the Series B Closing Date is after July 9, 2012, 1.15%.

Series B Maturity Date--means the date which is the 15th annual anniversary date of the Series B Closing Date.

Series B Notes--Section 1.1(b).

Series B Principal Amortization Dates--means the dates which are the 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th and 14th annual anniversary dates of the Series B Closing Date.

Series B Semi-Annual Interest Payment Date--means each date which is a numerically corresponding date of the Series B Closing Date in each 6th month anniversary of the Series B Closing Date in each year (provided that if there is no such numerically corresponding date in any such 6th month, then the last date of such 6th month).

Settlement Date--means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 2.2(a) or has become or is declared to be immediately due and payable pursuant to Section 2.1(c) or 5.2(a), as the context requires.

Source--Section 9.5.

State Commissions--means the Delaware, Florida and Maryland public utilities commissions or other bodies which regulate the rates of the Company or its Subsidiaries as a natural gas distribution company or otherwise.

Subsidiary--means any corporation organized under the laws of any State of the United States of America, which conducts the major portion of its business in and makes the major portion of its sales to Persons located in the United States of America, and not less than 80% of the total combined voting power of all classes of Voting Stock, and 80% of all other equity securities, of which shall, at the time as of which any determination is being made, be owned by the Company either directly or through Subsidiaries.

Subsidiary Stock--Section 4.10.

Tangible Assets--means all assets except:

(1) deferred assets, other than prepaid insurance and prepaid taxes;

(2) patents, copyrights, trademarks, trade names, franchises, good will, experimental expense and other similar intangibles;

(3) treasury stock;

(4) unamortized debt discount and expense; and

(5) assets located and notes and receivables due from obligors domiciled outside the United States of America or Canada.

Total Capitalization--means at any date, the aggregate amount at that date, as determined on a consolidated basis, of the Funded Indebtedness of the Company and its Subsidiaries, plus Consolidated Net Worth.

USA Patriot Act--means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

Voting Stock--means Securities, the holders of which are ordinarily, in the absence of contingencies, entitled to elect the corporate directors (or Persons performing similar functions).

Wholly-Owned Subsidiary--means any Subsidiary whose financial results are consolidated with the financial results of the Company, and all of the equity Securities of which (except director's qualifying shares) are owned by the Company and/or one or more Wholly-Owned Subsidiaries of the Company.

Section 7.2 Accounting Principles.

The character or amount of any asset or liability or item of income or expense required to be determined under this Agreement and each consolidation or other accounting computation required to be made under this Agreement, shall be determined or made in accordance with generally accepted accounting principles at the time in effect, to the extent applicable, except where such principles are inconsistent with the requirements of this Agreement.

Section 7.3 Directly or Indirectly.

Where any provision in this Agreement refers to any action which any Person is prohibited from taking, the provision shall be applicable whether the action is taken directly or indirectly by such Person, including actions taken by, or on behalf of, any partnership in which such Person is a general partner and all liabilities of such partnerships shall be considered liabilities of such Person under this Agreement.

Section 7.4 Governing Law; Consent to Jurisdiction.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York. The Company irrevocably agrees that any legal action or proceeding with respect to this Agreement or the Notes may be brought in the courts of the State of New York or any court of the United States of America located in the State of New York, and, by execution and delivery of this Agreement, the Company accepts for itself, generally and unconditionally, and agrees to submit to the jurisdiction of each of the above-mentioned courts and irrevocably waives, to the fullest extent permitted by law, any objection which it may now or later have based on venue or *forum non conveniens* with respect to any action instituted therein. The Company hereby irrevocably appoints Corporation Service Company (the "Process Agent"), with an office on the date hereof

at 80 State Street, 6th Floor, Albany, New York 12207-2543, United States, as its agent to receive, on the Company's behalf and on behalf of the Company's property, service of copies of the summons and complaint and any other process which may be served in any such action or proceeding. Such service may be made by mailing or delivering a copy of such process to the Company in care of the Process Agent at the Process Agent's above address, and the Company hereby irrevocably authorizes and directs the Process Agent to accept such service on its behalf.

SECTION 8. PURCHASERS' SPECIAL RIGHTS

Section 8.1 Note Payment.

The Company agrees that, so long as any Purchaser shall hold any Note, it will make payments of principal of, interest on and any Make Whole Amount payable with respect to such Note, which comply with the terms of this Agreement, by wire transfer of immediately available funds for credit (not later than 12:00 noon, New York City time, on the date due) to the account or accounts as specified in the Purchaser Schedule attached hereto or such other account or accounts in the United States as any Purchaser may designate in writing, notwithstanding any contrary provision herein or in any Note with respect to the place of payment. Each Purchaser agrees that, before disposing of any Note, such Purchaser will make a notation thereon (or on a schedule attached thereto) of all principal payments previously made thereon and of the date to which interest thereon has been paid. The Company agrees to afford the benefits of this paragraph 8.1 to any transferee of any Note which shall have made the same agreement as made in this paragraph 8.1.

Section 8.2 Issue Taxes.

The Company will pay all issuance, stamp and similar taxes in connection with the issuance and sale of the Notes to the Purchasers and in connection with any modification of the Notes and will save each Purchaser harmless against any and all liabilities relating to such taxes. The obligations of the Company under this Section 8.2 shall survive the payment of the Notes and the termination of this Agreement.

Section 8.3 Registration of Notes.

The Company will cause to be kept a register for the registration and transfer of the Notes. The names and addresses of the holders of the Notes, and all transfers of and the names and addresses of the transferees of any of the Notes, will be registered in the register. The Person in whose name any Note is registered shall be deemed and treated as the owner thereof for all purposes of this Agreement, and the Company shall not be affected by any notice or knowledge to the contrary.

Section 8.4 Exchange of Notes.

Upon surrender of any Note to the Company, the Company, upon request, will execute and deliver at its expense (except as provided below), new Notes, in denominations of at least $1,000,000 (or, if less, the outstanding principal amount of the surrendered Note), in an aggregate principal amount equal to the outstanding principal amount of the surrendered Note. Each new Note (a) shall be payable to any Person as the surrendering holder may request and (b)

shall be dated and bear interest from the date to which interest has been paid on the surrendered Note or dated the date of the surrendered Note if no interest has been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any transfer.

Section 8.5 Replacement of Notes.

Upon receipt by the Company of evidence reasonably satisfactory to it (provided that if the holder of the Note is an Institutional Holder, its own certification shall be deemed to be satisfactory evidence) of the ownership of and the loss, theft, destruction or mutilation of any Note and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of the Note is an Institutional Holder, its own agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation of the Note,

the Company at its expense will execute and deliver a new Note, dated and bearing interest from the date to which interest has been paid on the lost, stolen, destroyed or mutilated Note or dated the date of the lost, stolen, destroyed or mutilated Note if no interest has been paid thereon.

SECTION 9. MISCELLANEOUS

Section 9.1 Notices.

(a) All notices, requests, demands or other communications under this Agreement or under the Notes will be in writing and will be given by telecopy, telex, first class registered or certified mail (postage prepaid) or personal delivery:

(i) if to any Purchaser or any holder of any Note, in the manner provided in the Purchaser Schedule or in any other manner as such Purchaser or such holder may have most recently advised the Company in writing, or

(ii) if to the Company, at its address shown at the beginning of this Agreement, or at any other address as it may have most recently furnished in writing to each Purchaser and to all other holders of the Notes.

(b) Notice shall be deemed to be given upon the receipt thereof at the notice address specified.

Section 9.2 Payments Due on Non-Business Days.

Anything in this Agreement or the Note to the contrary notwithstanding, any payment of principal of or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day.

Section 9.3 Reproduction of Documents.

This Agreement and all related documents, including (a) consents, waivers and modifications which may subsequently be executed, (b) documents received by each Purchaser at the closing of each Purchaser's purchase of the Notes (except the Notes themselves), and (c) financial statements, certificates and other information previously or subsequently furnished to any Purchaser, may be reproduced by any Purchaser by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process and any Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that any such reproduction shall, to the extent permitted by applicable law, be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not the reproduction was made by any Purchaser in the regular course of business) and that any enlargement, facsimile or further reproduction of the reproduction shall likewise be admissible in evidence.

Section 9.4 Purchase for Investment.

Each Purchaser represents to the Company that such Purchaser (i) is a "qualified institutional buyer" as defined by Rule 144A and (ii) is purchasing the Notes for its own account for investment or for resale under Rule 144A under the Securities Act of 1933, as amended, and with no present intention of distributing or reselling any of the Notes, but without prejudice to such Purchaser's right at all times to sell or otherwise dispose of all or part of the Notes under an effective registration statement under the Securities Act of 1933, as amended, or under a registration exemption available under that Act.

Section 9.5 Source of Funds.

Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by such Purchaser to pay the purchase price of the Notes to be purchased by such Purchaser hereunder:

(a) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("PTE") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners (the "NAIC Annual Statement")) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to

any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part V of PTE 84-14 (the "QPAM Exemption")) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a "plan(s)" (within the meaning of Section IV of PTE 96-23 (the "INHAM Exemption")) managed by an "in-house asset manager" or "INHAM" (within the meaning of Part IV of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of "control" in Section IV(d) of the INHAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 9.5, the terms "employee benefit plan," "governmental plan," and "separate account" shall have the respective meanings assigned to such terms in section 3 of ERISA.

Section 9.6 Successors and Assigns.

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties except that each Purchaser's obligations to purchase the Notes (as provided in Section 1.2) shall be a right which is personal to the Company and such right shall not be transferable or assignable by the Company to any other Person (including successors at law) whether voluntarily or involuntarily. The provisions of this Agreement are intended to be for the benefit of all holders, from time to time, of the Notes, and shall be enforceable by any holder, whether or not an express assignment of rights under this Agreement has been made by any Purchaser or any Purchaser's successor or assign.

Section 9.7 Amendment and Waiver; Acquisition of Notes.

(a) Amendment and Waiver. This Agreement may be amended, and the observance of any term of this Agreement may be waived, with (and only with) the written consent of the Company and the holders of at least 66-2/3% of the outstanding principal amount of the Notes (exclusive of Notes then owned by the Company, Subsidiaries and Affiliates), provided that no amendment or waiver of any of the provisions of Sections 1, 6 and 8 shall be effective as to any holder of the Notes unless consented to by such holder in writing, and provided further, that no amendment or waiver shall, without the written consent of the holders of all the outstanding Notes, (1) subject to Section 5.2(b), change the amount or time of any prepayment, payment of principal or premium or the rate or time of payment of interest, (2) amend Section 5, or (3) amend this Section 9.7(a). Executed or complete and correct copies of any amendment or waiver effected pursuant to the provisions of this Section 9.7(a) shall be delivered by the Company to each holder of outstanding Notes promptly following the date on which the same shall become effective.

(b) Acquisition of Notes. The Company will not, and will cause each Subsidiary and, insofar as it is within its power to do so, each Affiliate not to, directly or indirectly, acquire or make any offer to acquire any Notes unless the Company or such Subsidiary or Affiliate shall contemporaneously offer to acquire Notes, pro rata, from all holders of the Notes and upon the same terms. Any Notes acquired by the Company, any Subsidiary or any Affiliate shall not be considered outstanding for any purpose under this Agreement.

Section 9.8 Duplicate Originals.

Two or more duplicate originals of this Agreement may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument.

Section 9.9 Confidential Information.

Each Purchaser shall maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (a) its directors, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (b) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the

terms of this Section 9.9, (c) any other holder of any Note, (d) any Institutional Holder to which it sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 9.9), (e) any Person from which it offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 9.9), (f) any federal or state regulatory authority having jurisdiction over such Purchaser, (g) the National Association of Insurance Commissioners or the Securities Valuation Office of the National Association of Insurance Commissioners (or any successor to such Office) or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio, or (h) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser's Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 9.9 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 9.9.

[Signatures Follow]

If this Agreement is satisfactory to each Purchaser, please so indicate by signing the acceptance at the foot of a counterpart of this Agreement and return a counterpart to the Company, whereupon this Agreement will become binding between us in accordance with its terms.

Very truly yours,

CHESAPEAKE UTILITIES CORPORATION

By: Beth W. Cooper
Name: Beth W. Cooper
Title: Senior Vice President and CFO

Accepted:

METROPOLITAN LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

NEW ENGLAND LIFE INSURANCE COMPANY

By: Metropolitan Life Insurance Company,
its investment manager

By: _____
Name: _____
Title: _____

If this Agreement is satisfactory to each Purchaser, please so indicate by signing the acceptance at the foot of a counterpart of this Agreement and return a counterpart to the Company, whereupon this Agreement will become binding between us in accordance with its terms.

Very truly yours,

CHESAPEAKE UTILITIES CORPORATION

By: _____
Name: _____
Title: _____

Accepted:

METROPOLITAN LIFE INSURANCE COMPANY

By: _____
Name: John Tanyeri
Title: Director

NEW ENGLAND LIFE INSURANCE COMPANY

By: Metropolitan Life Insurance Company,
its investment manager

By: _____
Name: John Tanyeri
Title: Director

PURCHASER SCHEDULE
Chesapeake Utilities Corporation
Senior Notes

	Aggregate Principal Amount of Series A Notes to be Purchased	Note Denomination(s)
METROPOLITAN LIFE INSURANCE COMPANY 1095 Avenue of the Americas New York, New York 10036-6796 (Securities to be registered in the name of Metropolitan Life Insurance Company)	$26,000,000	$26,000,000

(1) All scheduled payments of principal and interest by wire transfer of immediately available funds to:

Bank Name: JPMorgan Chase Bank
ABA Routing #: [redacted]
Account No.: [redacted]
Account Name: Metropolitan Life Insurance Company
Ref: Chesapeake Utilities Corporation [Interest Rate and Maturity Date of Notes]

with sufficient information to identify the source and application of such funds, including issuer, PPN#, interest rate, maturity and whether payment is of principal, interest, make whole amount or otherwise. For all payments other than scheduled payments of principal and interest, the Company shall seek instructions from the holder, and in the absence of instructions to the contrary, will make such payments to the account and in the manner set forth above.

(2) All notices and communications:

Metropolitan Life Insurance Company
Investments, Private Placements
P.O. Box 1902
10 Park Avenue
Morristown, New Jersey 07962-1902
Attention: Director
Facsimile (973) 355-4250

With a copy **OTHER than with respect to deliveries of financial statements** to:

Metropolitan Life Insurance Company
P.O. Box 1902
10 Park Avenue
Morristown, New Jersey 07962-1902
Attention: Chief Counsel-Securities Investments (PRIV)
Email: sec_invest_law@metlife.com

(3) Original notes delivered to:

Metropolitan Life Insurance Company
Securities Investments, Law Department
P.O. Box 1902
10 Park Avenue
Morristown, New Jersey 07962-1902
Attention: Jane Dickson, Esq.

(4) Taxpayer I.D. Number: 13-5581829

	Aggregate Principal Amount of Series A Notes to be Purchased	Note Denomination(s)
NEW ENGLAND LIFE INSURANCE COMPANY c/o Metropolitan Life Insurance Company 1095 Avenue of the Americas New York, New York 10036-6796 (Securities to be registered in the name of **New England Life Insurance Company**)	$3,000,000	$3,000,000

(1) All scheduled payments of principal and interest by wire transfer of immediately available funds to:

Bank Name: JPMorgan Chase Bank
ABA Routing #: [redacted]
Account No.: [redacted]
Account Name: New England Life Insurance Company
Ref: Chesapeake Utilities Corp. [Interest Rate and Maturity Date of Notes

with sufficient information to identify the source and application of such funds, including issuer, PPN#, interest rate, maturity and whether payment is of principal, interest, make whole amount or otherwise. For all payments other than scheduled payments of principal and interest, the Company shall seek instructions from the holder, and in the absence of instructions to the contrary, will make such payments to the account and in the manner set forth above.

(2) All notices and communications:

NEW ENGLAND LIFE INSURANCE COMPANY
c/o Metropolitan Life Insurance Company
Investments, Private Placements
P.O. Box 1902
10 Park Avenue
Morristown, New Jersey 07962-1902
Attention: Director
Facsimile (973) 355-4250

With a copy **OTHER than with respect to deliveries of financial statements** to:

NEW ENGLAND LIFE INSURANCE COMPANY
c/o Metropolitan Life Insurance Company
10 Park Avenue
Morristown, New Jersey 07962-1902
Attention: Chief Counsel-Securities Investments (PRIV)
Email: sec_invest_law@metlife.com

(3) Original notes delivered to:

NEW ENGLAND LIFE INSURANCE COMPANY
c/o Metropolitan Life Insurance Company
Securities Investments, Law Department
P.O. Box 1902
10 Park Avenue
Morristown, New Jersey 07962-1902
Attention: Jane Dickson, Esq.

(4) Taxpayer I.D. Number: 04-2708937

	Aggregate Principal Amount of Series B Notes to be Purchased	Note Denomination(s)
METROPOLITAN LIFE INSURANCE COMPANY 1095 Avenue of the Americas New York, New York 10036-6796 (Securities to be registered in the name of Metropolitan Life Insurance Company)	$7,000,000	$7,000,000

(1) All scheduled payments of principal and interest by wire transfer of immediately available funds to:

Bank Name: JPMorgan Chase Bank
ABA Routing #: [redacted]
Account No.: [redacted]
Account Name: Metropolitan Life Insurance Company
Ref: Chesapeake Utilities Corporation [Interest Rate and Maturity Date of Notes]

with sufficient information to identify the source and application of such funds, including issuer, PPN#, interest rate, maturity and whether payment is of principal, interest, make whole amount or otherwise. For all payments other than scheduled payments of principal and interest, the Company shall seek instructions from the holder, and in the absence of instructions to the contrary, will make such payments to the account and in the manner set forth above.

(2) All notices and communications:

Metropolitan Life Insurance Company
Investments, Private Placements
P.O. Box 1902
10 Park Avenue
Morristown, New Jersey 07962-1902
Attention: Director
Facsimile (973) 355-4250

With a copy OTHER than with respect to
deliveries of financial statements to:

Metropolitan Life Insurance Company
P.O. Box 1902
10 Park Avenue
Morristown, New Jersey 07962-1902
Attention: Chief Counsel-Securities Investments
(PRIV)
Email: sec_invest_law@metlife.com

(3) Original notes delivered to:

Metropolitan Life Insurance Company
Securities Investments, Law Department
P.O. Box 1902
10 Park Avenue
Morristown, New Jersey 07962-1902
Attention: Jane Dickson, Esq.

(4) Taxpayer I.D. Number: 13-5581829

EXHIBIT A-1

[FORM OF SERIES A NOTE]
CHESAPEAKE UTILITIES CORPORATION

Senior Note, Series A, due [Insert Series A Maturity Date]

No. R-A-_____ PPN: [_____]

$_____ [Date]

CHESAPEAKE UTILITIES CORPORATION, a Delaware corporation (the "Company"), for value received, hereby promises to pay to _____ or registered assigns the principal sum of _____ Dollars ($_____) on [Insert Series A Maturity Date]; and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance hereof from the date of this Note at the rate of [Insert Series A Interest Rate]% per annum, semi-annually on the ___ day of _____ and the ___ day of _____ [Insert Series A Semi-Annual Interest Payment Dates] in each year, commencing on the first such date after the date hereof, until the principal amount hereof shall become due and payable; and to pay on demand interest on any overdue principal (including any overdue prepayment of principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue payment of interest, at a rate per annum from time to time equal to the greater of (i) the Series A Default Rate (as defined in the Note Agreement referred to below) or (ii) the rate of interest publicly announced by JPMorgan Chase Bank, or its successor, from time to time in New York City as its Prime Rate.

Subject to Section 8.1 of the Note Agreement referred to below, payments of principal, premium, if any, and interest shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts by check mailed and addressed to the registered holder hereof at the address shown in the register maintained by the Company for such purpose, or, at the option of the holder hereof, in such manner and at such other place in the United States of America as the holder hereof shall have designated to the Company in writing.

This Note is one of an issue of Series A Notes of the Company issued in an aggregate principal amount limited to $29,000,000 pursuant to the Company's Note Agreement dated as of June 29, 2010 between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. As provided in such Agreement, this Note is subject to prepayment, in whole or in part, with a premium as specified in said Agreement. The Company agrees to make required payments on account of said Notes in accordance with the provisions of said Agreement.

This Note is a registered Note and is transferable only by surrender hereof at the principal office of the Company in Dover, Delaware, duly endorsed or accompanied by a written

instrument of transfer duly executed by the registered holder of this Note or his attorney duly authorized in writing.

Under certain circumstances, as specified in said Agreement, the principal of this Note may be declared due and payable in the manner and with the effect provided in said Agreement.

This Note and said Agreement are governed by and construed in accordance with New York law.

CHESAPEAKE UTILITIES CORPORATION

(CORPORATE SEAL)

By: _____
Name: _____
Title: _____

EXHIBIT A-2

[FORM OF SERIES B NOTE]
CHESAPEAKE UTILITIES CORPORATION

Senior Note, Series B, due [Insert Series B Maturity Date]

No. R-B-_____ PPN: [_____]

$_____ [Date]

CHESAPEAKE UTILITIES CORPORATION, a Delaware corporation (the "Company"), for value received, hereby promises to pay to _____ or registered assigns the principal sum of _____ Dollars ($_____) on [Insert Series B Maturity Date]; and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance hereof from the date of this Note at the rate of [Insert Series B Interest Rate]% per annum, semi-annually on the ___ day of _____ and the ___ day of _____ [Insert Series B Semi-Annual Interest Payment Dates] in each year, commencing on the first such date after the date hereof, until the principal amount hereof shall become due and payable; and to pay on demand interest on any overdue principal (including any overdue prepayment of principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue payment of interest, at a rate per annum from time to time equal to the greater of (i) the Series B Default Rate (as defined in the Note Agreement referred to below) or (ii) the rate of interest publicly announced by JPMorgan Chase Bank, or its successor, from time to time in New York City as its Prime Rate.

Subject to Section 8.1 of the Note Agreement referred to below, payments of principal, premium, if any, and interest shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts by check mailed and addressed to the registered holder hereof at the address shown in the register maintained by the Company for such purpose, or, at the option of the holder hereof, in such manner and at such other place in the United States of America as the holder hereof shall have designated to the Company in writing.

This Note is one of an issue of Series B Notes of the Company issued in an aggregate principal amount limited to $7,000,000 pursuant to the Company's Note Agreement dated as of June 29, 2010 between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. As provided in such Agreement, this Note is subject to prepayment, in whole or in part, with a premium as specified in said Agreement. The Company agrees to make required payments on account of said Notes in accordance with the provisions of said Agreement.

This Note is a registered Note and is transferable only by surrender hereof at the principal office of the Company in Dover, Delaware, duly endorsed or accompanied by a written

instrument of transfer duly executed by the registered holder of this Note or his attorney duly authorized in writing.

Under certain circumstances, as specified in said Agreement, the principal of this Note may be declared due and payable in the manner and with the effect provided in said Agreement.

This Note and said Agreement are governed by and construed in accordance with New York law.

CHESAPEAKE UTILITIES CORPORATION

(CORPORATE SEAL)

By: _____
Name: _____
Title: _____

EXHIBIT B-1

[BAKER & HOSTETLER LLP]

[Applicable Closing Date]

[Applicable Purchasers]

Ladies and Gentlemen:

We have acted as special counsel for Chesapeake Utilities Corporation, a Delaware corporation (the "Company"), in connection with the Note Agreement, dated as of June 29, 2010, between the Company and each of you (the "Note Agreement"), pursuant to which the Company has issued to each of you on the date hereof its ___% Senior Notes, Series __, due _____ in the aggregate principal amount of $_____ (the "Notes"). Unless otherwise defined herein, capitalized terms used herein have the respective meanings specified in the Note Agreement. This letter is being delivered to each of you pursuant to Section 1.4(c) of the Note Agreement.

In rendering the opinions set forth herein, we have reviewed (i) the Note Agreement, (ii) the Notes and (iii) such corporate records, certificates and other documents, and such questions of law, as we have deemed necessary or appropriate for the purposes of this opinion.

We have assumed that all signatures are genuine (other than, in the case of the Note Agreement and the Notes, those of the Company), that all documents submitted to us as originals are authentic and that all copies of documents submitted to us conform to the originals. We also have assumed:

(i) as to factual matters, the accuracy of the warranties and representations contained in the Note Agreement, including the representations of the Purchasers in Section 9.4 of the Note Agreement and in the certificates delivered by officers of the Company pursuant to Section 1.4(d) of the Note Agreement;

(ii) that any authorization, consent, approval, exemption or other action by, or notice to or filing with, any court, administrative or governmental body that is required for the execution and delivery of the Note Agreement and the Notes or the consummation of the transactions contemplated thereby in accordance with the terms thereof (other than to the extent addressed in paragraph 6 below) has been duly obtained or made or shall be timely and duly obtained or made;

(iii) that, other than to the extent addressed in paragraph 7 below, the execution and delivery of the Note Agreement and the Notes, the offering, issuance and sale of the Notes and the consummation by the Company of the transactions contemplated in the Note Agreement and the Notes in accordance with the terms thereof do not violate or contravene any statute, law, rule or regulation or any judgment, order, decree or permit issued by any court, arbitrator or governmental or regulatory authority; and

(iv) that the Note Agreement is a binding and enforceable agreement of each party thereto other than the Company.

We have made no investigation for the purpose of verifying these assumptions.

Where statements in this opinion are qualified by the expression "known to us," such statements refer to the actual knowledge, but not constructive or imputed knowledge, of the attorneys in our firm who have given substantive attention to the transaction that is the subject of this opinion, without any representation or implication that any inquiry has been made with respect to such statements.

Based on the foregoing, and subject to the qualifications and assumptions set forth herein, we are of the opinion that, insofar as the law of the State of New York, the Delaware General Corporation Law (the "DGCL") and the Federal law of the United States of America are concerned:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware.

2. The Company has the corporate power and authority to execute, deliver and perform its obligations under the Note Agreement and the Notes.

3. The Note Agreement and the Notes have been duly authorized by all requisite corporate action and duly executed and delivered by authorized officers of the Company and constitute the valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium, and other similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

4. It is not necessary in connection with the offer, issuance, sale and delivery of the Notes to the Purchasers under the circumstances contemplated by the Note Agreement to register the Notes under the Securities Act of 1933, as amended, or to qualify an indenture in respect of the Notes under the Trust Indenture Act of 1939, as amended.

5. Neither the issuance and the sale of the Notes by the Company nor the use of the proceeds thereof as described in the Note Agreement violates Regulation X of the Board of Governors of the Federal Reserve System or will cause any of the Purchasers to violate Regulation T or U of the Board of Governors of the Federal Reserve System to the extent any of them may be subject thereto.

6. No consent, approval, authorization or other action by or filing with any governmental agency or instrumentality of the State of New York or the United States of America or under the DGCL is required on the part of the Company for the execution and delivery of the Note Agreement and the Notes or for the consummation by the Company of the transactions contemplated thereby, or the performance of its obligations thereunder, in accordance with the terms thereof.

7. The execution and delivery of the Note Agreement and the Notes, the offering, issuance and sale of the Notes and the consummation by the Company of the transactions contemplated thereby, and the performance of its obligations thereunder, in accordance with the terms thereof (i) do not violate the DGCL, any New York or Federal statute, law, rule or regulation to which the Company is subject, or the usury laws of the State of New York or (ii) do not conflict with, breach the terms, conditions or provisions of, or constitute a default under, violate, or result in the creation of any Lien upon any of the properties or assets of the Company pursuant to (A) the Certificate of Incorporation or Bylaws of the Company or (B) any of the instruments or agreements listed on Schedule 6.7 of the Note Agreement.

The foregoing opinion is subject to the following qualifications:

(a) We express no opinion as to:

(i) waivers of the rights to object to venue or other rights or benefits bestowed by operation of law;

(ii) provisions for liquidated damages and penalties, penalty interest and interest on interest, it being understood that the provisions of Section 2.2 and 5.2 of the Note Agreement are not excluded under this clause (ii);

(iii) provisions purporting to require a prevailing party in a dispute to pay attorneys' fees and expenses, or other costs, to a non-prevailing party;

(iv) provisions purporting to supersede equitable principles, including provisions requiring amendments and waivers to be in writing;

(v) provisions purporting to make a party's determination conclusive; or

(vi) exclusive jurisdiction or venue provisions.

(b) We express no opinion with regard to (i) any state securities or Blue Sky laws, (ii) any commodities, insurance or tax laws or (iii) the Employee Retirement Income Security Act of 1974, or any comparable state laws.

(c) Except as addressed in paragraphs 5 and 7(i), we express no opinion as to any legal requirements or restrictions applicable to the Purchasers.

(d) Our opinions in paragraphs 6 and 7(i) above are limited to laws and regulations normally applicable to transactions of the type contemplated by the Note Agreement and do not extend to laws or regulations relating to, or to licenses, permits, approvals and filings necessary for, the conduct of the business of the Company or any of its subsidiaries, including, without limitation, any environmental or public utilities laws or regulations.

We are members of the bars of the District of Columbia and the State of New York. We do not express any opinion herein on any laws other than the laws of the State of New York, the DGCL and the Federal law of the United States.

This letter is given solely for your benefit as Purchasers of Notes and for the benefit of any other person or entity to whom you may transfer any of the Notes. It may not be relied upon by any other person or entity and, except with respect to regulatory authorities exercising jurisdiction over any of you (which shall be deemed to include the National Association of Insurance Commissioners), this opinion may not be disclosed to any other person or entity without our written consent.

Very truly yours,

EXHIBIT B-2

[PARKOWSKI, GUERKE & SWAYZE, P.A.]

[Applicable Closing Date]

[Applicable Purchasers]

Ladies and Gentlemen:

We have acted as special Delaware counsel for Chesapeake Utilities Corporation (the "Company") in connection with the Note Agreement, dated as of June 29, 2010, between the Company and each of you (the "Note Agreement"), pursuant to which the Company has issued to each of you today ___% Senior Notes, Series __, due _____ of the Company in the aggregate principal amount of $_____ (the "Notes"). All terms used herein that are defined in the Note Agreement have the respective meanings specified in the Note Agreement. This letter is being delivered to each of you in satisfaction of the condition set forth in Section 1.4(c) of the Note Agreement and with the understanding that each of you is purchasing the Notes in reliance on the opinions expressed herein.

In this connection, we have examined such certificates of public officials, certificates of officers of the Company and copies certified to our satisfaction of corporate documents and records of the Company and of other papers, and have made such other investigations, as we have deemed relevant and necessary as a basis for our opinion hereinafter set forth. We have relied upon such certificates of public officials and of officers of the Company with respect to the accuracy of material factual matters contained therein which were not independently established. With respect to the opinions expressed in paragraph 3 below, we have also relied upon the representations made by each of you in Sections 9.4 and 9.5 of the Note Agreement.

Based on the foregoing, it is our opinion that:

a. The Company has the corporate power and authority to carry on the business as now being conducted.

b. The execution and delivery of the Note Agreement and the Notes, the offering, issuance and sale of the Notes and fulfillment of and compliance with the respective provisions of the Note Agreement and the Notes will not require any authorization, consent, approval, exemption or other action by or notice to or filing with any Delaware court, Delaware administrative or Delaware governmental body (other than the State of Delaware Public Service Commission (the "Commission") and routine filings after the date hereof with the Securities and Exchange Commission and/or State Blue Sky authorities) pursuant to, any Delaware applicable law (including any securities or Blue Sky law), statute, rule or regulation of the State of Delaware. The Commission has duly entered Order No. 7787, dated May 25, 2010, in PSC Docket No. 10-187. Said order is final and in full force and effect, no appeal, review or contest thereof is pending. It is our opinion that no further action by the Commission is a requirement to execution and delivery of the Note Agreement or the Notes or the offering, issuance or sale of

the Notes or the fulfillment of compliance with the requisite provisions of the Note Agreement and the Notes.

Our opinions may not be relied upon by any person or entity other than each of you, transferees of each of you and Schiff Hardin LLP, your special counsel, in connection with the matters referred to herein.

Our opinions are limited to the laws of the State of Delaware.

Sincerely yours,

[PARKOWSKI, GUERKE & SWAYZE, P.A.]

BY:_____
[William A. Denman, Esq.]

EXHIBIT B-3

DLA Piper LLP
The Marbury Building
6225 Smith Avenue
Baltimore, Maryland 21209-3600
T 410.580.3000
F 410.580.3001
W www.dlapiper.com

[Applicable Closing Date]

[Applicable Purchasers]

Ladies and Gentlemen:

We have acted as special Maryland regulatory counsel for Chesapeake Utilities Corporation (the "Company") in connection with the Note Agreement, dated as of June 29, 2010, between the Company and each of you (the "Note Agreement"), pursuant to which the Company has issued to each of you today ___% Senior Notes, Series __, due _____ of the Company in the aggregate principal amount of $_____ (the "Notes"). All terms used herein that are defined in the Note Agreement have the respective meanings specified in the Note Agreement. This letter is being delivered to each of you with the understanding that each of you is purchasing the Notes in reliance on the opinions expressed herein.

In rendering the opinions set forth herein, we have reviewed (i) a certificate executed by an officer of the Company, dated as of the date hereof (the "Officer's Certificate"), and (ii) such corporate records and other documents, and such questions of law, as we have deemed necessary or appropriate for purposes of this opinion. We assumed that all signatures are genuine, that all documents submitted to us as originals are authentic and that all copies of documents submitted to us conform to the originals. As to any facts material to this opinion which we did not independently establish or verify, we have relied solely upon the Officer's Certificate (attached hereto as Exhibit A).

Based on the foregoing and assuming approval of the subject transaction by the Delaware Public Service Commission in PSC Docket No. 10-187, it is our opinion that:

Maryland law requires the Company to provide prior written notice to the Public Service Commission of Maryland prior to the issuance and sale of the Notes. The Company filed its written notice (Commission Mail Log reference number 123344) and the Public Service Commission of Maryland noted the transaction through a letter order dated June __, 2010. The fulfillment of and compliance with the respective provisions of the Note Agreement and the Notes do not require any further authorization, consent, approval, exemption or other action by or further notice to or filing with any Maryland state administrative or governmental body,

including, without limitation, the Public Service Commission of Maryland, pursuant to any applicable law (including any securities or Blue Sky law), statute, rule, regulation or other requirement of the State of Maryland.

Our opinion may not be relied upon by any person or entity other than each of you, transferees of each of you and Schiff Hardin LLP your special counsel in connection with the matters referred to herein, and neither this opinion nor this opinion letter may be circulated, quoted, or relied upon by any other person for any other purpose without our prior written consent (except to regulatory authorities having jurisdiction over you, including the National Association of Insurance Commissioners).

Very truly yours,

[Brian M. Quinn]

EXHIBIT B-4

[AKERMAN SENTERFITT]

[Applicable Closing Date]

[Applicable Purchasers]

Ladies and Gentlemen:

We have acted as special Florida counsel for Chesapeake Utilities Corporation (the "Company") in connection with the Note Agreement, dated as of June 29, 2010, between the Company and each of you (the "Note Agreement"), pursuant to which the Company has issued to each of you today ___% Senior Notes, Series __, due _____, of the Company, which in the aggregate are in the principal amount of $_____ (the "Notes"). All terms used herein that are defined in the Note Agreement have the respective meanings specified in the Note Agreement. This letter is being delivered to each of you in satisfaction of the condition set forth in Section 1.4(c) of the Note Agreement and with the understanding that each of you is purchasing the Notes in reliance on the opinions expressed herein.

In this connection, we have examined such certificates of public officials, certificates of officers of the Company and copies certified to our satisfaction of corporate documents and records of the Company and of other papers, and have made such other investigations, as we have deemed relevant and necessary as a basis for our opinion hereinafter set forth. We have relied upon such certificates of public officials and of officers of the Company with respect to the accuracy of material factual matters contained therein which were not independently established.

Based on the foregoing, it is our opinion that:

a. The Company is qualified to do business and is in good standing under the laws of the State of Florida.

b. The execution and delivery of the Note Agreement and the Notes, the issuance and sale of the Notes and fulfillment of and compliance with the respective provisions of the Note Agreement and the Notes will not require any authorization, consent, approval, exemption or other action by or notice to or filing with any court, administrative or governmental body (other than the Public Service Commission of the State of Florida) pursuant to any applicable law, statute, rule or regulation of the State of Florida. The Public Service Commission of the State of Florida has duly entered Order No. PSC-09-0813-FOF-GU, dated December 9, 2009, in Docket No. 090487-GU, [refer also to any subsequent annual orders – each of] which order is final and in full force and effect, no appeal, review or contest thereof is pending and the time for appeal or to seek review or reconsideration thereof has expired and no further action by the Public Service Commission of the State of Florida is a requirement to execution and delivery of the Note Agreement or the Notes or the issuance or sale of the Notes or the fulfillment of compliance with the requisite provisions of the Note Agreement and the Notes.

Our opinion may not be relied upon by any person or entity other than each of you, transferees of each of you and Schiff Hardin LLP your special counsel in connection with the matters referred to herein.

Our opinion is limited to the laws of the State of Florida.

Sincerely,

By:_____

[Beth Keating, Esquire
AKERMAN SENTERFITT
850.521.8002 (office direct)]

SCHEDULE 4.6

EXISTING INDEBTEDNESS

The existing principal amount of Indebtedness of the Company and Subsidiaries as of May 31, 2010 is as follows:

Funded Indebtedness:

$ 1,473,000	8.25% Convertible Debentures, Due March 1, 2014
$ 909,091	6.91% Senior Unsecured Note, due October 1, 2010
$ 2,000,000	6.85% Senior Unsecured Note, due January 1, 2012
$ 10,000,000	7.83% Senior Unsecured Note, due January 1, 2015
$ 21,818,182	6.64% Senior Unsecured Notes, due October 31, 2017
$ 20,000,000	5.50% Senior Unsecured Notes, due October 12, 2020
$ 30,000,000	5.93% Senior Unsecured Notes, due October 31, 2023
$ 7,273,000	9.57% Secured First Mortgage Bond, due May 1, 2018
$ 4,000,000	10.03% Secured First Mortgage Bond, due May 1, 2018
$ 8,000,000	9.08% Secured First Mortgage Bond, due June 1, 2022
$ 20,000	Promissory Note of Sharp Energy
$ 275,000	Promissory Note of Sharp Energy

Current Indebtedness:

$ 0	Short-term borrowing under committed line of credit agreement with Bank of America, N.A. ($30,000,000)
$ 0	Short-term borrowing under committed line of credit agreement with PNC Bank, National Association ($30,000,000)
$ 29,100,000	Short-term borrowing under term loan credit facility with PNC Bank, National Association
$ 0	Short-term borrowing under uncommitted line of credit agreement with Bank of America, N.A. ($20,000,000)
$ 0	Short-term borrowing under uncommitted line of credit agreement with PNC Bank, National Association ($20,000,000)

The Company and its Subsidiary noted above are also subject to interest payment liabilities under the foregoing Indebtedness pursuant to the instruments evidencing such Indebtedness.

SCHEDULE 4.8(e)

EXISTING LIENS

The Liens of Property of the Company and Subsidiaries as of May 31, 2010 (other than Liens of the types described in Section 4.8(a)) and the obligations secured thereby are as follows:

The Lien securing the FPU Indebtedness.

$	7,273,000	9.57% Secured First Mortgage Bond, due May 1, 2018
$	4,000,000	10.03% Secured First Mortgage Bond, due May 1, 2018
$	8,000,000	9.08% Secured First Mortgage Bond, due June 1, 2022

SCHEDULE 6.1(a)

SUBSIDIARIES

Subsidiary	Jurisdiction of Incorporation
Eastern Shore Natural Gas Company	Delaware
Skipjack, Inc.	Delaware
Sharpgas, Inc.	Delaware
BravePoint, Inc.	Georgia
Sharp Energy, Inc.	Delaware
Chesapeake Investment Company	Delaware
Chesapeake Service Company	Delaware
Eastern Shore Real Estate, Inc.	Delaware
Xeron, Inc.	Mississippi
Peninsula Pipeline Company, Inc.	Delaware
Chesapeake OnSight Services, LLC	Delaware
Peninsula Energy Services Company, Inc.	Delaware
Florida Public Utilities Company	Florida
Flo-Gas Corporation	Florida

SCHEDULE 6.7

LIST OF AGREEMENTS RESTRICTING DEBT

The contracts or agreements of the Company or a Subsidiary which restrict the right of ability of the Company to issue the Notes or to perform its obligation under the Agreement are as follows:

a. 8.25% Convertible Debentures, due March 1, 2014.

b. 6.91% Senior Unsecured Note, due October 1, 2010, by and between Chesapeake Utilities Corporation and Prudential Insurance Company of America.

c. 6.85% Senior Unsecured Note, due January 1, 2012, by and between Chesapeake Utilities Corporation and Swanbird and Company.

d. 7.83% Senior Unsecured Note, due January 1, 2015, by and between Chesapeake Utilities Corporation and Pacific Life Insurance Company.

e. 6.64% Senior Unsecured Notes, due October 31, 2017, by and between Chesapeake Utilities Corporation, The State Life Insurance Company, Massachusetts Mutual Life Insurance Company, C.M. Life Insurance Company, American United Life Insurance Company and Pioneer Mutual Life Insurance Company.

f. 5.50% Senior Unsecured Notes due October 12, 2020, by and between Chesapeake Utilities Corporation, The Prudential Insurance Company of America, Prudential Retirement Insurance and Annuity Company, and United of Omaha Life Insurance Company.

g. 5.93% Senior Unsecured Notes due October 31, 2023, by and between Chesapeake Utilities Corporation, General American Life Insurance Company and New England Life Insurance Company.

h. 9.57% Secured First Mortgage Bond due May 1, 2018, by and between Florida Public Utilities Company and Allstate Life Insurance Company.

i. 10.03% Secured First Mortgage Bond due May 1, 2018, by and between Florida Public Utilities Company and Allstate Life Insurance Company.

j. 9.08% Secured First Mortgage Bond due June 1, 2022, by and between Florida Public Utilities Company, Continental Bank and First Union National Bank of Florida.

k. $30,000,000 Committed Line of Credit for short-term borrowing, by and between Chesapeake Utilities Corporation and PNC Bank, National Association.

l. $30,000,000 Committed Line of Credit for short-term borrowing, by and between Chesapeake Utilities Corporation and Bank of America, N.A.

m. $29,100,000 Term Loan Credit Facility for short-term borrowing, by and between Chesapeake Utilities Corporation and PNC Bank, National Association.

n. $20,000,000 Uncommitted Line of Credit for short-term borrowing, by and between Chesapeake Utilities Corporation and PNC Bank, National Association.

o. $20,000,000 Uncommitted Line of Credit for short-term borrowing, by and between Chesapeake Utilities Corporation and Bank of America, N.A.

SCHEDULE 7.1

EXISTING INVESTMENTS

The outstanding Investments of the Company and Subsidiaries as of May 31, 2010, are as follows:

1) Rabbi Trust - Investment of $115,981 associated with the acquisition of Xeron, Inc.

2) Rabbi Trust - 401(k) Supplemental Executive Retirement Plan of $1,939,381.

ATTACHMENT 25A
LONG TERM DEBT
REFINANCED

FLORIDA PUBLIC UTILITIES COMPANY

To

SUNTRUST BANK,
Trustee

FIFTEENTH SUPPLEMENTAL INDENTURE

Dated as of November 1, 2001

Providing for the issuance of 4.9% First Mortgage Bonds

and

SUPPLEMENTING AND MODIFYING
THE
INDENTURE OF MORTGAGE AND DEED OF TRUST

Dated as of September 1, 1942

This is a Security Agreement covering Personal Property as well as a Mortgage upon Real Estate and Other Property

THIS FIFTEENTH SUPPLEMENTAL INDENTURE SECURES THE REPAYMENT OF INDUSTRIAL DEVELOPMENT REVENUE BONDS AND IS EXEMPT FROM DOCUMENTARY STAMP TAX AND INTANGIBLE TAX PURSUANT TO SECTION 159.31, FLORIDA STATUTES

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This is a Security Agreement covering Personal Property
as well as a Mortgage upon Real Estate and Other Property

FIFTEENTH SUPPLEMENTAL INDENTURE

THIS FIFTEENTH SUPPLEMENTAL INDENTURE, dated for convenience as of November 1, 2001 (the "*Fifteenth Supplemental Indenture*") between FLORIDA PUBLIC UTILITIES COMPANY, as Debtor (its Federal tax number being 58-0466330), a Florida corporation (hereinafter sometimes called the "*Company*"), whose mailing address is P.O. Box 3395, West Palm Beach, Florida 33402-3395, and the address of its principal place of business is 401 South Dixie Highway, West Palm Beach, Florida 33401, party of the first part, and SUNTRUST BANK (as successor to Continental Illinois National Bank and Trust Co. of Chicago and First National Bank in Palm Beach, hereinafter sometimes called the "*Trustee*"), as Mortgagee and Secured Party (its Federal tax number being 59-1424500), a corporation duly organized and existing under the laws of the State of Georgia, having a place of business at 225 East Robinson Street, Suite 250, P.O. Box 44, Orlando, Florida 32802-0044.

WHEREAS, the Company has heretofore executed and delivered to the Trustee an Indenture of Mortgage and Deed of Trust dated as of September 1, 1942 (hereinafter called the "*Original Indenture*"), to secure, as provided therein, its bonds (in the Original Indenture and herein called the "*Bonds*"), to be designated generally as its "*First Mortgage Bonds*", and to be issued in one or more series as provided in the Original Indenture; and

WHEREAS, the Company has heretofore executed and delivered to the Trustee fourteen indentures supplemental to the Original Indenture as follows: the First Supplemental Indenture dated as of December 1, 1945 (hereinafter sometimes called the "*First Supplemental Indenture*"), the Second Supplemental Indenture dated as of March 1, 1948 (hereinafter sometimes called the "*Second Supplemental Indenture*"), the Third Supplemental Indenture dated as of August 1, 1954 (hereinafter sometimes called the "*Third Supplemental Indenture*"), the Fourth Supplemental Indenture dated as of August 1, 1956 (hereinafter sometimes called the "*Fourth Supplemental Indenture*"), the Fifth Supplemental Indenture dated as of September , 1958 (hereinafter sometimes called the "*Fifth Supplemental Indenture*"), the Sixth Supplemental Indenture dated as of July 1, 1959 (hereinafter sometimes called the "*Sixth Supplemental Indenture*"), the Seventh Supplemental Indenture dated as of June 1, 1963 (hereinafter sometimes called the "*Seventh Supplemental Indenture*"), the Eighth Supplemental Indenture dated as of June 1, 1965 (hereinafter sometimes called the "*Eighth Supplemental Indenture*"), the Ninth Supplemental Indenture dated as of July 1, 1972 (hereinafter sometimes called the "*Ninth Supplemental Indenture*"), the Tenth Supplemental Indenture dated as of July 1, 1975 (hereinafter sometimes called the "*Tenth Supplemental Indenture*"), the Eleventh Supplemental Indenture dated as of June 1, 1983 (hereinafter sometimes called the "*Eleventh Supplemental Indenture*"), the Twelfth Supplemental Indenture dated as of May 1, 1988, the Twelfth Supplemental Indenture dated as of May 1, 1988 (hereinafter sometimes called the "*Twelfth Supplemental Indenture*"), the Thirteenth Supplemental Indenture dated as of June 1,

1992 (hereinafter sometimes called the *"Thirteenth Supplemental Indenture"*) and the Fourteenth Supplemental Indenture dated as of September 1, 2001 (hereinafter sometimes called the *"Fourteenth Supplemental Indenture"*) each of which supplemental indentures provided for the creation of a new series of First Mortgage Bonds and said First, Second, Sixth, Twelfth, Thirteenth and Fourteenth Supplemental Indentures modified certain provisions of the Original Indenture and the First Supplemental Indenture; and

WHEREAS, pursuant to the Original Indenture, as so supplemented and modified, there have been executed, authenticated, delivered and issued and there are outstanding as of the date of execution of this Fifteenth Supplemental Indenture, First Mortgage Bonds of series and principal amounts as follows:

TITLE	ISSUED	OUTSTANDING
10.03% Series due 2018	$ 5,500,000	$ 5,500,000
9.57% Series due 2018	$10,000,00	$10,000,000
9.08% Series due 2022	$ 8,000,000	$ 8,000,000
6.85% Series due 2031	$15,000,000	$15,000,000

which constitute the only Bonds outstanding under the Original Indenture, as supplemented and modified by the First, Second, Sixth, Twelfth, Thirteenth and Fourteenth Supplemental Indentures and as supplemented by the Third, Fourth, Fifth, Seventh, Eighth, Ninth, Tenth and Eleventh Supplemental Indentures; and

WHEREAS, the Board of Directors of the Company has established pursuant to §2.03 of said Original Indenture a new series of Bonds to be designated First Mortgage Bonds, 4.9% Series due 2031 (hereinafter sometimes referred to as the "*Bonds of the 2031 Series*") in the principal amount of Fourteen Million Dollars ($14,000,000) and has authorized the issue of said Bonds pursuant to the provisions of Article 3 of the Original Indenture, as supplemented and modified; and

WHEREAS, §16.01 of the Original Indenture provides, among other things, that the Company may execute and file with the Trustee and the Trustee at the request of the Company shall join in indentures supplemental to the Original Indenture and which thereafter shall form a part thereof, for the purposes, among others describing the terms of any new series of Bonds as established by resolution of the Board of Directors of the Company pursuant to §2.03 of the Original Indenture; and

WHEREAS, the Company proposes to enter into a Loan Agreement (the "Loan Agreement") with Palm Beach County, Florida (the "County") to provide for the payment of a proposed issue by the County of $14,000,000 principal amount of Industrial Development Revenue Bonds (Florida Public Utilities Company Project) Series 2001, dated November 1, 2001 (the "2001 Bonds") issued pursuant to an Indenture of Trust dated as of November 1, 2001 (the "Series 2001 Indenture") between the County and SunTrust Bank, as trustee (the "Series 2001 Trustee"), for the purpose of providing funds to pay the costs of certain gas line

and system improvements of the Company, pursuant to the provisions of Section 159, Part II, Florida Statutes, as amended;

WHEREAS, the Company desires to secured the 2001 Bonds with the Bonds of the 2031 Series (as defined below); and

WHEREAS, the Company desires to execute this Fifteenth Supplemental Indenture and hereby requests the Trustee to join in this Fifteenth Supplemental Indenture for the purpose of describing the terms of the Bonds of the 2031 Series (the Original Indenture, as supplemented and modified by the First, Second, Sixth, Twelfth, Thirteenth and Fourteenth Supplemental Indenture and as supplemented by the Third, Fourth, Fifth, Seventh, Eighth, Ninth, Tenth, Eleventh and this Fifteenth Supplemental Indentures being herein sometimes called the "*Indenture*") and of adding to the covenants and agreements of the Company in the Indenture contained other covenants and agreements hereafter to be observed by the Company; and

WHEREAS, all conditions necessary to authorize the execution, delivery and recording of this Fifteenth Supplemental Indenture and to make this Fifteenth Supplemental Indenture a valid and binding Indenture of Mortgage for the security of the Bonds of the Company issued or to be issued under the Indenture have been complied with or have been done or performed.

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and premium, if any, and interest on all Bonds at any time issued and outstanding under the Indenture, according to their tenor, purport and effect, and to secure the performance and observance of all the covenants and conditions in said Bonds and in the Indenture contained and for and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds of the 2031 Series by the holders or registered owners thereof, and of the sum of One Dollar ($1.00) lawful money of the United States of America duly paid to the Company by the Trustee at or before the ensealing and delivery hereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, Florida Public Utilities Company has executed and delivered this Fifteenth Supplemental Indenture, and has granted, bargained, sold, aliened, remised, released, conveyed, assigned, transferred, mortgaged, pledged, set over and confirmed, and by these presents does grant, bargain, sell, alien, remise, release, convey, assign, transfer, mortgage, pledge, set over and confirm unto SunTrust Bank, a Georgia corporation, as Trustee, and to its successor in the trust, and to its assigns forever, all property real, personal or mixed, described in the Original Indenture and thereby conveyed or mortgaged or intended so to be, including all such property acquired since the execution and delivery of said Original Indenture which by the terms of said Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture, Twelfth Supplemental Indenture, Thirteenth Supplemental Indenture, the Fourteenth Supplemental Indenture and this Fifteenth Supplemental Mortgage is subjected or is intended to be subjected to the lien of the Indenture.

Together with all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid properties or any part thereof, with the reversion and reversions, remainder and remainders, tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid properties and every part and parcel thereof.

Expressly Excepting and Excluding, however, from this Fifteenth Supplemental Indenture and from the lien and operation of the Indenture:

(a) any and all property of the character expressly excepted and excluded from (i) the Original Indenture and from the lien and operation thereof by subdivisions (b) to (h), both inclusive, of Part IX of Schedule A thereto and (ii) the Original Indenture as supplemented and modified by the First, Second, Sixth, Twelfth, Thirteenth and Fourteenth Supplemental Indentures and as supplemented by the Third, Fourth, Fifth, Seventh, Eighth, Ninth, Tenth and Eleventh Supplemental Indentures and from the lien and operation thereof as provided in the Granting Clauses of said First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh, Twelfth and Thirteenth Supplemental Indentures; and

(b) all property which has been released by the Trustee or otherwise disposed of by the Company free from the lien of the Original Indenture, as supplemented and modified by the First, Second, Sixth, Twelfth and Thirteenth Supplemental Indentures and as supplemented by the Third, Fourth, Fifth, Seventh, Eighth, Ninth, Tenth and Eleventh Supplemental Indentures, in accordance with the provisions thereof.

TO HAVE AND TO HOLD all said properties, real, personal and mixed, mortgaged, pledged or conveyed by the Company as aforesaid, or intended so to be, unto the 'Trustee, and their successors in the Trust and their assigns forever.

SUBJECT, HOWEVER, to the exceptions and reservations and matters hereinabove recited; and to any permitted liens as defined in §1.05(a) of the Original Indenture, and liens existing on any property hereafter acquired by the Company at the time of such acquisition and permitted by §5.04 of the Original Indenture, as modified by the First Supplemental Indenture.

IN TRUST, NEVERTHELESS, upon the terms and trusts in the Indenture set forth for the equal and proportionate benefit and security of all present and future holders of the Bonds and coupons issued and to be issued under the Indenture, or any of them, without preference or priority of any said Bonds or coupons over any others thereof, or of the Bonds and coupons of any particular series over the Bonds and coupons of any other series, by reason of priority in the time of issue, sale or negotiation thereof or by reason of the purpose of issue or otherwise howsoever, except as otherwise provided in §9.29 of the Original Indenture.

AND THIS INDENTURE FURTHER WITNESSETH, that the Company for itself and its successors, does hereby covenant and agree to and with the Trustee and their successors in said trust, for the benefit of those who shall hold the Bonds and coupons of any of them, as follows:

ARTICLE 1
BONDS OF THE 2031 SERIES

Section 1.01. Establishment of Bonds of the 2031 Series. There shall be, and is hereby created a new series of Bonds, known as and entitled "*First Mortgage Bonds, 4.9% Series due 2031*", and the form thereof shall be substantially as hereinafter set forth in §1.04 hereof.

The principal amount of the 2031 Series is limited to Fourteen Million Dollars ($14,000,000) in principal amount of such Bonds to be initially issued upon compliance by the Company with the provisions of §3.03 and/or §3.04 of the Original Indenture, as supplemented and modified, and to the Bonds of the 2031 Series issued in exchange or substitution for outstanding Bonds of said Series under the provisions of the Original Indenture and of this Fifteenth Supplemental Indenture.

Section 1.02. Terms of the Bonds of the 2031 Series. The definitive Bonds of the 2031 Series shall be issued only as registered Bonds without coupons of the denomination of $1,000 or any multiple thereof, numbered RN 1 upwards. Notwithstanding the provisions of §2.08 of the Indenture or any other provisions of the Indenture, the date of authentication of the first Bonds of the 2031 Series issued upon original issuance shall be the date of the commencement of the first interest period for Bonds of the 2031 Series. All Bonds of the 2031 Series shall mature November 1, 2031, and shall bear interest at the rate of 4.9% per annum until the payment of the principal thereof, such interest to be payable semi-annually on the business day next preceding the first day of May and on the business day next preceding the first day of November of each year, commencing on the business day next preceding the first day of May 2002; provided, however, that the Company shall receive certain credits against principal and interest as set forth in Article II hereof. Subject to the provisions of Article II below, both principal of and interest on the Bonds of the 2031 Series will be paid 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. Principal of, premium, if any, and interest on Bonds of the 2031 Series will be payable at the principal corporate trust office of the Trustee in the City of Orlando, Florida, except that, in the case of the redemption as a whole at any time of Bonds of the 2031 Series then outstanding, the Company may designate in the redemption notice other offices or agencies at which, at the option of the registered holders, Bonds of the 2031 Series may be surrendered for redemption and payment. Interest on the Bonds of the 2031 Series may be paid by checks payable to the order of the respective holders entitled thereto, and mailed by the Trustee by first class mail, postage prepaid, to such holders at their respective registered addresses as shown on the Bond register for the Bonds of the 2031 Series, in each case to the holder of record on the record date as hereinbelow defined.

The person in whose name any Bond of the 2031 Series is registered at the close of business on any record date (as hereinbelow defined) with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding the cancellation of such Bond of the 2031 Series upon any transfer or exchange thereof (including any exchange effected as an incident to a partial redemption thereof) subsequent to the record date and prior to such interest payment date, except that, if and to the extent that the Company shall default in the payment of the interest due on such interest payment date, then the registered holders of Bonds of the 2031 Series on such record date shall have no further right to or claim in respect of such defaulted interest as such registered holders on such record date, and the persons entitled to receive payment of any defaulted interest thereafter payable or paid on any Bonds of the 2031 Series shall be the registered holders of such Bonds of the 2031 Series on the record date for payment of such defaulted interest. **The term "*record date*" as used in this § 1.02, and in the form of the Bonds of the 2031 Series, with respect to any interest payment date applicable to the Bonds of the 2031 Series, shall mean the October 15 next preceding an interest payment date occurring on a business day next preceding the first day of November, or the April 15 next preceding an interest payment date occurring on a business day next preceding the first day of May, or such record date established for defaulted interest as hereinafter provided.**

In case of failure by the Company to pay any interest when due the claim for such interest shall be deemed, to have been transferred by transfer of any Bond of the 2031 Series registered on the books of the Company and the Company, by not less than 10 days written notice to bondholders, may fix a subsequent record date for determination of holders entitled to payment of such interest. Such provision for establishment of subsequent record date, however, shall in no way affect the rights of bondholders or of the Trustee consequent on any default.

Except as provided in this § 1.02, every Bond of the 2031 Series shall be dated as provided in §2.08 of the Original Indenture. However, so long as there is no existing default in the payment of interest on the Bonds of the 2031 Series, all Bonds of the 2031 Series authenticated by the Trustee between the record date for any interest payment date and such interest payment date shall be dated such interest payment date and shall bear interest from such interest payment date; *provided, however*, that if and to the extent that the Company shall default in the interest due on such interest payment date, then any such Bond of the 2031 Series shall bear interest from the May 1 or November 1, as the case may be, to which interest has been paid, unless such interest payment date is November 1, 2001, in which case from the date of authentication of the first Bonds of the 2031 Series issued upon original issuance. Bonds of the 2031 Series shall be transferable and exchangeable, but only as provided in the Indenture.

Notwithstanding the provisions of §2.06 of the Original Indenture no charge shall be made for any exchange of Bonds of the 2031 Series for other Bonds of the 2031 Series of different authorized denominations or for any transfer of Bonds of the 2031 Series, except that the Company at its option may require the payment of a sum sufficient to reimburse it for any tax or other governmental charge incident thereto.

The Trustee hereunder shall, by virtue of its office as such Trustee, be the registrar and transfer agent of the Company for the purpose of registering and transferring Bonds of the 2031 Series. Neither the Company nor the Trustee shall be required to make transfers or exchanges of Bonds of the 2031 Series for a period of ten days next preceding any designation of Bonds of the 2031 Series to be redeemed and neither the Company nor the Trustee shall be required to make transfers or exchanges of any bonds designated in whole for redemption or that part of any bond designated in part for redemption.

Section 1.03. Redemption Provisions for Bonds of the 2031 Series. The Bonds of the 2031 Series shall only be redeemable at the price and on the conditions stated in the form of bond set forth in Section 1.04 herein.

Section 1.04. Form of Bonds of the 2031 Series. The Bonds of the 2031 Series and the Trustee's authentication certificate to be executed on the Bonds of said Series, shall be in substantially the following form:

[FORM OF FACE OF BOND OF THE 2031 SERIES]

No. RN $14,000,000

FLORIDA PUBLIC UTILITIES COMPANY
Incorporated under the laws of the State of Florida
First Mortgage Bond, 4.9% Series due 2031
Due November 1, 2031

FLORIDA PUBLIC UTILITIES COMPANY, a Florida corporation (hereinafter sometimes called the "*Company*", which term shall include any successor corporation as defined in the Indenture hereinafter mentioned), for value received, hereby promises to pay to Suntrust Bank, as trustee (the "Series 2001 Trustee") under that certain Indenture of Trust dated as of November 1, 2001 by and between Palm Beach County, Florida (the "County") and the Series 2001 Trustee (the 'Series 2001 Indenture"), or registered assigns, Fourteen Million Dollars ($14,000,000) on November 1, 2031, and to pay to the registered owner hereof interest thereon from the interest payment date next preceding the date of this bond (or, if this bond be dated prior to May 1, 2002 from November 1, 2001), at the rate of 4.9% per annum, semiannually on the business day next preceding the first day of May and on the business day next preceding the first day of November in each year, commencing on the business day next preceding the first day of May, 2002.

This bond is issued under that certain Indenture of Mortgage and Deed of Trust dated as of September 1, 1942, duly executed and delivered by the Company to SunTrust Bank (as successor to Continental Illinois National Bank and Trust Co. of Chicago and First National Bank in Palm Beach), as trustee (the "Trustee"), as modified by the First Supplemental Indenture, dated as of December 1, 1945, by the Second Supplemental Indenture, dated as of March 1, 1948, by the Sixth Supplemental Indenture, dated as of July 1, 1959, by the Twelfth Supplemental Indenture, dated as of May 1, 1988, by the Thirteenth Supplemental Indenture, dated as of June 1, 1992, and by the Fourteenth Supplemental Indenture, dated as of September 1, 2001, and as supplemented by all other indentures supplemental thereto including the Fifteenth Supplemental Indenture, dated as of November 1, 2001 (the "Fifteenth Supplemental Indenture") (herein sometimes collectively referred to as the "Indenture")

The principal of, and the premium, if any, and the interest on, this bond will be paid in lawful money of the United States of America at the office of the Trustee in the City of Orlando, Florida, or of its successor in trust, and interest thereon will be paid in like lawful money at said office of the Trustee; *provided, however*, that interest on this bond may be paid (i) by check payable to the order of the registered holder entitled thereto and mailed by the Trustee by first class mail, postage prepaid, to such holder at his address as shown on the bond register for bonds of this series, or (ii) as otherwise provided by an agreement of the Company with such holder complying with Section 6.01 of the Fifteenth Supplemental Indenture; provided, however, that any such payments of principal and interest shall be subject to receipt of certain credits against such payment obligations as set forth in Article II of the Fifteenth Supplemental Indenture.

This bond shall not become or be valid or obligatory for any purpose until the authentication hereon shall have been signed by the Trustee.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, FLORIDA PUBLIC UTILITIES COMPANY has caused these presents to be executed in its name and behalf by its President or a Vice President and its corporate seal to be hereunto affixed and attested by its Secretary or an Assistant Secretary, all as of November 1, 2001.

FLORIDA PUBLIC UTILITIES COMPANY,

By:_____
John T. English,
President and Chief Executive Officer

ATTEST

_____
Jack R. Brown, Secretary

[FORM OF REVERSE OF BOND OF THE 2031 SERIES]

This Bond is one of the bonds, of a series designated as First Mortgage Bonds, 4.9% Series due 2031 (hereinafter sometimes referred to as "*Bonds of the 2031 Series*"), of an authorized issue of bonds of the Company; known as First Mortgage Bonds, not limited as to maximum aggregate principal amount except as otherwise provided in the Indenture, all issued or issuable in one or more series (which several series may be of different denominations, dates and tenor) under and equally secured (except in so far as any sinking fund, improvement fund or other fund established in accordance with the provisions of said Indenture may afford additional security for the bonds of any specific series) by the Indenture. Reference is hereby made to the Indenture for a description of the property mortgaged and pledged as security for said bonds, the rights and remedies of the registered owner of this bond in regard thereto, the terms and conditions upon which said bonds are secured thereby, the terms and conditions upon which said bonds may be issued thereunder and the rights, immunities and obligations of the Trustee under the said Indenture. This bond shall be deemed to be a contract made under the laws of the State of Florida, and for all purposes shall be governed by and construed in accordance with the laws of said State.

The Company has entered into a Loan Agreement with the County to provide for the payment of an issue by the County of its $14,000,000 principal amount of Industrial Development Revenue Bonds (Florida Public Utilities Company Project) Series 2001 (the "Series 2001 Bonds"), issued pursuant to the Series 2001 Indenture, for the purpose of providing funds to pay the costs of certain gas line improvements of the Company, pursuant to Chapter 159, Part II, Florida Statutes, as amended.

All of the Bonds of the 2031 Series have been issued in the name of the Series 2001 Trustee, as trustee under the Series 2001 Indenture, in satisfaction of payments required to be made by the Company pursuant to the Loan Agreement and to evidence its obligations to make such payments.

Subject to the provisions of the Series 2001 Indenture, the Bonds of the 2031 Series shall be subject to redemption prior to maturity as a whole at any time or in part from time to time at the option of the Company on or after November 1, 2008, at the following redemption prices:

Period (Both Date Inclusive)	Redemption Price
November 1, 2008 to October 31, 2009	102%
November 1, 2009 to October 31, 2010	101%
November 1, 2010 and thereafter	100%

Pursuant to the Loan Agreement, the Company has covenanted that it will purchase 2001 Bonds on the death of any registered owner under the conditions and subject to the limitations set forth in **Section 5** of the form of 2001 Bond attached to the Series 2001 Indenture as **Exhibit A**. If the Company shall fail to purchase any 2001 Bond required to be

purchased by it on the death of a registered holder of any 2001 Bond required to be purchased as provided in Section 5 of such form of 2001 Bond, then the Trustee will redeem Bonds of the 2031 Series to the extent of the Company's failure to purchase such 2001 Bond, on the date scheduled for such purchase, at a price equal to 100% of the face principal amount of the Bonds of the 2031 Series so to be redeemed, plus accrued interest to the redemption date.

So long as the trustee under the Series 2001 Indenture is the holder of all the Bonds of the 2031 Series, upon cancellation in full or in part of any of the 2001 Bonds (or provision for payment thereof having been made in accordance with the provisions of the Series 2001 Indenture) and payment of all fees and charges of the trustee thereunder, such trustee may, in lieu of surrendering Bonds of the 2031 Series for redemption and issuance of the Bonds of the 2031 Series, make an appropriate endorsement thereon of the particulars of any such partial redemption and the amount of Bonds of the 2031 Series then remaining outstanding.

The Bonds of the 2031 Series are subject to special mandatory redemption ("Mandatory Redemption on Determination of Taxability"), in whole, or in part as described below, at any time prior to maturity at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the redemption date if on any day within 120 days after the Company receives written notice from a registered owner or former registered owner of a 2001 Bond or the Series 2001 Trustee of a final determination by the Internal Revenue Service or a court of competent jurisdiction that, as a result of a failure by the Company to perform any of its agreements in the Loan Agreement or the inaccuracy of any of its representations in the Loan Agreement or any certificate submitted pursuant to the Series 2001 Indenture, the interest paid or to be paid on any 2001 Bond is or was includable in the gross income of the owner of any such Bond for Federal income tax purposes. No such determination will be considered final unless the registered owner or former registered owner involved in the determination gives the Company, Series 2001 Trustee and the Trustee under the Indenture prompt written notice of the commencement of the proceedings resulting in the determination and offers the Company, subject to the Company's agreeing to pay all expenses of the proceeding and to indemnify such registered owner against all liabilities that might result from it, the opportunity to control the defense of the proceeding, and either the Company does not agree within 30 days to pay the expenses, indemnify such registered owner and control the defense or the Company exhausts or chooses not to exhaust available procedures to contest or obtain review of the result of the proceedings. Fewer than all the Bonds of the 2031 Series may be redeemed if redemption of fewer than all would result in the interest payable on the 2001 Bonds remaining outstanding being not includable in the gross income for Federal income tax purposes of any owner. If fewer than all Bonds of the 2031 Series are to be redeemed, the Trustee will select the Bonds of the 2031 Series to be redeemed by lot as provided in the Indenture or by such other method acceptable to the Trustee as may be specified in an Opinion of Tax Counsel. If this redemption occurs in accordance with the terms of the Series 2001 Indenture, such failure by the Company to perform any of its agreements in the Loan Agreement or inaccuracy of any of its representations in the Loan Agreement or any certificate submitted pursuant to the Series 2001 Indenture shall not in and of itself constitute an Event of Default under the Series 2001 Indenture, the Bonds of the 2031 Series, the 2001 Bonds or the Indenture. Any such

redemptions shall be at a price equal to 100% of the face principal amount of the Bonds of the 2031 Series so to be redeemed, plus accrued interest to the redemption date.

The Company will deliver notice to each holder of the Bonds of the 2031 Series to be redeemed (by telecopy or other same-day written communication confirmed by the recipient, on a date no less than 30 days or more than 60 days prior to the date fixed for redemption of the Bonds of the 2031 Series) of the premium, if any, applicable to such redemption and the calculations, in reasonable detail, used to determined the amount of any such premium.

Prior notice of the redemption of the Bonds of the 2031 Series (unless waived as provided in the Indenture) shall be given by mailing such notice by first class mail, postage prepaid, to the respective registered holders of such bonds not less than thirty (30) nor more than sixty (60) days prior to the redemption date; and otherwise as provided in Article 4 of the Original Indenture.

If this bond or any portion thereof (One Thousand Dollars ($1,000) or a multiple thereof) is called for redemption and payment duly provided for as specified in said Indenture, this bond or such portion thereof that is so redeemed shall cease to be entitled to the lien and security interest of said Indenture from and after the date payment is so provided and shall cease to bear interest from and after the date fixed for redemption.

In the event of the selection for redemption of a portion only of the principal of this bond, payment of the redemption price will be made only (a) upon presentation of this bond for notation hereon of such payment of the portion of the principal of this bond so called for redemption, or (b) upon surrender of this bond in exchange for a bond or bonds in registered form (but only of authorized denominations), for the unredeemed balance of the principal of this bond, or (c) upon issuance of a check or upon the making of a wire transfer in the amount of the portions of the principal amount so redeemed payable to the order of the registered holder entitled thereto and, in the case of a check, mailed by the Trustee by first class mail, postage prepaid, to such holder at his address as shown on the bond register for Bonds of the 2031 Series, provided that in either case the holder shall have entered into an agreement with the Company as required by Section 6.01 of the Fifteenth Supplemental Indenture.

To the extent permitted and as provided in said Indenture, modifications or alterations of said Indenture, or of any indenture supplemental thereto, and of the bonds issued thereunder, and of the rights and obligations of the Company and the rights of the bearers or registered owners of the bonds and coupons, may be made with the consent of the Company and with the written approvals or consents of the bearers or registered owners of not less than seventy-five per centum (75%) in principal amount of the bonds outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum (60%) in principal amount of each series, provided, however, that no such alteration or modification shall, without the written approval or consent of the bearer or registered owner of any bond affected thereby, (a) impair or affect the right of such bearer or registered owner to receive payment of the principal of and premium, if any, and interest on any bond at the specified rate, on or after the respective due dates expressed in any bond, or to institute suit for

the enforcement of any such payment on or after such respective dates, (b) permit the creation of any lien prior to or on a parity with the lien of said Indenture, or (c) reduce the percentage of the principal amount of the bonds upon the approval or consent of the bearers or registered owners of which modifications or alterations may be affected as aforesaid.

This bond is transferable, but only as provided in the Indenture, by the registered owner hereof in person or by his duly authorized attorney, at said office of the Trustee upon surrender of this bond for cancellation, duly endorsed with signature guaranteed, and thereupon a new registered bond or bonds of like aggregate principal amount will be issued to the transferee in exchange herefor, and the registered owner of this bond at his option may surrender the same for cancellation at said office and receive in exchange herefor the same aggregate principal amount of registered bonds of the same series but of other authorized denominations. No charge shall be made for any exchange of bonds of this series for other bonds of different authorized denominations or for any transfer of this bond, except that the Company at its option may require the payment of a sum sufficient to reimburse it for any tax or other governmental charge incident thereto.

Neither the Company nor the Trustee shall be required to make transfers or exchanges of Bonds of the 2031 Series for a period of ten (10) days next preceding any designation of bonds of said series to be redeemed, and neither the Company nor the Trustee shall be required to make transfers or exchanges of any bonds designated in whole for redemption or that part of any bond designated in part for redemption. Subject to the provisions of the Fifteenth Supplemental Indenture, if this bond is surrendered for any transfer or exchange between the record date for any regular interest payment date and such interest payment date, the new bond will be dated such interest payment date. If this bond is surrendered for any transfer or exchange between such record date and such interest payment date, the Fifteeenth Supplemental Indenture provides that in the event of any default in payment of the interest due on such payment date, such interest shall not be payable to the holder of the bond on the original record date but shall be paid to the registered holder of such bond on the subsequent record date established for payment of such defaulted interest.

In case a default as defined in said Indenture shall occur, the principal of this bond may become or be declared due and payable before maturity in the manner and with the effect provided in said Indenture. The holders, however, of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in the cases, to the extent and under the conditions provided in said Indenture, waive past defaults thereunder and the consequences of such defaults.

No recourse shall be had for the payment of the principal of or premiums, if any, or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of said Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor corporation, either directly or through the Company, or such predecessor or successor corporation, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liabilities of incorporators, stockholders, directors and officers, as such,

being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of said Indenture.

[FORM OF ENDORSEMENT OF BONDS OF THE 2031 SERIES WITH RESPECT TO PAYMENTS ON ACCOUNT OF PRINCIPAL]

PAYMENTS ON ACCOUNT OF PRINCIPAL

DATE	AMOUNT PAID	BALANCE OF PRINCIPAL AMOUNT UNPAID	SIGNATURE

[FORM OF AUTHENTICATION CERTIFICATE FOR BONDS OF THE 2031 SERIES

This bond is one of the bonds of the series designated therein, referred to in the within-mentioned Indenture.

SUNTRUST BANK, TRUSTEE,

By: _____
Authorized Officer

Section 1.05. Renewal and Replacement Fund. Notwithstanding the provision of §1.06 of the First Supplemental Indenture, as modified by §2.02 of the Second Supplemental Indenture, that the covenants contained therein shall continue only so long as any of the First Mortgage Bonds, 3-1/4% Series due 1975 (hereinafter sometimes called the "*Bonds of the 1975 Series*") shall remain outstanding, the Company hereby covenants that the covenants

made by the Company in said § 1.06, as so modified, shall also continue so long as any of the Bonds of the 2031 Series shall remain outstanding.

[Section 1.06. Restriction on Payment of Dividends on Common Stock. The Company hereby covenants and agrees that, so long as any Bonds of the 2031 Series remain outstanding, the Company shall not (a) declare or pay any dividend (other than dividends payable in capital stock of the Company), or make any distribution on any shares of Common Stock of the Company, or (b) purchase or otherwise retire for a consideration (other than in exchange for, or from the proceeds of, other shares of capital stock of the Company and other than any class of preferred stock required to be purchased, redeemed or otherwise retired for any sinking or purchase fund for such class of stock) any shares of capital stock of the Company, if the aggregate amount so distributed or expended after December 31, 2000 would exceed the aggregate amount of the Company's net income available for dividends on its Common Stock accumulated after December 31, 2000, plus the sum of $2,500,000.

Net income of the Company available for dividends on its Common Stock for the purpose of this Section shall mean the gross earnings of the Company, less all proper deductions for operating expenses, taxes (including income, excess profits and other taxes based on or measured by income or undistributed earnings or income for the determination of liability in respect of which the amount payable by the Company by way of interest is a deductible item), interest charges and other appropriate items, including provisions for maintenance, and provision for retirements, depreciation or obsolescence in an amount not less than the appropriation for renewals and replacements, as defined in §1.06 of the First Supplemental Indenture as amended by §2.02 of the Second Supplemental Indenture, after provision for all dividends accrued on any outstanding stock of the Company having preference over the Common Stock as to dividends, and otherwise determined in accordance with generally accepted accounting principles, provided, however, that in determining the net income of the Company for the purposes of this Section no deduction or adjustment shall be made for or in respect of (a) expenses in connection with the redemption or retirement of any securities issued by the Company, including any amount paid in excess of the principal amount or par or stated value of securities redeemed or retired or, in the event that such redemption or retirement is effected with the proceeds of sale of other securities of the Company, interest or dividends on the securities redeemed or retired from the date on which the funds required for such redemption or retirement are deposited in trust for such purpose to the date of redemption or retirement; (b) profits or losses from sales of property or other capital assets, or taxes on or in respect of any such profits; (c) any earned surplus adjustment (including tax adjustments) applicable to any period prior to January 1, 2002; and (d) amortization or elimination of utility plant adjustment accounts or other intangibles.]

Section 1.07. Extension of Certain Covenants to Bonds of the 2031 Series. Notwithstanding the provisions of § 1.08 of the First Supplemental Indenture that the covenants contained therein shall continue only so long as any of the Bonds of the 1975 Series shall remain outstanding, the Company hereby covenants that the covenants made by the Company in said § 1.08 as modified by §2.05 of the Second Supplemental Indenture, shall also continue so long as any of the Bonds of the 2031 Series shall remain outstanding.

Section 1.08. Duration of Effectiveness of Article 1. This Article shall be in force and effect only so long as any of the Bonds of the 2031 Series are outstanding.

ARTICLE II
CREDITS WITH RESPECT TO BONDS OF THE 2031 SERIES

Section 2.01 The Company covenants and agrees that it will duly and punctually pay to the Holder of the Bonds of the 2031 Series the principal, premium (if any) and interest of said bonds at the dates and place and in the manner provided in such bonds. Provided, however:

(a) Payments of the principal of, premium, if any, and interest on the 2001 Bonds may be made with moneys in the Bond Fund established pursuant to the Series 2001 Indenture relating to the 2001 Bonds, including any monies in such Fund and constituting proceeds on investments, as provided in the Loan Agreement and the Series 2001 Indenture. Money in said Bond Fund constituting proceeds from the sale of the 2001 Bonds or earnings on investments which have been set aside by the Series 2001 Trustee under the Series 2001 Indenture at the request of the Company for payment of the principal of (whether at maturity or upon redemption), premium, if any, or interest on any 2001 Bond shall be credited against the obligation of the Company to pay the principal of, premium, if any, or interest on Bonds of the 2031 Series.

(b) The principal amount of any of the 2001 Bonds acquired by the Company and delivered to the Series 2001 Trustee shall be credited against the obligation of the Company to pay the principal of the Bonds of the 2031 Series at maturity on November 1, 2031.

The Company shall promptly inform the Trustee of all payments made and credit availed of pursuant to this Section with respect to its obligations on Bonds of the 2031 Series. The Trustee, however, shall not be required to recognize any payment made or credit availed of pursuant to this Section as a payment on the Bonds of the 2031 Series until it shall have received a certificate from the Series 2001 Trustee specifying the amount of such payment or credit and stating that such payment or credit has been applied against payments required on the 2001 Bonds. In addition, the certificate shall specify the interest or principal obligations with respect to which the payment or credit was applied.

ARTICLE 3
ADDITIONAL COVENANTS OF THE COMPANY

Section 3.01. Notwithstanding the provisions of §1.07(4) of the Original Indenture, as modified by §2.05(a) of the First Supplemental Indenture and §2.03 of the Second Supplemental Indenture, that the definition contained in said §1.07(4), as so modified, shall continue so long as any Bonds of the 1975 Series or First Mortgage Bonds, 3-3/4% Series due 1978 (hereinafter sometimes called the "*Bonds of the 1978 Series*") shall be outstanding, the Company hereby covenants that the definition contained in said § 1.07(4) as modified as aforesaid shall also apply to Bonds of the 2031 Series and continue in effect so long as any Bonds of the 2031 Series shall remain outstanding.

Section 3.02. Notwithstanding the provisions of § 1.07(7) of the Original Indenture, as modified by §2.05(c) of the First Supplemental Indenture and §2.04 of the Second Supplemental Indenture, that the definition contained in said §1.07(7), as so modified, shall continue so long as any of the Bonds of the 1975 Series or Bonds of the 1978 Series shall be outstanding, the Company hereby covenants that the definition contained in said § 1.07(7) as modified as aforesaid shall also apply to Bonds of the 2031 Series and continue in effect so long as any Bonds of the 2031 Series shall remain outstanding.

ARTICLE IV
CONCERNING BOND INSURER OF 2001 BONDS

Section 4.01 Payments made by Bond Insurer. In determining whether an event of default has occurred under the Indenture, the Trustee shall not give effect to any payments made by AMBAC Assurance Corporation (the "Bond Insurer"), the issuer of a Financial Guaranty Insurance Policy guaranteeing payment of principal of, and interest on, the 2001 Bonds.

Section 4.02 *Written Consent of the Bond Insurer Required Prior to Certain Amendments to the Indenture; Notice to Rating Agencies.*

(a) In addition to the applicable requirements of the Indenture, the Indenture may be amended from time to time, except with respect to (i) the principal, premium, if any, or interest payable upon the Bonds of the 2031 Series, (ii) the interest payment dates, date of maturity or redemption provisions of the Bonds of the 2031 Series, (iii) the security interest and lien granted under the Indenture, and (iv) this Article IV, without the prior written consent of the Bond Insurer. Nothing herein contained shall require any consent by the Bond Insurer to any supplemental indenture which authorizes the issuance of any new series of bonds under the Indenture, so long as such supplemental indenture does not otherwise amend the Indenture as described in the foregoing provisions of this subsection (a).

(b) In the case of any amendment to the Indenture requiring the prior written consent of the Bond Insurer by virtue of Section 4.01(a) above, written notice of such

amendment shall also be given by the Company to Standard and Poor's Corporation, Moody's Investors Service, Inc., and Fitch Investors Service.

ARTICLE 5
BONDS OUTSTANDING

The total aggregate principal amount of First Mortgage Bonds of the Company issued and outstanding and presently to be issued and outstanding under the provisions of, and secured by the Indenture, will be $53,100,000; namely - $10,000,000 principal amount of First Mortgage Bonds, 9.57% Series due 2018 now issued and outstanding, $5,500,000 principal amount of First Mortgage Bonds, 10.03% Series due 2018 now issued and outstanding, $8,000,000 principal amount of First Mortgage Bonds, 9.08% Series due 2022, $15,000,000 principal amount of First Mortgage Bonds, 6.85% Series due 2031 now issued and outstanding and $14,000,000 principal amount of First Mortgage Bonds, 4.9% Series due 2031 to be issued upon compliance by the Company with the provisions of §3.03, §3.04 and/or §3.05 of the Original Indenture, as supplemented and modified.

ARTICLE 6
SUNDRY PROVISIONS

Section 6.01. The Company may enter into an agreement with the holder of any registered Bond without coupons of any series providing for the payment to such holder of the principal of and the premium, if any, and interest on such Bond or any part thereof at a place other than the offices or agencies therein specified and in a manner specified therein including payment by wire transfer, and for the making of notation, if any, as to principal payments on such Bond by such holder or by an agent of the Company or of the Trustee. The Trustee is authorized to approve any such agreement, and shall not be liable for any act or omission to act on the part of the Company, any such holder or any agent of the Company in connection with any such agreement.

Section 6.02. This Fifteenth Supplemental Indenture is executed and shall be construed as an indenture supplemental to the Original Indenture, as supplemented and modified, and shall form a part thereof, and the Original Indenture, as heretofore supplemented and modified and as hereby supplemented and modified, is hereby ratified, approved and confirmed.

Section 6.03. The recitals contained in this Fifteenth Supplemental Indenture are made by the Company and not by the Trustee and all of the provisions contained in the Indenture, in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect hereof as fully and with like effect as if set forth herein in full.

Section 6.04. Whenever reference is herein in this Fifteenth Supplemental Indenture made to a Section or Article of the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental

Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture, the Twelfth Supplemental Indenture, the Thirteenth Supplemental Indenture and the Fourteenth Supplemental Indenture and such Section or Article has been modified, then such reference shall be to such Section or Article so modified whether or not expressly so stated.

Section 6.05. Nothing in this Fifteenth Supplemental Indenture expressed or implied is intended or shall be construed to give to any person other than the Company, the Trustee, and the holders of the Bonds issued hereunder, any legal or equitable right, remedy or claim under or in respect of the Original Indenture, the First Supplemental Indenture, Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture, Twelfth Supplemental Indenture, the Thirteenth Supplemental Indenture, the Fourteenth Supplemental Indenture or this Fifteenth Supplemental Indenture or any covenant, condition or provision therein or herein or in the Bonds contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Company, the Trustee and the holders of the Bonds and coupons issued hereunder. Provided however, the covenants, conditions and provisions set forth in Article IV hereof shall also be for the benefit and protection of the Bond Insurer.

Section 6.06. The titles of Articles and any wording on the cover of this Fifteenth Supplemental Indenture are inserted for convenience only and are not a part thereof.

Section 6.07. All the covenants, stipulations, promises and agreements in this Fifteenth Supplemental Indenture contained made by or on behalf of the Company or of the Trustee shall inure to and bind their respective successors and assigns.

Section 6.08. Although this Fifteenth Supplemental Indenture is dated for convenience and for the purpose of reference as of November 1, 2001, the actual date or dates of execution by the Company and by the Trustee are as indicated by their respective acknowledgements hereto annexed.

Section 6.09. In order to facilitate the recording or filing of this Fifteenth Supplemental Indenture, the same may be simultaneously executed in several counterparts, each of which shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

Section 6.10. This Fifteenth Supplemental Indenture and each Bond of the 2031 Series shall be deemed to be a contract made under the laws of the State of Florida, and for all purposes shall be governed by and construed in accordance with the laws of said State. Nothing contained in this §6.10 shall be deemed in any manner to impair any of the rights of holders of any bonds previously issued under the Indenture.

IN WITNESS WHEREOF, FLORIDA PUBLIC UTILITIES COMPANY has caused this Fifteenth Supplemental Indenture to be signed in its corporate name and behalf by its President or one of its Vice Presidents and its corporate seal to be hereunto affixed and attested by its Secretary or one of its Assistant Secretaries; and SUNTRUST BANK in token of its acceptance of the trust hereby created has caused this Fifteenth Supplemental Indenture to be signed in its name and behalf by its President or one of its Vice Presidents or Second Vice Presidents and its seal to be hereunto affixed and attested by one of its Trust Officers, in token of its acceptance of the trust; all as of the day and year first above written.

FLORIDA PUBLIC UTILITIES COMPANY

(Corporate Seal)

By: _____
John T. English,
President and Chief Executive Officer

Attest: _____
Jack R. Brown, Secretary

SUNTRUST BANK

(Seal)

By: _____
, Vice President

STATE OF FLORIDA)
) **SS:**
COUNTY OF PALM BEACH)

Before the undersigned, a Notary Public in and for said State and County, duly qualified, commissioned and sworn, personally came JOHN T. ENGLISH and JACK R. BROWN, each to me well known to be the identical persons described in and who executed the foregoing instrument and to be President and Secretary, respectively, of FLORIDA PUBLIC UTILITIES COMPANY, the corporation described in and which executed said instrument; and the said JOHN T. ENGLISH acknowledged and declared that he as President of said corporation and being duly authorized by it, freely and voluntarily, signed its name and caused its corporate seal to be affixed to and executed said instrument in the name of, for and on behalf of said corporation and as and for its act and deed. And the said JACK R. BROWN, acknowledged and declared that he as Secretary of said corporation, being duly authorized by it, freely and voluntarily affixed the corporate seal of said corporation to said instrument and executed and attested said instrument in the name of, for and on behalf of said corporation and as and for its act and deed.

IN TESTIMONY WHEREOF, I do hereunto set my hand and official seal at the City of West Palm Beach in said State and County this _____ day of _____, 2001.

_____
(Notarial Seal)

STATE OF FLORIDA)
) SS:
COUNTY OF ORANGE)

Before the undersigned, a Notary Public in and for said State and County, duly qualified, commissioned and sworn, personally came _____, to me well known to be the identical person described in and who executed the foregoing instrument and to be a Vice President of SUNTRUST BANK described in and which executed said instrument; and the said _____ acknowledged and declared that she as Vice President of said corporation and being duly authorized by it, freely and voluntarily, signed her name and affixed its seal to and executed said instrument in the name of, for and on behalf of said corporation and as and for its act and deed.

IN TESTIMONY WHEREOF, I do here unto set my hand and official seal at the City of Orlando in said State and County this _____ day of _____,2001.

_____
(Notarial Seal)

Indenture of Trust
9/1/01

FLORIDA PUBLIC UTILITIES COMPANY

AND

SUNTRUST BANK

TRUSTEE

INDENTURE OF TRUST

DATED AS OF SEPTEMBER 1, 2001

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THIS INDENTURE OF TRUST, dated as of September 1, 2001, between FLORIDA PUBLIC UTILITIES COMPANY, a corporation organized and existing under the laws of the State of Florida (the "Company"), and SunTrust Bank, as trustee (the "Trustee").

WITNESSETH

WHEREAS, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance of its notes (the "Notes"), to be issued as in this Indenture provided;

WHEREAS, subject to the provisions of Section 5.10 hereof, the Company has issued Pledged First Mortgage Bonds (as hereinafter defined) and has delivered such Pledged First Mortgage Bonds to the Trustee to hold in trust for the benefit of the respective Holders (as hereinafter defined) of the Notes, and, pursuant to the terms and provisions hereof, the Company may deliver additional Pledged First Mortgage Bonds to the Trustee for such purpose or require the Trustee to deliver to the Company for cancellation any and all Pledged First Mortgage Bonds held by the Trustee; and

WHEREAS, all acts and things necessary to make this Indenture a valid agreement according to its terms have been done and performed, and the execution of this Indenture and the issue hereunder of the Notes have in all respects been duly authorized.

NOW THEREFORE, THIS INDENTURE WITNESSETH, that in order to declare the terms and conditions upon which the Notes are, and are to be authenticated, issued and delivered and in consideration of the premises and of the purchase and acceptance of the Notes by the Holders thereof and of the sum of One Dollar duly paid to it by the Trustee at the execution of this Indenture, the receipt whereof is hereby acknowledged, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective Holders of the Notes, as follows:

ARTICLE ONE

DEFINITIONS

SECTION 1.1 GENERAL

The terms defined in this Article One (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Article One.

SECTION 1.2 TRUST INDENTURE ACT

(a) Whenever this Indenture refers to a provision of the Trust Indenture Act of 1939, as amended (the "TIA"), such provision is incorporated by reference in and made a part of this Indenture.

(b) Unless otherwise indicated, all terms used in this Indenture that are defined by the TIA, by reference to another statute or defined by a rule of the SEC (as hereinafter defined) under the TIA shall have the meanings assigned to them in the TIA or such statute or rule as in force on the date of execution of this Indenture.

SECTION 1.3 DEFINITIONS

For purposes of this Indenture, the following terms shall have the following meanings.
AMBAC ASSURANCE:

The term "Ambac Assurance" shall mean Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

AUTHENTICATING AGENT:

The term "Authenticating Agent" shall mean any agent of the Trustee which shall be appointed and acting pursuant to Section 10.15 hereof.

AUTHORIZED AGENT:

The term "Authorized Agent" shall mean any agent of the Company designated as such by an Officers' Certificate delivered to the Trustee.

BOARD OF DIRECTORS:

The term "Board of Directors" shall mean the Board of Directors of the Company or any other duly authorized committee of such Board of Directors.

BOARD RESOLUTION:

The term "Board Resolution" shall mean a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification and delivered to the Trustee.

BONDHOLDERS' CERTIFICATE:

The term "Bondholders' Certificate" shall mean a certificate signed by the inspectors of votes, or any other party performing such duties, of the applicable meeting of the holders of the First Mortgage Bonds issued under the applicable First Mortgage or by the applicable Mortgage Trustee in the case of consents of such holders that are sought without a meeting.

BUSINESS DAY:

The term "Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday that is not a federal holiday.

COMPANY:

The term "Company" shall mean the corporation named as the "Company" in the first paragraph of this Indenture, and its successors and assigns permitted hereunder.

COMPANY ORDER:

The term "Company Order" shall mean a written order signed in the name of the Company by one of the President, any Vice President, the Treasurer or an Assistant Treasurer, and the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee.

CORPORATE TRUST OFFICE OF THE TRUSTEE:

The term "corporate trust office of the Trustee", or other similar term, shall mean the corporate trust office of the Trustee, at which at any particular time its corporate trust business shall be principally administered, which office is at the date of the execution of this Indenture located at 225 East Robinson Street, Suite 250, Orlando, Florida 32802.

DEBT:

The term "Debt" shall mean indebtedness for money borrowed, but shall exclude indebtedness maturing by its terms in twelve months or less from the date of determination.

DEPOSITARY:

The term "Depositary" shall mean, unless otherwise specified in a Company Order pursuant to Section 2.5 hereof, The Depository Trust Company, New York, New York, or any successor thereto registered and qualified under the Securities and Exchange Act of 1934, as amended, or other applicable statute or regulation.

EVENT OF DEFAULT:

The term "Event of Default" shall mean any event specified in Section 8.1 hereof, continued for the period of time, if any, and after the giving of the notice, if any, therein designated.

FINANCIAL GUARANTY INSURANCE:

The term "Financial Guaranty Insurance" shall mean the financial guaranty insurance policy issued by Ambac Assurance insuring the payment when due of the principal of and interest on the Notes as provided therein.

FIRST MORTGAGE:

The term "First Mortgage" shall mean the Indenture of Mortgage and Deed of Trust dated as of September 1, 1942, as supplemented and amended from time to time, from the Company to SunTrust Bank, as successor to Continental Illinois National Bank and Trust Company of Chicago and First National in Palm Beach.

FIRST MORTGAGE BONDS:

The term "First Mortgage Bonds" shall mean all first mortgage bonds issued by the Company and outstanding under the First Mortgage, other than Pledged Bonds.

GLOBAL NOTE:

The term "Global Note" shall mean a Note that pursuant to Section 2.5 hereof is issued to evidence the Notes, that is delivered to the Depositary or pursuant to the instructions of the Depositary and that shall be registered in the name of the Depositary or its nominee.

INDENTURE:

The term "Indenture" shall mean this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented.

INSURANCE TRUSTEE:

The Bank of New York, in New York, New York, as insurance trustee for Ambac Assurance or any successor insurance trustee.

INTEREST PAYMENT DATE:

The term "Interest Payment Date" shall mean (a) each October 1, January 1, April 1 and July 1 during the period any Note is outstanding (provided that the first Interest Payment Date for any Note, the Original Issue Date of which is after a Regular Record Date but prior to the respective Interest Payment Date, shall be the Interest Payment Date following the next succeeding Regular Record Date), (b) the date of maturity of such Note and (c) only with respect to defaulted interest on such Note, the date established by the Trustee for the payment of such defaulted interest pursuant to Section 2.11 hereof.

MATURITY:

The term "maturity," when used with respect to the Notes, shall mean the date on which the principal of the Notes becomes due and payable as therein or herein provided, whether at the stated maturity thereof or by declaration of acceleration, redemption or otherwise.

MORTGAGE:

The term "Mortgage" shall mean and include any mortgage, pledge, lien or security interest.

MORTGAGE TRUSTEE:

The term "Mortgage Trustee" shall mean the Person serving as trustee at the time under the First Mortgage.

NOTE OR NOTES:

The term "Note" or "Notes" shall mean the Notes designated as Florida Public Utilities Company ___% Secured Insured Quarterly Notes due 2031 limited to an aggregate principal amount of $15,000,000, authenticated and delivered under this Indenture, including any Global Note.

NOTEHOLDER:

The term "Noteholder," "Holder of Notes" or "Holder" shall mean any Person in whose name at the time a particular Note is registered on the books of the Trustee kept for that purpose in accordance with the terms hereof.

OFFICERS' CERTIFICATE:

The term "Officers' Certificate" when used with respect to the Company, shall mean a certificate signed by one of the President, any Vice President, the Treasurer or an Assistant Treasurer, and by the Secretary or an Assistant Secretary of the Company.

OPINION OF COUNSEL:

The term "Opinion of Counsel" shall mean an opinion in writing signed by legal counsel reasonably acceptable to the Trustee meeting the applicable requirements of Section 17.5 hereof. If the Indenture requires the delivery of an Opinion of Counsel to the Trustee, the text and substance of which

has been previously delivered to the Trustee, the Company may satisfy such requirement by the delivery by the legal counsel that delivered such previous Opinion of Counsel of a letter to the Trustee to the effect that the Trustee may rely on such previous Opinion of Counsel as if such Opinion of Counsel was dated and delivered the date delivery of such Opinion of Counsel is required. Any Opinion of Counsel may contain conditions and qualifications reasonably satisfactory to the Trustee.

ORIGINAL ISSUE DATE:

The term "Original Issue Date" shall mean for a Note, or portions thereof, the date upon which it, or such portion, was issued by the Company pursuant to this Indenture and authenticated by the Trustee (other than in connection with a transfer, exchange or substitution).

OUTSTANDING:

The term "outstanding," when used with reference to Notes, shall, subject to Section 11.4 hereof, mean, as of any particular time, all Notes authenticated and delivered by the Trustee under this Indenture, except

(a) Notes theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Notes, or portions thereof, for the payment or redemption of which moneys in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Company), provided that if such Notes are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as provided in Article Three, or provisions satisfactory to the Trustee shall have been made for giving such notice;

(c) Notes, or portions thereof that have been paid and discharged or are deemed to have been paid and discharged pursuant to the provisions of this Indenture; and

(d) Notes in lieu of or in substitution for which other Notes shall have been authenticated and delivered, or which have been paid, pursuant to Section 2.7 hereof.

PERMITTED ENCUMBRANCES:

The term "Permitted Encumbrances" shall mean any of the following:

(a) Liens for taxes, assessments or governmental charges or levies for the then current year and taxes, assessments or governmental charges or levies not then delinquent or which thereafter can be paid without penalty or are being contested in good faith; liens for worker's compensation awards and similar obligations not then delinquent or which thereafter can be paid without penalty or are being contested in good faith; liens imposed by law, such as carriers', warehousemen's, landlords', suppliers', mechanics', laborers', materialmen's and other similar liens not then delinquent or which are being contested in good faith;

(b) Liens and charges incidental to construction or current operation which have not at such time been filed or asserted or the payment of which has been adequately secured or which are insignificant in amount;

(c) Liens securing obligations not assumed by the Company and on account of which it has not customarily paid and does not expect to pay interest and existing upon real estate over or in

respect of which the Company has a right of way or other easement or right for pipelines, rights of way, transmission, distribution or similar purposes; provided that the loss of all such easements would not materially adversely affect the operations of the Company;

(d) Any right which the United States of America or any municipal or governmental body or agency may have by virtue of any franchise, license, contract or statute to recapture or to purchase, or designate a purchaser of or order the sale of, any property of the Company upon payment of reasonable compensation therefor, or upon reasonable compensation or conditions to terminate any franchise, license or other rights before the expiration date thereof or to regulate the property and business of the Company;

(e) Liens of judgments covered by insurance, or upon appeal or other proceeding for review, or not exceeding at any one time $1 million in aggregate amount;

(f) Easements or reservations in respect of any property of the Company for the purpose of transmission or distribution lines or other rights-of-way, including overhead and underground transmission and distribution lines and pipelines, or similar purposes, zoning ordinances, regulations, reservations, survey exceptions, building restrictions, covenants, party wall agreements, conditions of records and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character;

(g) Liens on the property of the Company incurred in the ordinary course of business to secure performance of obligations with respect to statutory or regulatory requirements, performance or return-of-money bonds, surety bonds or other obligations of a like nature, in each case which are not incurred in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property;

(h) Pledges or deposits by the Company under workmen's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which the Company is a party, or deposits to secure public or statutory obligations of the Company, or deposits of cash or United States government bonds to secure surety or appeals bonds obtained in the ordinary course of business to which the Company is a party, or deposits as security for taxes (that shall not at the time be delinquent or thereafter can be paid without penalty or are being contested in good faith) or import duties incurred in the ordinary course of business, or deposits for the payment of rent or performance of other obligations under a lease, in each case incurred in the ordinary course of business;

(i) Rights reserved to or vested in any municipality or public authority by the terms of any franchise, grant, license, or governmental consent or permit, or by any provision of law, to acquire, purchase, or recapture at fair value, or to designate a purchaser of such property;

(j) Rights reserved to or vested in any municipality or public authority to use or control or regulate such property;

(k) Any obligations or duties, affecting such property, to any municipality or public authority with respect to any franchise, grant, license or permit;

(l) Exceptions or reservations therefrom of minerals, precious metals, gas, oil, petroleum, hydrocarbons, or any other substances, which exceptions or reservations exist at the time of acquisition by the Company of the property and which do not materially and adversely affect the use made or proposed to be made by it of such property; or

PERSON:

The term "Person" shall mean any individual, corporation, partnership, limited partnership, joint venture, limited liability company, limited liability partnership, association, joint-stock company, trust, unincorporated organization or government or any agent or political subdivision thereof.

PLEDGED FIRST MORTGAGE BONDS:

The term "Pledged First Mortgage Bonds" shall mean the First Mortgage Bonds ____% Series due October 1, 2031 issued under the First Mortgage pledged and delivered by the Company to the Trustee pursuant to Section 5.1 or 5.8 hereof.

PRINCIPAL EXECUTIVE OFFICE OF THE COMPANY:

The term "principal executive office of the Company" shall mean 401 South Dixie Highway, West Palm Beach, Florida 33401, or such other place where the main corporate offices of the Company are located as designated in writing to the Trustee by an Authorized Agent.

PRINCIPAL PROPERTY:

The term "Principal Property" shall mean (i) any interest in real property owned by the Company, and (ii) any asset owned by the Company that is depreciable in accordance with generally accepted accounting principles, provided that such real property interest or other depreciable asset is Utility Property.

REGULAR RECORD DATE:

The term "Regular Record Date" shall mean for an Interest Payment Date for a particular Note the December 15, March 15, June 15 or September 15 next preceding the applicable Interest Payment Date unless such Interest Payment Date is the date of maturity of such Note, in which event, the Regular Record Date shall be the date of maturity of such Note.

RELATED NOTES:

The term "related Notes," when used in reference to Pledged First Mortgage Bonds, shall mean the Notes in respect of which such Pledged First Mortgage Bonds were delivered to the Trustee pursuant to Section 5.8 hereof upon the initial authentication and issuance of such Notes pursuant to Section 2.5 hereof.

RELATED PLEDGED FIRST MORTGAGE BONDS:

The term "related Pledged First Mortgage Bonds," when used in reference to the Notes, shall mean the Pledged First Mortgage Bonds delivered to the Trustee pursuant to Section 5.8 hereof in connection with the authentication and issuance of the Notes pursuant to Section 2.5 hereof.

RESPONSIBLE OFFICER:

The term "responsible officer" or "responsible officers" when used with respect to the Trustee shall mean any officer in the Corporate Trust Administration department of the Trustee, or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by

the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with the particular subject.

SEC:

The term "SEC" shall mean the United States Securities and Exchange Commission or, if at any time hereafter the SEC is not existing or performing the duties now assigned to it under the TIA, then the body performing such duties.

SPECIAL RECORD DATE:

The term "Special Record Date" shall mean, with respect to the Notes, the date established by the Trustee in connection with the payment of defaulted interest on the Notes pursuant to Section 2.11 hereof.

STATED MATURITY:

The term "stated maturity" shall mean, with respect to the Notes, October 1, 2031.

TRUSTEE:

The term "Trustee" shall mean SunTrust Bank and, subject to Article Ten, shall also include any successor Trustee.

U.S. GOVERNMENT OBLIGATIONS:

The term "U.S. Government Obligations" shall mean (i) direct non-callable obligations of, or noncallable obligations guaranteed as to timely payment of principal and interest by, the United States of America or an agency thereof for the payment of which obligations or guarantee the full faith and credit of the United States is pledged or (ii) certificates or receipts representing direct ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clause (i) above, which obligations are held by a custodian in safekeeping in a manner satisfactory to the Trustee.

UTILITY PROPERTY:

The term "Utility Property" shall mean and comprise property of the Company, located in the State of Florida which (except as provided below) is used by or useful to the Company in the business of furnishing (i) electricity or gas for heat, light, power, refrigeration or other use, or (ii) water for domestic, industrial or public use or consumption, or other use, or any other business which is incidental thereto, including all properties necessary or appropriate for purchasing, storing, generating, manufacturing, utilizing, transmitting, supplying, gasifying and/or disposing of all or any part of the foregoing, provided that such property shall be property which the Company under its charter and the laws of Florida shall be lawfully authorized to own and use in the business in connection with which such property is used or to be used by it.

ARTICLE TWO

FORM, ISSUE, EXECUTION, REGISTRATION AND EXCHANGE OF NOTES

SECTION 2.1 FORM GENERALLY

(a) If the Notes are in the form of a Global Note they shall be in substantially the form set forth in Exhibit A to this Indenture, and, if the Notes are not in the form of a Global Note, they shall be in substantially the form set forth in Exhibit B to this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with applicable rules of any securities exchange or of the Depositary or with applicable law, including without limitation, applicable securities laws, or as may, consistently herewith, be determined by the officers executing such Notes, as evidenced by their execution of such Notes.

(b) The definitive Notes shall be typed, printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

SECTION 2.2 FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

The Trustee's certificate of authentication on all Notes shall be in substantially the following form:

Trustee's Certificate of Authentication

This Note is one of the Notes herein designated, described or provided for in the within-mentioned Indenture.

---

as Trustee

By:----------

Authorized Officer

SECTION 2.3 AMOUNT

The aggregate principal amount of Notes that may be authenticated and delivered under this Indenture is limited to $15,000,000.

SECTION 2.4 DENOMINATIONS, DATES, INTEREST PAYMENT AND RECORD DATES

(a) T he Notes shall be issuable in registered form without coupons in denominations of $1,000 and integral multiples thereof or such other amount or amounts as may be authorized by the Board of Directors or a Company Order pursuant to a Board Resolution or in one or more indentures supplemental hereto; provided, however, that the principal amount of a Global Note shall not exceed $15,000,000.

(b) Each Note shall be dated and issued as of the date of its authentication by the Trustee and shall bear an Original Issue Date; each Note issued upon transfer, exchange or substitution of a Note shall bear the Original Issue Date of such transferred, exchanged or substituted Note.

(c) Each Note shall bear interest from the later of (1) its Original Issue Date (or, if pursuant to Section 2.13 hereof, a Global Note has two or more Original Issue Dates, interest shall, beginning on each such Original Issue Date, begin to accrue for that part of the principal amount of such Global Note to which that Original Issue Date is applicable), or (2) the most recent date to which interest has been paid or duly provided for with respect to such Note until the principal of such Note is paid or made available for payment, and interest on each Note shall be payable on each Interest Payment Date after the Original Issue Date.

(d) The Notes shall mature October 1, 2031. The principal amount of the outstanding Notes shall be payable on the maturity date.

(e) Interest on the Notes shall be calculated on the basis of a 360-day year of twelve 30-day months and shall be computed at a fixed rate until the maturity of the Notes. Unless otherwise specified in a Company Order pursuant to Section 2.5 hereof, principal, interest and premium, if any, on the Notes shall be payable in the currency of the United States.

(f) Except as provided in the following sentence, the Person in whose name any Note is registered at the close of business on any Regular Record Date or Special Record Date with respect to an Interest Payment Date for such Note shall be entitled to receive the interest payable on such Interest Payment Date notwithstanding the cancellation of the Note upon any registration of transfer, exchange or substitution of the Note subsequent to such Regular Record Date or Special Record Date and prior to such Interest Payment Date. Any interest payable at maturity shall be paid to the Person to whom the principal of such Note is payable.

(g) Promptly after each Regular Record Date that is not a date of maturity, the Trustee shall furnish to the Company a notice setting forth the total amount of the interest payments to be made on the applicable Interest Payment Date, and to the Depositary a notice setting forth the total amount of interest payments to be made on Global Notes on such Interest Payment Date. The Trustee (or any duly selected paying agent) shall provide to the Company during each month that precedes an Interest Payment Date a list of the principal, interest and premium, if any, to be paid on Notes on such Interest Payment Date and to the Depositary a list of the principal, interest and premium, if any, to be paid on Global Notes on such Interest Payment Date. Promptly after the first Business Day of each month, the Trustee shall furnish to the Company a written notice setting forth the aggregate principal amount of the Global Notes. The Trustee, as long as it is paying agent, shall assume responsibility for withholding taxes on interest paid as required by law except with respect to any Global Note.

SECTION 2.5 EXECUTION, AUTHENTICATION, DELIVERY AND DATING

(a) The Notes shall be executed on behalf of the Company by one of the President, any Vice President, the Treasurer or an Assistant Treasurer of the Company and attested by the Secretary or an Assistant Secretary of the Company. The signature of any of these officers on the Notes may be manual or facsimile.

(b) Notes bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall continue to be valid obligations of the Company,

notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

(c) The Company may deliver Notes executed by the Company to the Trustee for authentication, together with or preceded by a Company Order for the authentication and delivery of such Notes, and the Trustee in accordance with any such Company Order shall authenticate and deliver such Notes. Prior to authenticating any Notes, and in accepting the additional responsibilities under this Indenture in relation to the Notes, the Trustee shall receive from the Company the following at or before the issuance of the Notes, and (subject to Section 10.1 hereof) shall be fully protected in relying upon:

(1) A Board Resolution authorizing such Company Order;

(2) an Opinion of Counsel stating substantially the following, subject to customary qualifications and exceptions:

(A) that this Indenture has been duly authorized, executed and delivered by the Company and constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws of general application relating to or affecting the enforcement of creditors' rights and the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity) and except as enforcement of provisions of the Indenture may be limited by state laws affecting the remedies for the enforcement of the security provided for in the Indenture;

(B) that the issuance of the First Mortgage Bonds that service and secure the payment of the principal and interest in respect of such Notes has been duly authorized, executed and delivered, and that such Pledged First Mortgage Bonds and the applicable First Mortgage are valid and binding obligations of the Company, enforceable in accordance with their terms, except to the extent that enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws of general application relating to or affecting the enforcement of creditors' rights and the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity) and except as enforcement of provisions thereof may be limited by state laws affecting the remedies for the enforcement of the security provided for in the First Mortgage; and that such Pledged First Mortgage Bonds are entitled to the benefit of the applicable First Mortgage, equally and ratably, with all First Mortgage Bonds and other Pledged First Mortgage Bonds (if any) outstanding under the applicable First Mortgage, except as to sinking fund provisions;

(C) that the Indenture and the First Mortgage are qualified to the extent necessary under the TIA;

(D) that such Notes have been duly authorized and executed by the Company, and when authenticated by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and binding obligations of the Company, enforceable in accordance with their terms, except to the extent that enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws of general application relating to or affecting the enforcement of creditors' rights and the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity) and except as enforcement of provisions of this Indenture may be limited by state laws affecting the remedies for the enforcement of the security provided for in this Indenture;

(D) that the issuance of the Notes and the delivery by the Company of the Pledged First Mortgage Bonds in connection therewith will not result in any default under this Indenture, the First Mortgage or any other contract, indenture, loan agreement or other instrument to which the Company is a party or by which it or any of its property is bound;

(F) that all consents or approvals of the Florida Public Service Commission (or any successor agency) and of any other federal or state regulatory agency required in connection with the Company's execution and delivery of this Indenture, such Notes and any Pledged First Mortgage Bonds have been obtained and are not withdrawn (except that no statement need be made with respect to state securities laws); and

(G) that the First Mortgage and all financing statements have been duly filed and recorded in all places where such filing or recording is necessary for the perfection or preservation of the lien of the First Mortgage and the First Mortgage constitutes a valid and perfected first lien upon the property purported to be covered thereby, subject only to permitted encumbrances (as defined in the First Mortgage).

(3) an Officers' Certificate stating that (i) the Company is not, and upon the authentication by the Trustee of such Notes will not be, in default under any of the terms or covenants contained in this Indenture, (ii) all conditions that must be met by the Company to issue Notes under this Indenture have been met, and (iii) the Pledged First Mortgage Bonds securing the Notes pledged or being pledged to the Trustee meets the requirements of Section 5.10 hereof.

(d) No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Trustee by the manual signature of an authorized officer, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture.

SECTION 2.6 EXCHANGE AND REGISTRATION OF TRANSFER OF NOTES

(a) Subject to Section 2.13 hereof, Notes may be exchanged for one or more new Notes of any authorized denominations and of a like aggregate principal amount and stated maturity and having the same terms and Original Issue Date. Notes to be exchanged shall be surrendered at any of the offices or agencies to be maintained pursuant to Section 7.2 hereof and the Trustee shall deliver in exchange therefor the Note or Notes which the Noteholder making the exchange shall be entitled to receive.

(b) The Company hereby appoints the Trustee registrar for the Notes. The Trustee shall keep, at one of said offices or agencies, a register or registers in which, subject to such reasonable regulations as it may prescribe, the Trustee shall register or cause to be registered Notes and shall register or cause to be registered the transfer of Notes as in this Article Two provided. Such register shall be in written form or in any other form capable of being converted into written form within a reasonable time. At all reasonable times, such register shall be open for inspection by the Company. Upon due presentment for registration of transfer of any Note at any such office or agency, the Company shall execute and the Trustee shall register, authenticate and deliver in the name of the transferee or transferees one or more new Notes of any authorized denominations and of a like aggregate principal amount and stated maturity and having the same terms and Original Issue Date.

(c) All Notes presented for registration of transfer or for exchange, redemption or payment shall be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and the Trustee and duly executed by the Holder or the attorney in fact of such Holder duly authorized in writing.

(d) No service charge shall be made for any exchange or registration of transfer of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

(e) The Trustee shall not be required to exchange or register a transfer of any Notes selected, called or being called for redemption, except, in the case of any Note to be redeemed in part, the portion thereof not to be so redeemed.

(f) If the principal amount, and applicable premium, if any, of part, but not all, of a Global Note is paid, then upon surrender to the Trustee of such Global Note, the Company shall execute, and the Trustee shall authenticate, deliver and register, a Global Note in an authorized denomination in aggregate principal amount equal to, and having the same terms and Original Issue Date as, the unpaid portion of such Global Note.

SECTION 2.7 MUTILATED, DESTROYED, LOST OR STOLEN NOTES

(a) If any temporary or definitive Note shall become mutilated or be destroyed, lost or stolen, the Company shall execute, and upon its request the Trustee shall authenticate and deliver, a new Note of like form and principal amount and having the same terms and Original Issue Date and bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. In every case the applicant for a substituted Note shall furnish to the Company, the Trustee and any paying agent or Authenticating Agent such security or indemnity as may be required by them to save each of them harmless, and, in every case of destruction, loss or theft of a Note, the applicant shall also furnish to the Company and to the Trustee evidence to their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof.

(b) The Trustee shall authenticate any such substituted Note and deliver the same upon the written request or authorization of any officer of the Company. Upon the issuance of any substituted Note, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. If any Note which has matured, is about to mature, has been redeemed or called for redemption shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note) if the applicant for such payment shall furnish to the Company, the Trustee and any paying agent or Authenticating Agent such security or indemnity as may be required by them to save each of them harmless and, in case of destruction, loss or theft, evidence satisfactory to the Company and the Trustee of the destruction, loss or theft of such Note and of the ownership thereof.

(c) Every substituted Note issued pursuant to this Section 2.7 by virtue of the fact that any Note is mutilated, destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not such destroyed, lost or stolen Note shall be found at any time, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder. All Notes shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of

mutilated, destroyed, lost or stolen Notes 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 other securities without their surrender.

SECTION 2.8 TEMPORARY NOTES

Pending the preparation of definitive Notes, the Company may execute and the Trustee shall authenticate and deliver temporary Notes (printed, lithographed or otherwise reproduced). Temporary Notes shall be issuable in any authorized denomination and substantially in the form of the definitive Notes but with such omissions, insertions and variations as may be appropriate for temporary Notes, all as may be determined by the Company. Every such temporary Note shall be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the definitive Notes. Without unreasonable delay the Company shall execute and shall deliver to the Trustee definitive Notes and thereupon any or all temporary Notes shall be surrendered in exchange therefor at the corporate trust office of the Trustee, and the Trustee shall authenticate, deliver and register in exchange for such temporary Notes an equal aggregate principal amount of definitive Notes. Such exchange shall be made by the Company at its own expense and without any charge therefor to the Noteholders. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits under this Indenture as definitive Notes authenticated and delivered hereunder.

SECTION 2.9 CANCELLATION OF NOTES PAID, ETC.

All Notes surrendered for the purpose of payment, redemption, exchange or registration of transfer shall be surrendered to the Trustee for cancellation and promptly canceled by it and no Notes shall be issued in lieu thereof except as expressly permitted by this Indenture. The Company's acquisition of any Notes shall operate as a redemption or satisfaction of the indebtedness represented by such Notes and such Notes shall be surrendered by the Company to and canceled by the Trustee.

SECTION 2.10 INTEREST RIGHTS PRESERVED

Each Note delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Note shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Note, and each such Note shall be so dated that neither gain nor loss of interest shall result from such transfer, exchange or substitution.

SECTION 2.11 SPECIAL RECORD DATE

If and to the extent that the Company fails to make timely payment or provision for timely payment of interest on any Notes (other than on an Interest Payment Date that is a maturity date), that interest shall cease to be payable to the Persons who were the Noteholders of such issue at the applicable Regular Record Date. In that event, when moneys become available for payment of that interest, the Trustee shall (a) establish a date of payment of such interest and a Special Record Date for the payment of that interest, which Special Record Date shall be not more than 15 or fewer than 10 days prior to the date of the proposed payment and (b) mail notice of the date of payment and of the Special Record Date not fewer than 10 days preceding the Special Record Date to each Noteholder of such issue at the close of business on the 15th day preceding the mailing at the address of such Noteholder, as it appears on the register for the Notes. On the day so established by the Trustee the interest shall be payable to the Holders of the applicable Notes at the close of business on the Special Record Date.

SECTION 2.12 PAYMENT OF NOTES

Payment of the principal, interest and premium on all Notes shall be payable as follows:

(a) On or before 11:00 a.m., Eastern Standard Time, of the day on which payment of principal, interest and premium, if any, is due on any Global Note pursuant to the terms thereof, the Company shall deliver to the Trustee funds available on such date sufficient to make such payment, by wire transfer of immediately available funds or by instructing the Trustee to withdraw sufficient funds from an account maintained by the Company with the Trustee or such other method as is acceptable to the Trustee and, if applicable, the Depositary. On or before 2:00 p.m., Eastern Standard Time, or such other time as shall be agreed upon between the Trustee and, if applicable, the Depositary, of the day on which any payment of interest is due on any Global Note (other than at maturity), the Trustee shall pay to the Depositary such interest in same day funds. On or before 2:00 p.m., Eastern Standard Time or such other time as shall be agreed upon between the Trustee and the Depositary, of the day on which principal, interest payable at maturity and premium, if any, is due on any Global Note, the Trustee shall deposit with the Depositary the amount equal to the principal, interest payable at maturity and premium, if any, by wire transfer into the account specified by the Depositary. As a condition to the payment at maturity of any part of the principal and applicable premium of any Global Note, the Depositary shall surrender, or cause to be surrendered, such Global Note to the Trustee, whereupon a new Global Note shall be issued to the Depositary pursuant to Section 2.6(f).

(b) With respect to any Note that is not a Global Note, principal, applicable premium, if any, and interest due at the maturity of the Note shall be payable in immediately available funds when due upon presentation and surrender of such Note at the corporate trust office of the Trustee or at the authorized office of any paying agent. Interest on any Note that is not a Global Note (other than interest payable at maturity) shall be paid to the Holder thereof as its name appears on the register as of the close of business on the Regular Record Date relating to the applicable Interest Payment Date by check mailed on such Interest Payment Date or wire transfer payable in clearinghouse or similar next day funds; provided that if the Trustee receives a written request from any Holder of Notes, the aggregate principal amount of which having the same Interest Payment Date equals or exceeds $1,000,000, on or before the applicable Regular Record Date for such Interest Payment Date, interest shall be paid by wire transfer of immediately available funds to a bank located within the continental United States and designated by such Holder in its request or by direct deposit into the account of such Holder designated by such Holder in its request if such account is maintained with the Trustee or any paying agent.

(c) The Trustee shall receive the Pledged First Mortgage Bonds from the Company as provided in this Indenture and shall hold the Pledged First Mortgage Bonds and any and all sums payable thereon or with respect thereto or realized therefrom, in trust for the benefit of the Holders of the Notes, as herein provided. Subject to Article Nine hereof, the Company's obligations to make payments with respect to the principal of, premium or interest on Pledged First Mortgage Bonds will be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of, premium or interest on the related Notes shall have been fully or partially paid or there shall have been deposited with the Trustee pursuant to this Section 2.12 sufficient available funds to fully or partially pay the then due principal of, premium, if any, or interest on such related Notes.

SECTION 2.13 NOTES ISSUABLE IN THE FORM OF A GLOBAL NOTE

(a) The Company shall issue Notes in whole or in part in the form of one or more Global Notes. The Company shall execute and the Trustee shall, in accordance with Section 2.5 hereof and the Company Order delivered to the Trustee thereunder, authenticate and deliver such Global Note or

Notes, which (i) shall represent and shall be denominated in an amount equal to $15,000,000, (ii) shall be registered in the name of the Depositary or its nominee, (iii) shall be delivered by the Trustee to the Depositary or pursuant to the Depositary's instruction and (iv) shall bear a legend substantially to the following effect: "This Note is a Global Note registered in the name of the Depositary (referred to herein) or a nominee thereof and, unless and until it is exchanged in whole or in part for the individual Notes represented hereby, this Global Note may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. Unless this Global Note is presented by an authorized representative of The Depository Trust Company, to the trustee for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., any transfer, pledge or other use hereof for value or otherwise by or to any person is wrongful since the registered owner hereof, Cede & Co., has an interest herein" or such other legend as may be required by the rules and regulations of the Depositary.

(b) Notwithstanding any other provision of Section 2.6 hereof or of this Section 2.13, unless the terms of the Global Note expressly permit such Global Note to be exchanged in whole or in part for individual Notes, a Global Note may be transferred, in whole but not in part, only as described in the legend thereto.

(c) (i) If at any time the Depositary for a Global Note notifies the Company that it is unwilling or unable to continue as Depositary for such Global Note or if at any time the Depositary for the Global Note shall no longer be eligible or in good standing under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or other applicable statute or regulation, the Company shall appoint a successor Depositary, with respect to such Global Note. If a successor Depositary for such Global Note is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company's election to issue the Notes in global form shall no longer be effective with respect to the Notes evidenced by such Global Note and the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of individual Notes in exchange for such Global Note, shall authenticate and deliver, individual Notes of like tenor and terms in definitive form in an aggregate principal amount equal to the amount of the Global Note in exchange for such Global Note. The Trustee shall not be charged with knowledge or notice of the ineligibility of a Depositary unless a responsible officer assigned to and working in its corporate trustee administration department shall have actual knowledge thereof.

(ii) The Company may at any time and in its sole discretion determine that all (but not less than all) outstanding Notes issued or issuable in the form of one or more Global Notes shall no longer be represented by such Global Note or Notes. In such event the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of individual Notes in exchange for such Global Note, shall authenticate and deliver individual Notes of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of such Global Note or Notes in exchange for such Global Note or Notes.

(iii) In any exchange provided for in any of the preceding two paragraphs, the Company will execute and the Trustee will authenticate and deliver individual Notes in definitive registered form in authorized denominations. Upon the exchange of a Global Note for individual Notes, such Global Note shall be canceled by the Trustee. Notes issued in exchange for a Global Note pursuant to this Section shall be registered in such names and in such authorized denominations as the Depositary for such Global Note, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Notes to the Depositary for delivery to the persons in

whose names such Notes are so registered, or if the Depositary shall refuse or be unable to deliver such Notes, the Trustee shall deliver such Notes to the persons in whose names such Notes are registered, unless otherwise agreed upon between the Trustee and the Company, in which event the Company shall cause the Notes to be delivered to the persons in whose names such Notes are registered.

(d) Neither the Company, the Trustee, any Authenticating Agent nor any paying agent shall have any responsibility or liability for any aspect of the records relating to, or payments made on account of beneficial ownership interests of a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

(e) Pursuant to the provisions of this subsection, at the option of the Trustee and upon 30 days' written notice to the Depositary but not prior to the first Interest Payment Date of the respective Global Notes, the Depositary shall be required to surrender any two or more Global Notes which have identical terms, including, without limitation, identical maturities, interest rates and redemption provisions to the Trustee, and the Company shall execute, and the Trustee shall authenticate and deliver to, or at the direction of, the Depositary, a Global Note in principal amount equal to the aggregate principal amount of, and with all terms identical to, the Global Notes surrendered thereto and that shall indicate each applicable Original Issue Date and the principal amount applicable to each such Original Issue Date. The exchange contemplated in this subsection shall be consummated at least 30 days prior to any Interest Payment Date applicable to any of the Global Notes surrendered to the Trustee. Upon any exchange of any Global Note with two or more Original Issue Dates, whether pursuant to this Section or pursuant to Section 2.6 or Section 3.3 hereof, the aggregate principal amount of the Notes with a particular Original Issue Date shall be the same before and after such exchange, after giving effect to any retirement of Notes and the Original Issue Dates applicable to such Notes occurring in connection with such exchange.

(f) Except as provided above, owners of beneficial interests in a Global Note shall not be entitled to have Notes represented by such Global Note registered in their names, shall not receive or be entitled to receive physical delivery of Notes in certificated form and shall not be considered the Holders thereof for any purpose under this Indenture. Members of or participants in the Depositary shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Depositary and such Depositary may be treated by the Company, the Trustee, and any agent of the Company or the Trustee as the owner and Holder of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its members or participants, the operation of customary practices governing the exercise of the rights of a Holder of any Note, including, without limitation, the granting of proxies or other authorization of participants to give or take any request, demand, authorization, direction, notice, consent, waiver or other action which a Holder is entitled to give or take under this Indenture.

ARTICLE THREE

REDEMPTION OF NOTES AT COMPANY'S OPTION

SECTION 3.1 REDEMPTION RIGHT AT CORPORATION'S OPTION

The Company has the right to redeem the Notes at its sole option, in whole or in part, at any time and from time to time on or after October 1, 2006, at the following redemption prices, subject to the terms and conditions set forth in this Article Three:

If redeemed during the 12-month period beginning October 1:

Year	Redemption Price
2006	101%
Thereafter	100%

SECTION 3.2 NOTICE OF REDEMPTION; SELECTION OF NOTES

(a) The election of the Company to redeem any Notes shall be evidenced by a Board Resolution or a Company Order which shall be given with notice of redemption to the Trustee at least 45 days (or such shorter period acceptable to the Trustee in its sole discretion) prior to the redemption date specified in such notice.

(b) Following receipt of the Company's notice pursuant to Section 3.2(a) hereof, notice of redemption to each Holder of Notes to be redeemed as a whole or in part shall be given by the Trustee, at the expense of the Company, in the manner provided in Section 17.10 hereof, no less than 30 or more than 60 days prior to the date fixed for redemption. Any notice which is given in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Noteholder receives the notice. In any case, failure to duly give such notice, or any defect in such notice, to the Holder of any Note designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any Note.

(c) Each such notice shall specify the date fixed for redemption, the places of redemption and the redemption price at which such Notes are to be redeemed, and shall state that payment of the redemption price of such Notes or portion thereof to be redeemed will be made upon surrender of such Notes at such places of redemption, that interest accrued to the date fixed for redemption will be paid as specified in such notice, and that from and after such date interest thereon shall cease to accrue. If less than all of the Notes having the same terms are to be redeemed, the notice shall specify the Notes or portions thereof to be redeemed. If any Note is to be redeemed in part only, the notice which relates to such Note shall state the portion of the principal amount thereof to be redeemed, and shall state that, upon surrender of such Note, a new Note or Notes having the same terms in aggregate principal amount equal to the unredeemed portion thereof will be issued.

(d) Unless otherwise provided by a supplemental indenture, if less than all of the Notes are to be redeemed, the Trustee shall select pro rata or by lot, or in such other manner as it shall deem appropriate and fair in its discretion the particular Notes to be redeemed in whole or in part and shall thereafter promptly notify the Company in writing of the Notes so to be redeemed. If less than all of the Notes represented by a Global Note are to be redeemed, the particular Notes or portions thereof to be redeemed shall be selected by the Depositary for such Notes in such manner as the Depositary shall determine. Notes shall be redeemed only in denominations of $1,000, provided that any remaining principal amount of a Note redeemed in part shall be a denomination authorized under this Indenture.

(e) If at the time of the mailing of any notice of redemption the Company shall not have irrevocably directed the Trustee to apply funds deposited with the Trustee or held by it and available to be used for the redemption of Notes to redeem all the Notes called for redemption, such notice, at the election of the Company, may state that it is subject to the receipt of the redemption moneys by the Trustee before the date fixed for redemption and that such notice shall be of no effect unless such moneys are so received before such date.

SECTION 3.3 PAYMENT OF NOTES ON REDEMPTION; DEPOSIT OF REDEMPTION PRICE

(a) If notice of redemption for any Notes shall have been given as provided in Section 3.2 hereof and such notice shall not contain the language permitted at the Company's option under Section 3.2(e) hereof, such Notes or portions of Notes called for redemption shall become due and payable on the date and at the places stated in such notice at the applicable redemption price, together with interest accrued to the date fixed for redemption of such Notes. Interest on the Notes or portions thereof so called for redemption shall cease to accrue and such Notes or portions thereof shall be deemed not to be entitled to any benefit under this Indenture except to receive payment of the redemption price together with interest accrued thereon to the date fixed for redemption. Upon presentation and surrender of such Notes at such a place of payment in such notice specified, such Notes or the specified portions thereof shall be paid and redeemed at the applicable redemption price, together with interest accrued thereon to the date fixed for redemption.

(b) If notice of redemption shall have been given as provided in Section 3.2 hereof and such notice shall contain the language permitted at the Company's option under Section 3.2(e) hereof, such Notes or portions of Notes called for redemption shall become due and payable on the date and at the places stated in such notice at the applicable redemption price, together with interest accrued to the date fixed for redemption of such Notes, and interest on the Notes or portions thereof so called for redemption shall cease to accrue and such Notes or portions thereof shall be deemed not to be entitled to any benefit under this Indenture except to receive payment of the redemption price together with interest accrued thereon to the date fixed for redemption; provided that, in each case, the Company shall have deposited with the Trustee or a paying agent on or prior to such redemption date an amount sufficient to pay the redemption price together with interest accrued to the date fixed for redemption. Upon the Company making such deposit and upon presentation and surrender of such Notes at the place of payment in such notice specified, such Notes or the specified portions thereof shall be paid and redeemed at the applicable redemption price, together with interest accrued thereon to the date fixed for redemption. If the Company shall not make such deposit on or prior to the redemption date, the notice of redemption shall be of no force and effect and the principal on such Notes or specified portions thereof shall continue to bear interest as if the notice of redemption had not been given.

(c) No notice of redemption of Notes shall be mailed during the continuance of any Event of Default, except (1) that, when notice of redemption of any Notes has been mailed, the Company shall redeem such Notes but only if funds sufficient for that purpose have prior to the occurrence of such Event of Default been deposited with the Trustee or a paying agent for such purpose, and (2) that notices of redemption of all outstanding Notes may be given during the continuance of an Event of Default.

(d) Upon surrender of any Note redeemed in part only, the Company shall execute, and the Trustee shall authenticate, deliver and register, a new Note or Notes of authorized denominations in aggregate principal amount equal to, and having the same terms, Original Issue Date or Dates as, the unredeemed portion of the Note so surrendered.

SECTION 3.4 REDEMPTION OF FIRST MORTGAGE BONDS

In the event that the First Mortgage Bonds securing the Notes hereunder are redeemed in whole or in part by the Company pursuant to the terms of such First Mortgage Bonds, the Trustee shall use the proceeds of such redemption to redeem a like amount of the related Notes. Any notice of redemption of all or part of the First Mortgage Bonds delivered by the Company to the Mortgage Trustee shall be deemed to be a notice of redemption delivered to the Trustee pursuant to Section 3.2(a) hereof to redeem a like amount of the related Notes.

ARTICLE FOUR
REDEMPTION OF NOTES AT REPRESENTATIVE OF DECEASED NOTEHOLDER'S OPTION

SECTION 4.1 REDEMPTION RIGHT AT REPRESENTATIVE OF DECEASED NOTEHOLDER'S OPTION.

Unless the Notes have been declared due and payable prior to their maturity by reason of an Event of Default, the personal representative or other person authorized to represent the estate of the deceased Beneficial Owner, or surviving joint tenant(s), tenant by the entirety or the trustee of a trust for a deceased Beneficial Owner (as hereinafter defined) (the "Representative") has the right to request redemption prior to stated maturity of all or part of his interest in the Notes, and the Company will redeem the same subject to the limitations that the Company will not be obligated to redeem, during the period from the original issue date through and including October 1, 2002 (the "Initial Period"), and during any twelve-month period which ends on and includes each October 1 thereafter (each such twelve-month period being hereinafter referred to as a "Subsequent Period"), (i) on behalf of a deceased Beneficial Owner any interest in the Notes which exceeds $25,000 principal amount or (ii) interests in the Notes exceeding $300,000 in aggregate principal amount. A request for redemption may be initiated by the Representative of a deceased holder at any time and in any principal amount.

The Company may, at its option, redeem interests of any deceased Beneficial Owner in the Notes in the Initial Period or any Subsequent Period in excess of the $25,000 limitation. Any such redemption, to the extent that it exceeds the $25,000 limitation for any deceased Beneficial Owner, shall not be included in the computation of the $300,000 aggregate limitation for such Initial Period or such Subsequent Period, as the case may be, or for any succeeding Subsequent Period. The Company may, at its option, redeem interests of deceased Beneficial Owners in the Notes, in the Initial Period or any Subsequent Period in an aggregate principal amount exceeding $300,000. Any such redemption, to the extent it exceeds the $300,000 aggregate limitation shall not reduce the $300,000 aggregate limitation for any Subsequent Period. On any determination by the Company to redeem Notes in excess of the $25,000 limitation or the $300,000 aggregate limitation, Notes so redeemed shall be redeemed in the order of the receipt of Redemption Requests (as hereinafter defined) by the Trustee.

A request for redemption of an interest in the Notes may be initiated by the Representative. The Representative shall deliver a request to the Participant (hereinafter defined) through whom the deceased Beneficial Owner owned such interest, in form satisfactory to the Participant, together with evidence of the death of the Beneficial Owner, evidence of the authority of the Representative satisfactory to the Participant, such waivers, notices or certificates as may be required under applicable state or federal law and such other evidence of the right to such redemption as the Participant shall require. The request shall specify the principal amount of the interest in the Notes to be redeemed. The Participant shall thereupon deliver to the Depositary a request for redemption substantially in the form attached as Exhibit C hereto (a "Redemption Request"). The Depositary will promptly deliver the notice to the Trustee. The Trustee shall maintain records with respect to Redemption Requests received by it including date of receipt, the name of the Participant filing the Redemption Request and the status of each such Redemption Request with respect to the $25,000 limitation and the $300,000 aggregate limitation. The Trustee will immediately file each Redemption Request it receives, together with the information regarding the eligibility thereof with respect to the $25,000 limitation and the $300,000 aggregate limitation with the Company. The Depositary, the Company and the Trustee may conclusively assume, without independent investigation, that the statements contained in each Redemption Request are true and correct and shall have no responsibility for reviewing any documents submitted to the Participant by the Representative or for determining whether the applicable decedent is in fact the Beneficial Owner of the interest in the Notes to be redeemed or is in fact deceased and whether the Representative is duly authorized to request redemption on behalf of the applicable Beneficial Owner.

Subject to the $25,000 limitation and the $300,000 aggregate limitation, the Company will, after the death of any Beneficial Owner, redeem the interest of such Beneficial Owner in the Notes within 60 days following receipt by the Company of a Redemption Request from the Trustee. If Redemption Requests exceed the aggregate principal amount of interests in Notes required to be redeemed during the Initial Period or during any Subsequent Period, then such excess Redemption Requests will be applied in the order received by the Trustee to successive Subsequent Periods, regardless of the number of Subsequent Periods required to redeem such interests. The Company may, at any time notify the Trustee that it will redeem, on a date not less than 30 nor more than 60 days thereafter, all or any such lesser amount of Notes for which Redemption Requests have been received but which are not then eligible for redemption by reason of the $25,000 limitation or the $300,000 aggregate limitation. Any Notes so redeemed shall be redeemed in the order of receipt of Redemption Requests by the Trustee.

The price to be paid by the Company for the Notes to be redeemed pursuant to a Redemption Request is 100% of the principal amount thereof plus accrued but unpaid interest to the date of payment. Subject to arrangements with the Depositary, payment for interests in the Notes which are to be redeemed shall be made to the Depositary upon presentation of Notes to the Trustee for redemption in the aggregate principal amount specified in the Redemption Requests submitted to the Trustee by the Depositary which are to be fulfilled in connection with such payment. The principal amount of any Notes acquired or redeemed by the Company other than by redemption at the option of any Representative of a deceased Beneficial Owner pursuant to this section shall not be included in the computation of either the $25,000 limitation or the $300,000 aggregate limitation for the Initial Period or for any Subsequent Period.

For purposes of this Section 4.1, a "Beneficial Owner" means the Person who has the right to sell, transfer or otherwise dispose of an interest in a Note and the right to receive the proceeds there from, as well as the interest and principal payable to the holder thereof. In general, a determination of beneficial ownership in the Notes will be subject to the rules, regulations and procedures governing the Depositary and institutions that have accounts with the Depositary or a nominee thereof ("Participants").

For purposes of this section, an interest in a Note held in tenancy by the entirety, joint tenancy or by tenants in common will be deemed to be held by a single Beneficial Owner and the death of a tenant by the entirety, joint tenant or tenant in common will be deemed the death of a Beneficial Owner. The death of a person who, during his lifetime, was entitled to substantially all of the rights of a Beneficial Owner of an interest in the Notes will be deemed the death of the Beneficial Owner, regardless of the recordation of such interest on the records of the Participant, if such rights can be established to the satisfaction of the Participant. Such interests shall be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act, community property or other similar joint ownership arrangements, including individual retirement accounts or Keogh [H.R. 10] plans maintained solely by or for the decedent or by or for the decedent and any spouse, and trust and certain other arrangements where one person has substantially all of the rights of a Beneficial Owner during such person's lifetime.

In the case of a Redemption Request which is presented on behalf of a deceased Beneficial Owner and which has not been fulfilled at the time the Company gives notice of its election to redeem the Notes, the Notes which are the subject of such pending Redemption Request shall be redeemed prior to any other Notes.

The Company may, at its option, purchase any Notes for which Redemption Requests have been received in lieu of redeeming such Notes. Any Notes so purchased by the Company shall either be reoffered for sale and sold within 180 days after the date of purchase or presented to the Trustee for redemption and cancellation.

During such time or times as the Notes are not represented by a Global Security and are issued in definitive form, all references in this Section to Participants and the Depositary, including the Depositary's governing rules, regulations and procedures shall be deemed deleted, all determinations which under this section the Participants are required to make shall be made by the Company (including, without limitation, determining whether the applicable decedent is in fact the Beneficial Owner of the interest in the Notes to be redeemed or is in fact deceased and whether the Representative is duly authorized to request redemption on behalf of the applicable Beneficial Owner), all redemption requests, to be effective, shall be delivered by the Representative to the Trustee, with a copy to the Company, and shall be in the form of a Redemption Request (with appropriate changes to reflect the fact that such Redemption Request is being executed by a Representative) and, in addition to all documents that are otherwise required to accompany a Redemption Request, shall be accompanied by the Note that is the subject of such request.

SECTION 4.2 WITHDRAWAL.

Any Redemption Request may be withdrawn by the person(s) presenting the same upon delivery of a written request for such withdrawal given by the Participant on behalf of such person to the Depositary and by the Depositary to the Trustee not less than 30 days prior to payment thereof by the Company.

ARTICLE FIVE
PLEDGED FIRST MORTGAGE BONDS

SECTION 5.1 PLEDGE

The Company hereby delivers to and pledges to the Trustee, for the benefit of the Holders from time to time of the Notes issued under this Indenture, the Pledged First Mortgage Bonds in an aggregate principal amount equal to $15,000,000, that are fully registered in the name of the Trustee, in trust for the Holders of the Notes issued, as security for (1) the full and prompt payment of the principal of each Note when and as the same shall become due at maturity in accordance with the terms and provisions of this Indenture, either at the stated maturity thereof, upon acceleration of the maturity thereof, upon acceleration of the maturity thereof or upon call for redemption, and (2) the full and prompt payment of any interest on each Note when and as the same shall become due on any Interest Payment Date in accordance with the terms and provisions of this Indenture.

SECTION 5.2 RECEIPT

The Trustee acknowledges receipt of the Pledged First Mortgage Bonds in an aggregate principal amount of $15,000,000 for the benefit of the Holders of the Notes issued under this Indenture. The Pledged First Mortgage Bonds may be held either directly by the Trustee or by any other Person acting on its behalf in Florida (or any other jurisdiction acceptable to the Company, provided the Trustee shall have received an Opinion of Counsel as to the matter set forth in Section 2.5(c)(2)).

SECTION 5.3 FIRST MORTGAGE BONDS HELD BY THE TRUSTEE

The Trustee, as the holder of the Pledged First Mortgage Bonds, may attend any meeting of bondholders under the applicable First Mortgage as to which it receives due notice or at its option may deliver its proxy in connection therewith. Either at such meeting, or otherwise where any action, amendment, modification, waiver or consent to or in respect of the applicable First Mortgage or the Pledged First Mortgage Bonds issued under the applicable First Mortgage is sought without a meeting (referred to in this Section 5.3 as a "proposed action"), the Trustee shall vote each of the Pledged First

Mortgage Bonds held by it, or will consent with respect thereto, as described below. The Trustee may agree to any proposed action without the consent of or notice to the Noteholders where such proposed action would not adversely affect the Holders of the Notes. In the event that any proposed action would adversely affect the Holders of any of the outstanding Notes, the Trustee shall not vote the Pledged First Mortgage Bonds that service and secure the Notes without notice to and the approval of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding.

SECTION 5.4 NO TRANSFER OF PLEDGED FIRST MORTGAGE BONDS; EXCEPTION

Except as required to effect an assignment to a successor trustee under this Indenture or pursuant to Section 5.5 or Section 5.7 hereof, the Trustee shall not sell, assign or transfer the Pledged First Mortgage Bonds and the Company shall issue stop transfer instructions to the Mortgage Trustee and any transfer agent under the First Mortgage to effect compliance with this Section 5.4.

SECTION 5.5 DELIVERY TO THE COMPANY OF ALL PLEDGED FIRST MORTGAGE BONDS

When the obligation of the Company to make payment with respect to the principal of and premium, if any, and interest on the Pledged First Mortgage Bonds shall be satisfied or deemed satisfied pursuant to Section 5.10 or Section 6.1(a) hereof, the Trustee shall, upon written request of the Company, deliver without cost to the Company all of the Pledged First Mortgage Bonds, together with such appropriate instruments of transfer or release as may be reasonably requested by the Company. All Pledged First Mortgage Bonds delivered to the Company in accordance with this Section 5.5 shall be delivered by the Company to the Mortgage Trustee for cancellation.

SECTION 5.6 FURTHER ASSURANCES

The Company, at its own expense, shall do such further lawful acts and things, and execute and deliver such additional conveyances, assignments, assurances, agreements and instruments, as may be necessary in order to better assign, assure and confirm to the Trustee its interest in the Pledged First Mortgage Bonds and for maintaining, protecting and preserving such interest.

SECTION 5.7 EXCHANGE AND SURRENDER OF PLEDGED FIRST MORTGAGE BONDS

At any time at the written direction of the Company, the Trustee shall surrender to the Company all or part of the Pledged First Mortgage Bonds in exchange for Pledged First Mortgage Bonds equal in aggregate outstanding principal amounts to, in different denominations than, but with all other terms identical to, the Pledged First Mortgage Bonds so surrendered to the Company. In addition, at any time a Note shall cease to be entitled to any lien, benefit or security under this Indenture pursuant to Section 6.1(b) hereof, the Trustee shall surrender an equal principal amount of the related Pledged First Mortgage Bonds, subject to the limitations of this Section 5.7, to the Company for cancellation. The Trustee shall, together with such Pledged First Mortgage Bonds, deliver to the Company such appropriate instruments of transfer or release as the Company may reasonably request. Prior to the surrender required by this paragraph, the Trustee shall receive from the Company, and (subject to Section 10.1 hereof) shall be fully protected in relying upon, an Officers' Certificate stating (i) the aggregate outstanding principal amount of the Pledged First Mortgage Bonds surrendered by the Trustee, after giving effect to such surrender, (ii) the aggregate outstanding principal amount of the related Notes, (iii) that the surrender of the Pledged First Mortgage Bonds will not result in any default under this Indenture, and (iv) that any Pledged First Mortgage Bonds to be received in exchange for the Pledged First Mortgage Bonds being surrendered comply with the provisions of this Section.

The Company shall not be permitted to cause the surrender or exchange of all or any part of the Pledged First Mortgage Bonds contemplated in this Section, if after such surrender or exchange, the aggregate outstanding principal amount of the related Notes would exceed the aggregate outstanding principal amount of the Pledged First Mortgage Bonds held by the Trustee. Any Pledged First Mortgage Bonds received by the Company pursuant to this Section 5.7 shall be delivered to the Mortgage Trustee for cancellation.

SECTION 5.8 ACCEPTANCE OF ADDITIONAL PLEDGED FIRST MORTGAGE BONDS

At any time, at the option of the Company, the Company may deliver to the Trustee, and the Trustee shall accept one or more additional Pledged First Mortgage Bonds registered in the name of the Trustee conforming to the requirements of Section 5.9 hereof.

SECTION 5.9 TERMS OF PLEDGED FIRST MORTGAGE BONDS

Each of the Pledged First Mortgage Bonds delivered to the Trustee pursuant to Section 5.1 or Section 5.8 hereof shall have the same stated rate or rates of interest (or interest calculated in the same manner), Interest Payment Dates, stated maturity date and redemption provisions, and shall be in the same aggregate principal amount, as the related Notes.

SECTION 5.10 PLEDGED FIRST MORTGAGE BONDS AS SECURITY FOR NOTES

Subject to Article Six hereof, Pledged First Mortgage Bonds delivered to the Trustee, in trust for the benefit of the Holders of the related Notes, shall serve as security for any and all obligations of the Company under the related Notes, including, but not limited to (1) the full and prompt payment of the principal of and premium, if any, on such related Notes when and as the same shall become due and payable in accordance with the terms and provisions of this Indenture or such related Notes, either at the stated maturity thereof upon acceleration of the maturity thereof or upon redemption, and (2) the full and prompt payment of any interest on such related Notes when and as the same shall become due and payable in accordance with the terms and provisions of this Indenture or such related Notes.

ARTICLE SIX

SATISFACTION AND DISCHARGE; UNCLAIMED MONEYS

SECTION 6.1 SATISFACTION AND DISCHARGE

(a) If at any time:

(1) the Company shall have paid or caused to be paid the principal of and premium, if any, and interest on all the outstanding Notes, as and when the same shall have become due and payable,

(2) the Company shall have delivered to the Trustee for cancellation all outstanding Notes, or

(3) the Company shall have irrevocably deposited or caused to be irrevocably deposited with the Trustee as trust funds the entire amount in (A) cash, (B) U.S. Government Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of cash, or (C) a combination of cash and U.S. Government Obligations, in any case sufficient, without reinvestment, as certified by an independent public accounting firm of national

reputation in a written certification delivered to the Trustee, to pay at maturity or the applicable redemption date (provided that notice of redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of any notice of redemption) all outstanding Notes, including principal and any premium and interest due or to become due to such date of maturity, as the case may be, and if, in any such case, the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then this Indenture shall cease to be of further effect (except as to (i) rights of registration of transfer and exchange of Notes, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Notes, (iii) rights of Noteholders to receive payments of principal thereof and any premium and interest thereon, upon the original stated due dates therefor or upon the applicable redemption date (but not upon acceleration of maturity) from the moneys and U.S. Government Obligations held by the Trustee pursuant to Section 6.2 hereof, (iv) the rights and immunities of the Trustee hereunder, (v) the rights of the Holders of Notes as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them, (vi) the obligations and rights of the Trustee and the Company under Section 6.4 hereof, and (vii) the duties of the Trustee with respect to any of the foregoing), and the Company shall be deemed to have paid and discharged the entire indebtedness represented by, and its obligations under, the Notes, and the Trustee, on demand of the Company and at the cost and expense of the Company, shall execute proper instruments acknowledging such satisfaction of and discharging this Indenture and the Trustee shall at the request of the Company return to the Company all Pledged First Mortgage Bonds and all other property and money held by it under this Indenture and determined by it from time to time in accordance with the certification pursuant to this Section 6.1(a)(3) to be in excess of the amount required to be held under this Section.

If the Notes are deemed to be paid and discharged pursuant to this Section 6.1(a)(3) within 15 days after those Notes are so deemed to be paid and discharged, the Trustee shall cause a written notice to be given to each Holder in the manner provided by Section 17.10 hereof. The notice shall:

(i) state that the Notes are deemed to be paid and discharged;

(ii) set forth a description of any U.S. Government Obligations and cash held by the Trustee as described above;

(iii) if any Notes will be called for redemption, specify the date or dates on which those Notes are to be called for redemption. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 10.6 hereof shall survive.

If the Notes are deemed paid and discharged pursuant to this Section 6.1, the obligation of the Company to make payment with respect to the principal of and premium, if any, and interest on the related Pledged First Mortgage Bonds shall be satisfied and discharged and the related Pledged First Mortgage Bonds shall cease to secure the Notes in any manner.

(b) If at any time:

(1) the Company shall have paid or caused to be paid the principal of and premium, if any, and interest on any Note, as and when the same shall have become due and payable,

(2) the Company shall have delivered to the Trustee for cancellation any outstanding Note, or

(3) the Company shall have irrevocably deposited or caused to be irrevocably deposited with the Trustee as trust funds the entire amount in (A) cash, (B) U.S. Government Obligations maturing as to principal and interest in such amounts and at such times as will insure the

availability of cash, or (C) a combination of cash and U.S. Government Obligations, in any case sufficient, without reinvestment, as certified by an independent public accounting firm of national reputation in a written certification delivered to the Trustee, to pay at maturity or the applicable redemption date (provided that notice of redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of any notice of redemption) any outstanding Note, including principal and any premium and interest due or to become due to such date of maturity, as the case may be, such Note shall cease to be entitled to any lien, benefit or security under this Indenture and this Indenture will cease to be of further effect with respect to such Note. Upon a Note ceasing to be entitled to any lien, benefit or security under this Indenture, the obligation of the Company to make payment with respect to principal of and premium, if any, and interest on a principal amount of the related Pledged First Mortgage Bonds equal to the principal amount of such Note shall be satisfied and discharged and such portion of the principal amount of such Pledged First Mortgage Bonds shall cease to secure the Notes in any manner.

SECTION 6.2 DEPOSITED MONEYS TO BE HELD IN TRUST BY TRUSTEE

All moneys and U.S. Government Obligations deposited with the Trustee pursuant to Section 6.1 hereof shall be held in trust and applied by it to the payment, either directly or through any paying agent (including the Company if acting as its own paying agent), to the Holders of the particular Notes for the payment or redemption of which such moneys and U.S. Government Obligations have been deposited with the Trustee of all sums due and to become due thereon for principal and premium, if any, and interest.

SECTION 6.3 PAYING AGENT TO REPAY MONEYS HELD

Upon the satisfaction and discharge of this Indenture all moneys then held by any paying agent for the Notes (other than the Trustee) shall, upon written demand by an Authorized Agent, be repaid to the Company or paid to the Trustee, and thereupon such paying agent shall be released from all further liability with respect to such moneys.

SECTION 6.4 RETURN OF UNCLAIMED MONEYS

Any moneys deposited with or paid to the Trustee for payment of the principal of or any premium or interest on any Notes and not applied but remaining unclaimed by the Holders of such Notes for one year after the date upon which the principal of or any premium or interest on such Notes, as the case may be, shall have become due and payable, shall be repaid to the Company by the Trustee on written demand by an Authorized Agent, and all liability of the Trustee shall thereupon cease; and any Holder of any of such Notes shall thereafter look only to the Company for any payment which such Holder may be entitled to collect.

ARTICLE SEVEN

PARTICULAR COVENANTS OF THE COMPANY

SECTION 7.1 PAYMENT OF PRINCIPAL PREMIUM AND INTEREST

The Company covenants and agrees for the benefit of the Holders of the Notes that it will duly and punctually pay or cause to be paid the principal of and any premium and interest on each of the Notes at the places, at the respective times and in the manner provided in the Notes or in this Indenture.

SECTION 7.2 OFFICE FOR NOTICES AND PAYMENTS, ETC.

So long as any of the Notes remain outstanding, the Company at its option may cause to be maintained in the city of West Palm Beach and the state of Florida, or elsewhere, an office or agency where the Notes may be presented for registration of transfer and for exchange as in this Indenture provided, and where, at any time when the Company is obligated to make a payment of principal and premium upon Notes, the Notes may be surrendered for payment, and may maintain at any such office or agency and at its principal office an office or agency where notices and demands to or upon the Company in respect of the Notes or of this Indenture may be served. The Company will give to the Trustee written notice of the location of each such office or agency and of any change of location thereof. If the Company shall fail to give such notice of the location or of any change in the location of any such office or agency, presentations may be made and notices and demands may be served at the corporate trust office of the Trustee.

SECTION 7.3 APPOINTMENTS TO FILL VACANCIES IN TRUSTEE'S OFFICE

The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 10.11 hereof, a Trustee so that there shall at all times be a Trustee hereunder.

SECTION 7.4 PROVISION AS TO PAYING AGENT

The Trustee shall be the paying agent for the Notes and, at the option of the Company, the Company may appoint additional paying agents (including without limitation itself). Whenever the Company shall appoint an additional paying agent, it shall cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to this Section 7.4:

(1) hat it will hold in trust for the benefit of the Holders and the Trustee all sums held by it as such agent for the payment of the principal of and any premium or interest on the Notes (whether such sums have been paid to it by the Company or by any other obligor on such Notes) in trust for the benefit of the Holders of such Notes;

(2) that it will give to the Trustee notice of any failure by the Company (or by any other obligor on such Notes) to make any payment of the principal of and any premium or interest on such Notes when the same shall be due and payable; and

(3) that it will at any time during the continuance of any such failure, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such paying agent.

If the Company shall act as its own paying agent with respect to any Notes, it will, on or before each due date of the principal of and any premium or interest on such Notes, set aside, segregate and hold in trust for the benefit of the Holders of such Notes a sum sufficient to pay such principal and any premium or interest so becoming due and will notify the Trustee of any failure by it to take such action and of any failure by the Company (or by any other obligor on such Notes) to make any payment of the principal of and any premium or interest on such Notes when the same shall become due and payable.

Whenever the Company shall have one or more paying agents, it will, on or prior to each due date of the principal of (and premium, if any) or interest, if any, on any Notes, deposit with such paying agent a sum sufficient to pay the principal (and premium, if any) or interest, if any, so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, if any, and

(unless such paying agent is the Trustee) the Company shall promptly notify the Trustee of any failure on its part to so act.

Anything in this Section 7.4 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by it or any paying agent hereunder, as required by this Section 7.4, such sums to be held by the Trustee upon the trusts herein contained.

Anything in this Section 7.4 to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section 7.4 is subject to Sections 6.3 and 6.4 hereof.

SECTION 7.5 OPINIONS OF COUNSEL

The Company will cause this Indenture, any indentures supplemental to this Indenture, and any financing or continuation statements to be promptly recorded and filed and re-recorded and refiled in such manner and in such places, as may be required by law in order fully to preserve, protect and perfect the security of the Noteholders and all rights of the Trustee, and shall deliver to the Trustee:

(a) promptly after the execution and delivery of this Indenture and of any indenture supplemental to this Indenture, an Opinion of Counsel either stating that, in the opinion of such counsel, this Indenture, the First Mortgage or such supplemental indenture and any financing or continuation statements have been properly recorded and filed so as to make effective and to perfect the interest of the Trustee intended to be created by this Indenture for the benefit of the Holders from time to time of the Notes in the Pledged First Mortgage Bonds, and reciting the details of such action, or stating that, in the opinion of such counsel, no such action is necessary to perfect or make such interest effective and stating what, if any, action of the foregoing character may reasonably be expected to become necessary prior to the next succeeding October 1 to maintain, perfect and make such interest effective; and

(b) on or before October 1 of each year, beginning in 2002, an Opinion of Counsel either stating that in the opinion of such counsel such action has been taken, since the date of the most recent Opinion of Counsel furnished pursuant to this Section 7.5(b) or the first Opinion of Counsel furnished pursuant to Section 7.5(a) hereof, with respect to the recording, filing, re-recording, or refiling of this Indenture, the First Mortgage, each supplemental indenture and any financing or continuation statements, as is necessary to maintain and perfect the interest of the Trustee intended to be created by this Indenture for the benefit of the Holders from time to time of the Notes in the Pledged First Mortgage Bonds, and reciting the details of such action, or stating that in the opinion of such counsel no such action is necessary to maintain and perfect such interest and stating what, if any, action of the foregoing character may reasonably be expected to become necessary prior to the next succeeding October 1 to maintain, perfect and make such security interest effective.

SECTION 7.6 CERTIFICATES AND NOTICE TO TRUSTEE

The Company shall, on or before October 1 of each year, beginning in 2002, deliver to the Trustee a certificate from its principal executive officer, principal financial officer or principal accounting officer covering the preceding calendar year and stating whether or not, to the knowledge of such party, the Company has complied with all conditions and covenants under this Indenture, and, if not, describing in reasonable detail any failure by the Company to comply with any such conditions or covenants. For purposes of this Section, compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture.

ARTICLE EIGHT
NOTEHOLDER LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE

SECTION 8.1 NOTEHOLDER LISTS

(a) The Company shall furnish or cause to be furnished to the Trustee semiannually, not later than 15 days after each Regular Record Date for each Interest Payment Date that is not a maturity date and at such other times as such Trustee may request in writing, within 30 days after receipt by the Company of any such request, a list in such form as the Trustee may reasonably require containing all the information in the possession or control of the Company, or any paying agents other than the Trustee, as to the names and addresses of the Holders of Notes, obtained since the date as of which the next previous list, if any, was furnished. Any such list may be dated as of a date not more than 15 days prior to the time such information is furnished or caused to be furnished and need not include information received after such date; provided that as long as the Trustee is the registrar for the Notes, no such list shall be required to be furnished. The Trustee shall preserve any list provided to it pursuant to this Section until such time as the Company or any paying agent, as applicable, shall provide it with a more recent list.

(b) Within five Business Days after the receipt by the Trustee of a written application by any three or more Holders stating that the applicants desire to communicate with other Holders with respect to their rights under the Indenture or under the Notes, and accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, and by reasonable proof that each such applicant has owned a Note for a period of at least six months preceding the date of such application, the Trustee shall, at its election, either:

(i) afford to such applicants access to all information furnished to or received by the Trustee pursuant to Section 8.1(a) hereof or, if applicable, in its capacity as registrar for the Notes; or

(ii) inform such applicants as to the approximate number of Holders according to the most recent information furnished to or received by the Trustee under Section 8.1(a) hereof or if applicable in its capacity as registrar for the Notes, and as to the approximate cost of mailing to such Holders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Holder of the Notes a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of such mailing, unless within five days after such tender the Trustee shall mail to such applicants and file with the SEC, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Holders or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the SEC, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or after the entry of an order sustaining one or more of such objections, the SEC shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all Holders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Every Holder of a Note, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any paying agent nor any Authenticating Agent shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with this Section, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under this Section.

SECTION 8.2 SECURITIES AND EXCHANGE COMMISSION REPORTS

The Company shall:

(a) file with the Trustee, within 15 days after the Company is required to file the same with the SEC, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may from time to time by rules and regulations prescribe) which the Company may be required to file with the SEC pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it will file with the Trustee and the SEC, in accordance with rules and regulations prescribed from time to time by the SEC, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) file with the Trustee and the SEC, in accordance with rules and regulations prescribed from time to time by the SEC, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations, including, in the case of annual reports, if required by such rules and regulations, certificates or opinions of independent public accountants, conforming to the requirements of Section 17.5 hereof, as to compliance with conditions or covenants, compliance with which is subject to verification by accountants; and

(c) transmit by mail to all Holders, as their names and addresses appear in the register, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (a) and (b) of this Section as may be required by rules and regulations prescribed from time to time by the SEC.

SECTION 8.3 REPORTS BY THE TRUSTEE

(a) Within 60 days after October 1 of each year, beginning with the October 1 after the first issuance of Notes hereunder, the Trustee shall transmit by mail a brief report dated as of such date that complies with Section 313(a) of the TIA (to the extent required by such Section).

(b) The Trustee shall from time to time transmit by mail brief reports that comply, both in content and date of delivery, with Section 313(b) of the TIA (to the extent required by such Section).

(c) A copy of each such report filed pursuant to this section shall, at the time of such transmission to such Holders, be filed by the Trustee with each stock exchange upon which the Notes are listed and also with the SEC. The Company will notify the Trustee promptly upon the listing of such Notes on any stock exchange.

(d) Reports pursuant to this Section shall be transmitted

(1) by mail to all Holders of Notes, as their names and addresses appear in the register for the Notes;

(2) by mail to such Holders of Notes as have, within the two years preceding such transmission, filed their names and addresses with the Trustee for such purpose;

(3) by mail, except in the case of reports pursuant to Section 8.3(b) and (c) hereof, to all Holders of Notes whose names and addresses have been furnished to or received by the Trustee pursuant to Section 8.1 hereof; and

(4) at the time such report is transmitted to the Holders of the Notes, to each exchange on which Notes are listed and also with the SEC.

ARTICLE NINE

REMEDIES OF THE TRUSTEE AND NOTEHOLDERS ON EVENTS OF DEFAULT

SECTION 9.1 EVENTS OF DEFAULT

(a) If one or more of the following Events of Default shall have occurred and be continuing:

(1) default in the payment of any installment of interest upon any of the Notes as and when the same shall become due and payable, and continuance of such default for a period of 30 days;

(2) default in the payment of the principal of or premium, if any, on any of the Notes as and when the same shall become due and payable and continuance of such default for five days;

(3) failure on the part of the Company duly to observe or perform any of the other covenants or agreements on the part of the Company contained in the Notes or in this Indenture for a period of 90 days after the date on which written notice of such failure, requiring the same to be remedied and stating that such notice is a "Notice of Default" hereunder, shall have been given to the Company by the Trustee by registered mail, or to the Company and the Trustee by the Holders of at least a majority in aggregate principal amount of the Notes at the time outstanding;

(4) a default (as defined in the First Mortgage under which the Pledged First Mortgage Bonds are outstanding) has occurred and is continuing, and the Mortgage Trustee or Holders of at least a majority in aggregate principal amount of the Notes at the time outstanding shall have given written notice thereof to the Trustee;

(5) default in the payment of premiums due Ambac Assurance and continuance of such default for a period of 10 days after receipt by the Company of written notice of such default from Ambac Assurance;

(6) any material representation or warranty by the Company in its application for the Financial Guaranty Insurance is materially false when made and is not cured within 30 days of receipt of written notice of such event;

(7) failure on the part of the Company to perform any of its obligations under its agreement with Ambac Assurance and continuance of such failure for a period of more than 30 days after receipt by the Company of written notice of such event;

(8) the entry of a decree or order by a court having jurisdiction over the Company for relief in respect of the Company under the United States Bankruptcy Code, 11 U.S.C. (S) 101-1330, as now constituted or hereafter amended (the "Bankruptcy Code"), or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(9) the filing by the Company with respect to itself or its property of a petition or answer or consent seeking relief under the Bankruptcy Code, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to the institution of proceedings thereunder or to the filing of any such petition or to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Company or of any substantial part of its property, or the failure of the Company generally to pay its debts as such debts become due, or the taking of corporate action by the Company to effectuate any such action; then and in each and every such case other than an Event of Default specified in Section 9.1(4),

either the Trustee or the Holders of a majority in aggregate principal amount of the Notes then outstanding, by notice in writing to the company (and to the Trustee if given by Noteholders) may declare the principal of all of the Notes to be due and payable immediately and upon any such declaration the same shall become and shall be immediately due and payable, notwithstanding anything to the contrary contained in this Indenture or in the Notes; provided, however, that if, at any time after the principal of the Notes shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided and prior to the mailing to the Trustee by the Mortgage Trustee of a firm, valid and unconditional notice to the Trustee of the acceleration of all of the first mortgage bonds issued and outstanding under the First Mortgage, the Company shall pay or shall deposit with the Trustee a sum of money sufficient to pay (i) all matured installments of interest upon all of the Notes, (ii) the principal of and any premium on all Notes which shall have become due otherwise than by acceleration (with interest on overdue installments of interest, to the extent that payment of such interest is enforceable under applicable law, and on such principal and applicable premium at the rate borne by the Notes to the date of such payment or deposit), (iii) all sums paid or advanced by the Trustee hereunder, and (iv) the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 10.6, and if any and all defaults under this Indenture, other than the non-payment of principal of and interest and premium, if any, on the Notes which shall have become due solely by such declaration of acceleration, shall have been cured or waived (including any defaults under the First Mortgage, as evidenced by notice thereof from the Mortgage Trustee to the Trustee), then and in every such case the Holders of a majority in aggregate principal amount of the Notes then outstanding may, by written notice to the Company and the Trustee, waive all such defaults and rescind and annul such declaration of acceleration and its consequences; provided, however, that no such waiver or rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon. If an Event of Default specified in Section 9.1(4) occurs, the principal of all of the Notes, together with interest accrued thereon, shall become due and payable immediately with respect thereto, without the necessity of any action by the Trustee or any Noteholder; provided, however, that a rescission and annulment of the declaration that the first mortgage bonds outstanding under the First Mortgage, be due and payable prior to their stated maturities shall constitute a waiver of the Event of Default under

Section 9.1(4) and of its consequences, but no such waiver shall extend to or affect any subsequent Event of Default under Section 9.1(4).

(b) If the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company and the Trustee shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company and the Trustee shall continue as though no such proceeding had been taken.

SECTION 9.2 ENFORCEMENT BY TRUSTEE

(a) If there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Notes under the Bankruptcy Code or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Company or such other obligor, or in the case of any similar judicial proceedings relative to the Company or other obligor on the Notes, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and any premium and interest owing and unpaid in respect of the Notes, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claims of the Trustee as holder of Pledged First Mortgage Bonds and any amounts due to the Trustee under Section 10.6 hereof) and of the Holders of Notes allowed in such judicial proceedings relative to the Company or any other obligor on the Notes, its or their creditors, or its or their property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses.

(b) All claims and rights of action under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes, or the production thereof in any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the Holders of the Notes in respect of which such action was taken.

(c) Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or to accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Notcholder in any such proceeding.

SECTION 9.3 APPLICATION OF MONEYS COLLECTED BY TRUSTEE

Any moneys collected by the Trustee with respect to the Notes pursuant to this Article shall be applied in the order following, at the date or dates fixed by the Trustee for the distribution of such moneys, upon presentation of the Notes, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid.

FIRST: To the payment of all amounts due to the Trustee pursuant to Section 10.6 hereof;

SECOND: If the principal of the outstanding Notes in respect of which such moneys have been collected shall not have become due and be unpaid, to the payment of interest on the Notes, in the order of the maturity of the installments of such interest, with interest (to the extent allowed by law and to the

extent that such interest has been collected by the Trustee) upon the overdue installments of interest at the rate borne by the Notes, such payments to be made ratably to the persons entitled thereto, and then to the payment to the Holders entitled thereto of the unpaid principal of and applicable premium on any of the Notes which shall have become due (other than Notes previously called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), whether at stated maturity or by redemption, in the order of their due dates, beginning with the earliest due date, and if the amount available is not sufficient to pay in full all Notes due on any particular date, then to the payment thereof ratably, according to the amounts of principal and applicable premium due on that date, to the Holders entitled thereto, without any discrimination or privilege;

THIRD: If the principal of the outstanding Notes in respect of which such moneys have been collected shall have become due, by declaration or otherwise, to the payment of the whole amount then owing and unpaid upon the Notes for principal and premium, if any, and interest thereon, with interest on the overdue principal and any premium and (to the extent allowed by law and to the extent that such interest has been collected by the Trustee) upon overdue installments of interest at the rate borne by the Notes; and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Notes, then to the payment of such principal and any premium and interest without preference or priority of principal and any premium over interest, or of interest over principal and any premium or of any installment of interest over any other installment of interest, or of any Note over any other Note, ratably to the aggregate of such principal and premium, if any, and accrued and unpaid interest; and

FOURTH: to the payment of the remainder, if any, to the Company or its successors or assigns, or to whomsoever may lawfully be entitled to the same, or as a court of competent jurisdiction may determine.

SECTION 9.4 PROCEEDINGS BY NOTEHOLDERS

(a) No Holder of any Note shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of an Event of Default with respect to such Note and of the continuance thereof, as hereinabove provided, and unless also Noteholders of a majority in aggregate principal amount of the Notes then outstanding affected by such Event of Default shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding.

(b) Notwithstanding any other provision in this Indenture, however, the rights of any Holder of any Note to receive payment of the principal of and any premium and interest on such Note, on or after the respective due dates expressed in such Note or on the applicable redemption date, or to institute suit for the enforcement of any such payment on or after such respective dates shall not be impaired or affected without the consent of such Holder.

SECTION 9.5 PROCEEDINGS BY TRUSTEE

In case of an Event of Default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture, including its rights as holder of the Pledged First Mortgage Bonds, by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in

bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted to it under this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 9.6 REMEDIES CUMULATIVE AND CONTINUING

All powers and remedies given by this Article Nine to the Trustee or to the Noteholders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any powers and remedies hereof or of any other powers and remedies available to the Trustee or the Holders of the Notes, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder of any of the Notes in exercising any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to Section 9.4 hereof, every power and remedy given by this Article Nine or by law to the Trustee or to the Noteholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Noteholders.

SECTION 9.7 DIRECTION OF PROCEEDINGS AND WAIVER OF DEFAULTS BY MAJORITY OF NOTEHOLDERS

Holders of a majority in aggregate principal amount of the Notes at the time outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; provided, that (subject to Section 10.1 hereof) the Trustee shall have the right to decline to follow any such direction if the Trustee being advised by counsel determines that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors or trustees, executive committee, or a trust committee of directors or trustees or responsible officers shall determine that the action or proceeding so directed would involve the Trustee in personal liability or would be unduly prejudicial to the rights of Noteholders not joining in such directions. The Holders of a majority in aggregate principal amount of the Notes at the time outstanding may on behalf of all of the Holders of the Notes waive any past default or Event of Default hereunder and its consequences except a default in the payment of principal of or any premium or interest on the Notes. Upon any such waiver the Company, the Trustee and the Holders of the Notes shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon. Whenever any default or Event of Default hereunder shall have been waived as permitted by this Section 9.7, said default or Event of Default shall for all purposes of the Notes and this Indenture be deemed to have been cured and to be not continuing.

SECTION 9.8 NOTICE OF DEFAULT

The Trustee shall within 90 days after the occurrence of a default known to it, give to all Holders of the Notes, in the manner provided in Section 17.10 hereof, notice of such default, unless such default shall have been cured before the giving of such notice, the term "default" for the purpose of this Section 9.8 being hereby defined to be any event which is or after notice or lapse of time or both would become an Event of Default; provided that, except in the case of default in the payment of the principal of or any premium or interest on any of the Notes, or in the payment of any sinking or purchase fund installments, the Trustee shall be protected in withholding such notice if and so long as its board of directors or trustees, executive committee, or a trust committee of directors or trustees or responsible officers in good faith determines that the withholding of such notice is in the interests of the Holders of the Notes. The Trustee shall not be charged with knowledge of any Event of Default unless a responsible officer of the

Trustee assigned to the corporate trustee department of the Trustee shall have actual knowledge of such Event of Default.

SECTION 9.9 UNDERTAKING TO PAY COSTS

All parties to this Indenture agree, and each Holder of any Note by acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but this Section 9.9 shall not apply to any suit instituted by the Trustee, or to any suit instituted by any Noteholder, or group of Noteholders, holding in the aggregate more than 10% in principal amount of the Notes outstanding, or to any suit instituted by any Noteholder for the enforcement of the payment of the principal of or any premium or interest on any Note on or after the due date expressed in such Note or the applicable redemption date.

ARTICLE TEN

CONCERNING THE TRUSTEE

SECTION 10.1 DUTIES AND RESPONSIBILITIES OF TRUSTEE

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. If an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) No provisions of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) prior to the occurrence of any Event of Default and after the curing or waiving of all Events of Default which may have occurred

(A) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(B) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with Section 9.7 hereof relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

SECTION 10.2 RELIANCE ON DOCUMENTS, OPINIONS, ETC.

Except as otherwise provided in Section 10.1 hereof:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties and the Trustee need not investigate any factor or matter stated in the document;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof is herein specifically prescribed); and any Board Resolution may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

(c) the Trustee may consult with counsel and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Noteholders, pursuant to this Indenture, unless such Noteholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred by such exercise;

(e) the Trustee shall not be liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(f) prior to the occurrence of an Event of Default hereunder and after the curing or waiving of all Events of Default, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, note or other paper or document, unless requested in writing to do so by the Holders of at least a majority in principal amount of the then outstanding Notes; provided that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by this Indenture, the Trustee may require reasonable indemnity against such expense or liability as a condition to so proceeding;

(g) no provision of this Indenture shall require the Trustee to extend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;

(h) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents or attorneys; provided that the Trustee shall not be liable for the conduct or acts of any such agent or attorney that shall have been appointed in accordance herewith with due care; and

(i) the Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

SECTION 10.3 NO RESPONSIBILITY FOR RECITALS, ETC.

The recitals contained herein and in the Notes (except in the certificate of authentication) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Notes or of the sufficiency of the security therefor. The Trustee shall not be accountable for the use or application by the Company of any Notes or the proceeds of any Notes authenticated and delivered by the Trustee in conformity with this Indenture. The Trustee shall not be responsible for recording or filing this Indenture, any supplemental indenture, or any financing or continuation statement in any public office at any time or times.

SECTION 10.4 TRUSTEE, AUTHENTICATING AGENT, PAYING AGENT OR REGISTRAR MAY OWN NOTES

The Trustee and any Authenticating Agent, paying agent or registrar, in its individual or other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not Trustee, Authenticating Agent, paying agent or registrar.

SECTION 10.5 MONEYS TO BE HELD IN TRUST

Subject to Section 6.4 hereof all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee may allow and credit to the Company interest on any money received hereunder at such rate, if any, as may be agreed upon by the Company and the Trustee from time to time as may be permitted by law.

SECTION 10.6 COMPENSATION AND EXPENSES OF TRUSTEE

The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation (which shall not be limited by any law in regard to the compensation of a trustee of an express trust), and the Company shall pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with this Indenture (including the reasonable compensation and the reasonable expenses and disbursements of its counsel and agents, including any Authenticating Agents, and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Company also covenants to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee and arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not unreasonably be withheld. The obligations of the Company under this Section 10.6 to compensate the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder. Such additional indebtedness shall be secured by a lien prior to that of the Notes upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of any particular Notes.

Without prejudice to its rights hereunder, when the Trustee incurs expenses or renders services after an Event of Default specified in Section 9.1(a)(5) or (6) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy or similar law.

SECTION 10.7 OFFICERS' CERTIFICATE AS EVIDENCE

Whenever in the administration of this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to the taking, suffering or omitting of any action hereunder, such matter (unless other evidence in respect thereof is herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such Officers' Certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under this Indenture in reliance thereon.

SECTION 10.8 CONFLICTING INTEREST OF TRUSTEE

The Trustee shall be subject to and shall comply with the provisions of Section 310 of the TIA; provided that, to the extent permitted by law, SunTrust Bank shall not be deemed to have a conflicting interest for purposes of Section 310(b) of the TIA because of its capacity as trustee under the First Mortgage. Nothing in this Indenture shall be deemed to prohibit the Trustee or the Company from making any application permitted pursuant to such section.

SECTION 10.9 EXISTENCE AND ELIGIBILITY OF TRUSTEE

There shall at all times be a Trustee hereunder which Trustee shall at all times be a corporation organized and doing business under the laws of the United States or any State thereof or of the District of Columbia (or a corporation or other Person permitted to act as trustee by the SEC), subject to supervision or examination by such bodies and authorized under such laws to exercise corporate trust powers and having a combined capital and surplus of at least $150,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid authority, then for the purposes of this Section 10.9, the combined capital and surplus shall be deemed to be as set forth in its most recent report of condition so published. No obligor upon the Notes or Person directly or indirectly controlling, controlled by, or under common control with such obligor shall serve as Trustee. If at any time the Trustee shall cease to be eligible in accordance with this Section 10.9, the Trustee shall resign immediately in the manner and with the effect specified in Section 10.10 hereof.

SECTION 10.10 RESIGNATION OR REMOVAL OF TRUSTEE

(a) Pursuant to the provisions of this Article, the Trustee may at any time resign and be discharged of the trusts created by this Indenture by giving written notice to the Company specifying the day upon which such resignation shall take effect, and such resignation shall take effect immediately upon the later of the appointment of a successor trustee and such day.

(b) Any Trustee may be removed at any time by an instrument or concurrent instruments in writing filed with such Trustee and signed and acknowledged by the Holders of a majority in principal amount of the then outstanding Notes or by their attorneys in fact duly authorized.

(c) If at any time (1) the Trustee shall cease to be eligible in accordance with Section 10.9 hereof and shall fail to resign after written request therefor by the Company or by any Holder who has been a bona fide Holder for at least six months, (2) the Trustee shall fail to comply with Section 10.8 hereof after written request therefor by the Company or any such Holder, or (3) the Trustee shall become

incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then the Trustee may be removed forthwith by an instrument or concurrent instruments in writing filed with the Trustee and either: (1) signed by the President, any Vice President, the Treasurer or any Assistant Treasurer of the Company and attested by the Secretary or an Assistant Secretary of the Company; or (2) signed and acknowledged by the Holders of a majority in principal amount of outstanding Notes or by their attorneys in fact duly authorized.

(d) Any resignation or removal of the Trustee shall not become effective until acceptance of appointment by the successor Trustee as provided in Section 10.11 hereof.

SECTION 10.11 APPOINTMENT OF SUCCESSOR TRUSTEE

(a) If at any time the Trustee shall resign or be removed, the Company shall promptly appoint a successor Trustee.

(b) The successor Trustee shall provide written notice of its appointment to the Holder of each Note outstanding following any such appointment.

(c) If no appointment of a successor Trustee shall be made pursuant to Section 10.11(a) hereof within 60 days after appointment shall be required, any Noteholder or the resigning Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(d) Any Trustee appointed under this Section 10.11 as a successor Trustee shall be a bank or trust company eligible under Section 10.9 hereof and qualified under Section 10.8 hereof.

SECTION 10.12 ACCEPTANCE BY SUCCESSOR TRUSTEE

(a) Any successor Trustee appointed as provided in Section 10.11 hereof shall execute, acknowledge and deliver to the Company and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein; but nevertheless, on the written request of the Company or of the successor Trustee, the Trustee ceasing to act shall, upon payment of any amounts then due it pursuant to Section 10.6 hereof execute and deliver an instrument transferring to such successor Trustee all the rights and powers of the Trustee so ceasing to act, including all right, title and interest, if any, in the Pledged First Mortgage Bonds. Upon request of any such successor Trustee, the Company shall execute any and all instruments in writing in order more fully and certainly to vest in and confirm to such successor Trustee all such rights and powers. Any Trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such Trustee to secure any amounts then due it pursuant to Section 10.6 hereof.

(b) No successor Trustee shall accept appointment as provided in this Section 10.12 unless at the time of such acceptance such successor Trustee shall be qualified under Section 10.8 hereof and eligible under Section 10.9 hereof.

(c) Upon acceptance of appointment by a successor Trustee as provided in this Section 10.12, the successor Trustee shall mail notice of its succession hereunder to all Holders of Notes as the names and addresses of such Holders appear on the registry books.

SECTION 10.13 SUCCESSION BY MERGER, ETC.

(a) Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided such corporation shall be otherwise qualified and eligible under this Article.

(b) If at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificates of the Trustee shall have; provided that the right to adopt the certificate of authentication of any predecessor Trustee or authenticate Notes in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

SECTION 10.14 LIMITATIONS ON RIGHTS OF TRUSTEE AS A CREDITOR

The Trustee shall be subject to, and shall comply with, the provisions of Section 311 of the TIA.

SECTION 10.15 AUTHENTICATING AGENT

(a) There may be one or more Authenticating Agents appointed by the Trustee with the written consent of the Company, with power to act on its behalf and subject to the direction of the Trustee in the authentication and delivery of Notes in connection with transfers and exchanges under Sections 2.6, 2.7, 2.8, 2.13, 3.3, and 14.4 hereof as fully to all intents and purposes as though such Authenticating Agents had been expressly authorized by those Sections to authenticate and deliver Notes. For all purposes of this Indenture, the authentication and delivery of Notes by any Authenticating Agent pursuant to this Section 10.15 shall be deemed to be the authentication and delivery of such Notes "by the Trustee." Any such Authenticating Agent shall be a bank or trust company or other Person of the character and qualifications set forth in Section 10.9 hereof.

(b) Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, if such successor corporation is otherwise eligible under this Section 10.15, without the execution or filing of any paper or any further act on the part of the parties hereto or such Authenticating Agent or such successor corporation.

(c) Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the

Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section 10.15, the Trustee may, with the written consent of the Company, appoint a successor Authenticating Agent, and upon so doing shall give written notice of such appointment to the Company and shall mail, in the manner provided in Section 17.10, notice of such appointment to the Holders of Notes.

(d) The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services.

(e) Sections 10.2, 10.3, 10.6, 10.7 and 10.9 hereof shall be applicable to any Authenticating Agent.

ARTICLE ELEVEN

CONCERNING THE NOTEHOLDERS

SECTION 11.1 ACTION BY NOTEHOLDERS

Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of the Notes may take any action, the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by such Noteholders in person or by agent or proxy appointed in writing, (b) by the record of such Noteholders voting in favor thereof at any meeting of Noteholders duly called and held in accordance with Article Eleven hereof or (c) by a combination of such instrument or instruments and any such record of such a meeting of Noteholders.

SECTION 11.2 PROOF OF EXECUTION BY NOTEHOLDERS

(a) Subject to Sections 10.1, 10.2 and 12.5 hereof, proof of the execution of any instruments by a Noteholder or the agent or proxy for such Noteholder shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The ownership of Notes shall be proved by the register for the Notes maintained by the Trustee.

(b) The record of any Noteholders' meeting shall be proven in the manner provided in Section 12.6 hereof.

SECTION 11.3 WHO DEEMED ABSOLUTE OWNERS

Subject to Sections 2.4(f) and 11.1 hereof, the Company, the Trustee, any paying agent and any Authenticating Agent shall deem the person in whose name any Note shall be registered upon the register for the Notes to be, and shall treat such person as, the absolute owner of such Note (whether or not such Note shall be overdue) for the purpose of receiving payment of or on account of the principal and premium, if any, and interest on such Note, and for all other purposes; and neither the Company nor the Trustee nor any paying agent nor any Authenticating Agent shall be affected by any notice to the contrary. All such payments shall be valid and effectual to satisfy and discharge the liability upon any such Note to the extent of the sum or sums so paid.

SECTION 11.4 COMPANY-OWNED NOTES DISREGARDED

In determining whether the Holders of the requisite aggregate principal amount of outstanding Notes have concurred in any direction, consent or waiver under this Indenture, Notes which are owned by the Company or any other obligor on the Notes or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other obligor on the Notes shall be disregarded and deemed not to be outstanding for the purpose of any such determination; provided that, for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only Notes which the Trustee knows are so owned shall be so disregarded. Notes so owned which have been pledged in good faith to third parties may be regarded as outstanding for the purposes of this Section 11.4 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to take action with respect to such Notes and that the pledgee is not a person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any such other obligor. In the case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 11.5 REVOCATION OF CONSENTS; FUTURE HOLDERS BOUND

Except as may be otherwise required in the case of a Global Note by the applicable rules and regulations of the Depositary, at any time prior to the taking of any action by the Holders of the percentage in aggregate principal amount of the Notes specified in this Indenture in connection with such action, any Holder of a Note, which has been included in the Notes the Holders of which have consented to such action may, by filing written notice with the Trustee at the corporate trust office of the Trustee and upon proof of ownership as provided in Section 11.2(a) hereof, revoke such action so far as it concerns such Note. Except as aforesaid any such action taken by the Holder of any Note shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Note and of any Notes issued in exchange, substitution or upon registration of transfer therefor, irrespective of whether or not any notation thereof is made upon such Note or such other Notes.

SECTION 11.6 RECORD DATE FOR NOTEHOLDER ACTS

If the Company shall solicit from the Noteholders any request, demand, authorization, direction, notice, consent, waiver or other act, the Company may, at its option, by Board Resolution, fix in advance a record date for the determination of Noteholders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other act may be given before or after the record date, but only the Noteholders of record at the close of business on the record date shall be deemed to be Noteholders for the purpose of determining whether Holders of the requisite aggregate principal amount of outstanding Notes have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other act, and for that purpose the outstanding Notes shall be computed as of the record date; provided that no such request, demand, authorization, direction, notice, consent, waiver or other act by the Noteholders on the record date shall be deemed effective unless it shall become effective pursuant to this Indenture not later than six months after the record date.

ARTICLE TWELVE

NOTEHOLDERS' MEETING

SECTION 12.1 PURPOSES OF MEETINGS

A meeting of Noteholders may be called at any time and from time to time pursuant to this Article Twelve for any of the following purposes:

(a) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to consent to the waiving of any Event of Default hereunder and its consequences, or to take any other action authorized to be taken by Noteholders pursuant to Article Nine;

(b) to remove the Trustee pursuant to Article Ten;

(c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to Section 14.2 hereof; or

(d) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Notes, as the case may be, under any other provision of this Indenture or under applicable law.

SECTION 12.2 CALL OF MEETINGS BY TRUSTEE

The Trustee may at any time call a meeting of Holders of Notes to take any action specified in Section 12.1 hereof, to be held at such time and at such place as the Trustee shall determine. Notice of every such meeting of Noteholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given to Holders of the Notes that may be affected by the action proposed to be taken at such meeting in the manner provided in Section 17.10 hereof. Such notice shall be given not less than 20 nor more than 90 days prior to the date fixed for such meeting.

SECTION 12.3 CALL OF MEETINGS BY COMPANY OR NOTEHOLDERS

If at any time the Company, pursuant to a Board Resolution, or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, shall have requested the Trustee to call a meeting of Noteholders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within 20 days after receipt of such request, then the Company or such Noteholders may determine the time and the place for such meeting and may call such meeting to take any action authorized in Section 12.1 hereof by giving notice thereof as provided in Section 12.2 hereof.

SECTION 12.4 QUALIFICATIONS FOR VOTING

To be entitled to vote at any meetings of Noteholders a Person shall (a) be a Holder of one or more Notes affected by the action proposed to be taken or (b) be a Person appointed by an instrument in writing as proxy by a Holder of one or more such Notes. The only Persons who shall be entitled to be present or to speak at any meeting of Noteholders shall be the Persons entitled to vote at such meeting and their counsel and any representatives (including employees) of the Trustee and its counsel and any representatives (including employees) of the Company and its counsel.

SECTION 12.5 REGULATIONS

(a) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Noteholders in regard to proof of the holding of Notes and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

(b) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by the Noteholders as provided in Section 12.3 hereof in which case the Company or Noteholders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by the Holders of a majority in aggregate principal amount of the Notes present in person or by proxy at the meeting.

(c) Subject to Section 11.4 hereof, at any meeting each Noteholder or proxy shall be entitled to one vote for each $1,000 principal amount of Notes held or represented by such Noteholder; provided that no vote shall be cast or counted at any meeting in respect of any Note ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Notes held by such chairman or instruments in writing as aforesaid duly designating such chairman as the person to vote on behalf of other Noteholders. At any meeting of Noteholders duly called pursuant to Section 12.2 or 12.3 hereof, the presence of persons holding or representing Notes in an aggregate principal amount sufficient to take action on any business for the transaction for which such meeting was called shall constitute a quorum. Any meeting of Noteholders duly called pursuant to Section 12.2 or 12.3 hereof may be adjourned from time to time by the Holders of a majority in aggregate principal amount of the Notes present in person or by proxy at the meeting, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

SECTION 12.6 VOTING

The vote upon any resolution submitted to any meeting of Noteholders shall be by written ballots on which shall be subscribed the signatures of the Holders of Notes or of their representatives by proxy and the principal amount of Notes held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of such meeting of Noteholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 12.2 hereof. The record shall show the aggregate principal amount of the Notes voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee and the Trustee shall have the ballots taken at the meeting attached to such duplicate. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 12.7 RIGHTS OF TRUSTEE OR NOTEHOLDERS NOT DELAYED

Nothing in this Article Twelve shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Noteholders or any rights expressly or impliedly conferred hereunder to make

such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders of Notes under any of the provisions of this Indenture or of the Notes.

ARTICLE THIRTEEN

CONSOLIDATION, MERGER, SALE, TRANSFER OR OTHER DISPOSITION

SECTION 13.1 COMPANY MAY CONSOLIDATE, ETC. ONLY ON CERTAIN TERMS

The Company shall not consolidate with or merge into any other corporation or sell, or otherwise dispose of all or substantially all of its assets unless the corporation formed by such consolidation or into which the Company is merged or the Person which receives all or substantially all of the assets pursuant to such sale, transfer or other disposition (a) shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and premium and interest on all of the Notes and the performance of every covenant of this Indenture on the part of the Company to be performed or observed, and (b) if such consolidation, merger, sale, transfer or other disposition occurs, shall expressly assume, by an indenture supplemental to the First Mortgage, executed and delivered to the Trustee and the Mortgage Trustee, in form satisfactory to the Trustee and the Mortgage Trustee, the due and punctual payment of the principal of, premium, if any, and interest on all of the Pledged First Mortgage Bonds and the performance of every covenant of the First Mortgage on the part of the Company to be performed or observed. For purposes of this Article Thirteen, the phrase "all or substantially all of its assets" shall mean 50% or more of the total assets of the Company as shown on the balance sheet of the Company as of the end of the calendar year immediately preceding the day of the year in which such determination is made and nothing in this Indenture shall prevent or hinder the Company from selling, transferring or otherwise disposing during any calendar year (in one transaction or a series of transactions) less than 50% of the amount of its total assets as shown on the balance sheet of the Company as of the end of the immediately preceding calendar year.

SECTION 13.2 SUCCESSOR CORPORATION SUBSTITUTED

Upon any consolidation or merger, or any sale, transfer or other disposition of all or substantially all of the assets of the Company in accordance with Section 13.1 hereof, the successor corporation formed by such consolidation or into which the Company is merged or to which such sale, transfer or other disposition is made shall succeed to, and be substituted for and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein and the Company shall be released from all obligations hereunder.

ARTICLE FOURTEEN

SUPPLEMENTAL INDENTURES

SECTION 14.1 SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF NOTEHOLDERS

(a) The Company and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto without the consent of any Noteholder for one or more of the following purposes: (1) to make such provision in regard to matters or questions arising under this Indenture as may be necessary or desirable, and not inconsistent with this Indenture or prejudicial to the interests of the Holders, for the purpose of supplying any omission, curing any ambiguity, or curing, correcting or supplementing any defective or inconsistent provision; (2) to change or eliminate any of the provisions of this Indenture, provided that any such change or elimination shall become effective only when there is no Note outstanding created prior to the execution of such supplemental indenture which is

entitled to the benefit of such provision or such change or elimination is applicable only to Notes issued after the effective date of such change or elimination; (3) to evidence the succession of another corporation to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Notes; (4) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority; (5) to permit the Trustee to comply with any duties imposed upon it by law; (6) to specify further the duties and responsibilities of and to define further the relationships among the Trustee, any Authenticating Agent and any paying agent; (7) to add to the covenants of the Company for the benefit of the Holders, to add to the security for the Notes or to surrender a right or power conferred on the Company herein; and (8) to make any other change that is not prejudicial to the Trustee or the Holders.

(b) The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(c) Any supplemental indenture authorized by this Section 14.1 may be executed by the Company and the Trustee without the consent of the Holders of any of the Notes at the time outstanding, notwithstanding any of the provisions of Section 14.2 hereof.

SECTION 14.2 SUPPLEMENTAL INDENTURES WITH CONSENT OF NOTEHOLDERS

(a) With the consent (evidenced as provided in Section 11.1 hereof) of the Holders of a majority in aggregate principal amount of the Notes at the time outstanding, the Company, when authorized by Board Resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the Noteholders; provided that no such supplemental indenture shall: (1) change the maturity date of any Note, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof or any premium thereon, or change the coin or currency in which the principal of any Note or any premium or interest thereon is payable, or change the date on which any Note may be redeemed or adversely affect the rights of the Noteholders to institute suit for the enforcement of any payment of principal of or any premium or interest on any Note, or impair the interest hereunder of the Trustee in the Pledged First Mortgage Bonds, or reduce the principal amount of the Pledged First Mortgage Bonds to an amount less than the principal amount of the related Notes or alter the payment provisions of such Pledged First Mortgage Bonds in a manner adverse to the Holders of the Notes, in each case without the consent of the Holder of each Note so affected; or (2) modify this Section 14.2(a) or reduce the aforesaid percentage of Notes, the Holders of which are required to consent to any such supplemental indenture or to reduce the percentage of Notes, the Holders of which are required to waive Events of Default, in each case, without the consent of the Holders of all of the Notes then outstanding.

(b) Upon the request of the Company, accompanied by a copy of the Board Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Noteholders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

(c) It shall not be necessary for the consent of the Holders of Notes under this Section 14.2 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(d) Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to this Section 14.2, the Trustee shall give notice in the manner provided in Section 17.10 hereof, setting forth in general terms the substance of such supplemental indenture, to all Noteholders. Any failure of the Trustee to give such notice or any defect therein shall not, however, in any way impair or affect the validity of any such supplemental indenture.

(e) Notwithstanding anything to the contrary in this Section 14.2, if any proposed supplemental indenture would affect only a limited number of the Notes, only the Holders of the Notes so affected shall be entitled to consent to such supplemental indenture, and, subject to Sections 14.2(a)(1) and (2), such supplemental indenture may be approved with the consent of the Holders of a majority in aggregate principal amount of the Notes so affected.

SECTION 14.3 COMPLIANCE WITH TRUST INDENTURE ACT; EFFECT OF SUPPLEMENTAL INDENTURES

Any supplemental indenture executed pursuant to this Article Fourteen shall comply with the TIA. Upon the execution of any supplemental indenture pursuant to this Article Fourteen, the Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the Noteholders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 14.4 NOTATION ON NOTES

Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article Fourteen may bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Notes so modified as approved by the Trustee and the Board of Directors with respect to any modification of this Indenture contained in any such supplemental indenture may be prepared and executed by the Company, authenticated by the Trustee and delivered in exchange for the Notes then outstanding.

SECTION 14.5 EVIDENCE OF COMPLIANCE OF SUPPLEMENTAL INDENTURE TO BE FURNISHED TRUSTEE

The Trustee, subject to Sections 10.1 and 10.2 hereof, shall receive an Officers' Certificate and an Opinion of Counsel pursuant to Section 17.5 hereof as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article Fourteen.

ARTICLE FIFTEEN

IMMUNITY OF INCORPORATORS, SHAREHOLDERS, OFFICERS AND DIRECTORS

SECTION 15.1 INDENTURE AND NOTES SOLELY CORPORATE OBLIGATIONS

No recourse for the payment of the principal of or any premium or interest on any Note, any Pledged First Mortgage Bond or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, contained in this Indenture, the First Mortgage or in any supplemental indenture, or in any Note or in any Pledged First Mortgage Bond, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issuance of the Notes.

ARTICLE SIXTEEN

FINANCIAL GUARANTY INSURANCE

SECTION 16.1 FINANCIAL GUARANTY INSURANCE

n connection with the issuance of the Notes by the Company, Ambac shall issue a Financial Guaranty Insurance Policy insuring the payment when due of the principal of and interest on the Notes.

SECTION 16.2 PAYMENT PROCEDURE

As long as the Financial Guaranty Insurance Policy shall be in full force and effect, the Company and the Trustee agree to comply with the following provisions:

(a) At least one (1) day prior to all interest payment dates the Trustee will determine whether there will be sufficient funds to pay the principal of or interest on the Notes on such interest payment date. If the Trustee, determines that there will be insufficient funds, the Trustee shall so notify Ambac Assurance. Such notice shall specify the amount of the anticipated deficiency, the Notes to which such deficiency is applicable and whether such Notes will be deficient as to principal or interest, or both. If the Trustee has not so notified Ambac Assurance at least one (1) day prior to an interest payment date, Ambac Assurance will make payments of principal or interest due on the Notes on or before the first (1st) day next following the date on which Ambac Assurance shall have received notice of nonpayment from the Trustee.

(b) the Trustee shall, after giving notice to Ambac Assurance as provided in (a) above, make available to Ambac Assurance and, at Ambac Assurance's direction, to the Insurance Trustee, the registration books of the Company maintained by the Trustee and all records relating to the funds and accounts maintained under this Indenture.

(c) the Trustee shall provide Ambac Assurance and the Insurance Trustee with a list of registered holders of Notes entitled to receive principal or interest payments from Ambac Assurance under the terms of the Financial Guaranty Insurance Policy (as defined herein), and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered holders of Notes entitled to receive full or partial interest payments from Ambac Assurance and (ii) to pay principal upon

Notes surrendered to the Insurance Trustee by the registered holders of Notes entitled to receive full or partial principal payments from Ambac Assurance.

(d) the Trustee shall, at the time it provides notice to Ambac Assurance pursuant to (a) above, notify registered holders of Notes entitled to receive the payment of principal or interest thereon from Ambac Assurance (i) as to the fact of such entitlement, (ii) that Ambac Assurance will remit to them all or a part of the interest payments next coming due upon proof of such holders' entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered holder's right to payment, (iii) that should they be entitled to receive full payment of principal from Ambac Assurance, they must surrender their Notes (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Notes to be registered in the name of Ambac Assurance) for payment to the Insurance Trustee, and not the Trustee, and (iv) that should they be entitled to receive partial payment of principal from Ambac Assurance, they must surrender their Notes for payment thereon first to the Trustee who shall note on such Notes the portion of the principal paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) in the event that the Trustee has notice that any payment of principal of or interest on a Note which has become due for payment and which is made to a holder by or on behalf of the Company has been deemed a preferential transfer and theretofore recovered from its registered holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time Ambac Assurance is notified pursuant to (a) above, notify all registered holders that in the event that any registered holder's payment is so recovered, such registered holder will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to Ambac Assurance its records evidencing the payments of principal of and interest on the Notes which have been made by the Trustee and subsequently recovered from registered holders and the dates on which such payments were made.

(f) in addition to those rights granted Ambac Assurance under this Indenture, Ambac Assurance shall, to the extent it makes payment of principal of or interest on Notes, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Financial Guaranty Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note Ambac Assurance's rights as subrogee on the registration books of the Company maintained by the Trustee upon receipt from Ambac Assurance of proof of the payment of interest thereon to the registered holders of the Notes, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note Ambac Assurance's rights as subrogee on the registration books of the Company maintained by the Trustee upon surrender of the Notes by the registered holders thereof together with proof of the payment of principal thereof.

SECTION 16.3 NOTICES/INFORMATION TO BE GIVEN TO AMBAC ASSURANCE

(a) While the Financial Guaranty Insurance Policy is in effect, the Company or the Trustee shall furnish to Ambac Assurance to the attention of the Surveillance Department:

(i) a copy of any financial statement of the Company;

(ii) a copy of any audit and annual report of the Company as soon as practicable after the filing thereof;

(iii) a copy of any notice to be given to the registered holders of the Notes, including, without limitation, notice of any redemption of or defeasance of Notes, and any certificate rendered pursuant to this Indenture relating to the security for the Notes, and to the extent that the Company has entered into a continuing disclosure agreement with respect to the Notes, Ambac Assurance shall be included as party to be notified; and

(iv) such additional information it may reasonably request.

(b) Notwithstanding any other provision of this Indenture, the Company shall notify the General Counsel's office at Ambac Assurance immediately if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any Event of Default or if at any time the Company fails to provide relevant notices, certificates, etc..

(c) In addition, the Company shall permit Ambac Assurance to discuss the affairs, finances and accounts of the Company or any information Ambac Assurance may reasonably request regarding the security for the Notes with appropriate officers of the Company. The Trustee or the Company will permit Ambac Assurance to have access to and to make copies of all books and records relating to the Notes at any reasonable time.

(d) Ambac Assurance shall have the right to direct an accounting at the Company's expense, and the Company's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from Ambac Assurance shall be deemed an Event of Default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered holder of the Notes.

SECTION 16.4 THE TRUSTEE

Notwithstanding any of the provisions of the Indenture, as long as the Financial Guaranty Insurance Policy is in effect, the Company and the Trustee agree as follows:

(a) The Trustee may be removed at any time, at the request of Ambac Assurance, for any breach of the Indenture.

(b) Ambac Assurance shall receive prior written notice of the resignation of any Trustee.

(c) Every successor Trustee appointed pursuant to the Indenture shall be a trust company or bank in good standing located in or incorporated under the laws of the United States or any state within the United States, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than $75,000,000 and acceptable to Ambac Assurance.

(d) No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to Ambac, shall be appointed.

(e) In determining whether the rights of the holders will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee shall consider the effect on the holders as if there were no Financial Guaranty Insurance Policy.

SECTION 16.5 CONSENT

Notwithstanding any provision of the Indenture and as long as the Financial Guaranty Insurance Policy remains in effect, any provision of this Indenture expressly recognizing or granting rights in or to Ambac Assurance, may not be amended in any manner which affects the rights of Ambac Assurance hereunder without the prior written consent of Ambac Assurance. Unless otherwise provided herein, Ambac Assurance's consent shall be required in addition to holder consent, when required, for the following purposes: (i) execution and delivery of any supplemental indenture to this Indenture or any amendment, supplement or change to or modification of this Indenture; (ii) removal of the Trustee and selection and appointment of any successor trustee; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires holder consent. Any reorganization or liquidation plan with respect to the Company must be acceptable to Ambac Assurance. In the event of any reorganization or liquidation, Ambac Assurance shall have the right to vote on behalf of all holders who hold Ambac Assurance-insured notes absent a default by Ambac Assurance under the applicable Financial Guaranty Insurance Policy insuring such Notes.

SECTION 16.6 EVENT OF DEFAULT

(a) Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, Ambac Assurance shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders or the Trustee for the benefit of the holders under this Indenture, including, without limitation: (i) the right to accelerate the principal of the Notes as described in the Indenture, and (ii) the right to annul any declaration of acceleration, and Ambac Assurance shall also be entitled to approve all waivers of defaults.

(b) Upon the occurrence of an Event of Default, the Trustee may, with the consent of Ambac Assurance, and shall, at the direction of Ambac Assurance or not less than 25% of the holders, with the consent of Ambac Assurance, by written notice to the Company and Ambac Assurance, declare the principal of the Notes to be immediately due and payable, whereupon that portion of the principal of the Notes thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Indenture or in the Notes to the contrary notwithstanding.

SECTION 16.7 DEFEASANCE

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the Notes shall be paid by Ambac Assurance pursuant to the Financial Guaranty Insurance Policy, the Notes shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Company, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Company to the registered holders shall continue to exist and shall run to the benefit of Ambac Assurance, and Ambac Assurance shall be subrogated to the rights of such registered holders.

SECTION 16.8 INTERESTED PARTIES

Notwithstanding any provision in the Indenture, to the extent that this Indenture confers upon or gives or grants to Ambac Assurance any right, remedy or claim under or by reason of this Indenture, Ambac Assurance is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right remedy or claim conferred, given or granted hereunder. Nothing in this Indenture expressed or implied is intended or shall be construed to give to any person other than the Company, the Trustees, Ambac Assurance and the holders of the Notes issued hereunder, any legal or equitable right,

remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein or in the Notes contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Company, the Trustees, Ambac Assurance and the holders of the Notes issued hereunder.

ARTICLE SEVENTEEN

MISCELLANEOUS PROVISIONS

SECTION 17.1 PROVISIONS BINDING ON COMPANY'S SUCCESSORS

All the covenants, stipulations, promises and agreements made by the Company in this Indenture shall bind its successors and assigns whether so expressed or not.

SECTION 17.2 OFFICIAL ACTS BY SUCCESSOR CORPORATION

Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation that shall at the time be the lawful successor of the Company.

SECTION 17.3 NOTICES

(a) Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Noteholders on the Company may be given or served by confirmed facsimile transmission, by delivery to an overnight courier providing evidence of receipt or by being deposited postage prepaid in a post office letter box, in each case sent or transmitted to the facsimile number or address (until another facsimile number or address is filed by the Company with the Trustee) of the principal executive offices of the Company, to the attention of the Secretary or Treasurer. Any notice, direction, request or demand by any Noteholder, the Company or the Mortgage Trustee to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made in writing, by any type of delivery described above, at the corporate trust office of the Trustee, Attention: Manager, Corporate Trust Department.

(b) The Company shall provide any notices required under this Indenture by publication, but only to the extent that such publication is required by the TIA, the rules and regulations of the SEC or any securities exchange upon which any of the Notes are listed.

SECTION 17.4 GOVERNING LAW

This Indenture and each Note shall be deemed to be a contract made under the laws of the State of Florida, and for all purposes shall be construed in accordance with the internal laws of said State without giving effect to conflict of laws rules thereof.

SECTION 17.5 EVIDENCE OF COMPLIANCE WITH CONDITIONS PRECEDENT

(a) Upon any application or demand by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture (including any covenants compliance with which constitutes a condition precedent) relating to the proposed action have been complied with and an

Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

(b) Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture (other than the certificates delivered pursuant to Section 7.6 hereof) shall include (1) a statement that each Person making such certificate or opinion has read such covenant or condition and the definitions relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (3) a statement that, in the opinion of each such Person, such Person has made such examination or investigation as is necessary to enable such Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not, in the opinion of each such Person, such condition or covenant has been complied with.

(c) In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

(d) Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which such certificate or opinion is based are erroneous. Any such certificate or opinion of counsel delivered under the Indenture may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such person knows, or in the exercise of reasonable care should know, that the certificate or opinion of representations with respect to such matters are erroneous. Any opinion of counsel delivered hereunder may contain standard exceptions and qualifications satisfactory to the Trustee.

(e) Any certificate, statement or opinion of any officer of the Company, or of counsel, may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an independent public accountant or firm of accountants, unless such officer or counsel, as the case may be, knows that the certificate or opinions or representations with respect to the accounting matters upon which the certificate, statement or opinion of such officer or counsel may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate or opinion of any firm of independent public accountants filed with the Trustee shall contain a statement that such firm is independent.

(f) Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 17.6 BUSINESS DAYS

Unless otherwise provided pursuant to Section 2.5(c) hereof, in any case where the date of maturity of the principal of or any premium or interest on any Note or the date fixed for redemption of any Note is not a Business Day, then payment of such principal or any premium or interest 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, in the case of timely payment thereof, no interest shall accrue for the period from and after such Interest Payment Date or the date on which the principal of the Note is required to be paid.

SECTION 17.7 TRUST INDENTURE ACT TO CONTROL

If and to the extent that any provision of this Indenture limits, qualifies or conflicts with the duties imposed by any of Sections 310 to 317, inclusive, of the TIA, such required provision of the TIA shall govern.

SECTION 17.8 TABLE OF CONTENTS, HEADINGS, ETC.

The table of contents and the titles and headings of the articles and sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 17.9 EXECUTION IN COUNTERPARTS

This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

SECTION 17.10 MANNER OF MAILING NOTICE TO NOTEHOLDERS

Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or the Company to or on the Holders of Notes, as the case may be, shall be given or served by confirmed facsimile transmission, by delivery to an overnight courier providing evidence of receipt or by first-class mail, postage prepaid, in each case sent or transmitted to the Holders of such Notes at their last facsimile numbers or addresses as the same appear on the register for the Notes referred to in Section 2.6, and any such notice shall be deemed to be given or served by being deposited in a post office letter box (or by any other form of delivery described above) in the form and manner provided in this Section 17.10. In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give notice to any Holder by mail, then such notification to such Holder as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

SECTION 17.11 APPROVAL BY TRUSTEE OF COUNSEL

Whenever the Trustee is required to approve counsel who is to furnish evidence of compliance with conditions precedent in this Indenture, such approval by the Trustee shall be deemed to have been given upon the taking of any action by the Trustee pursuant to and in accordance with the certificate or opinion so furnished by such counsel.

IN WITNESS WHEREOF, FLORIDA PUBLIC UTILITIES COMPANY has caused this Indenture to be signed and acknowledged by one of its Vice Presidents, and attested by its Secretary, and _____ has caused this Indenture to be signed and acknowledged by one of its Vice Presidents, and attested by one of its Vice Presidents, as of the day and year first written above.

FLORIDA PUBLIC UTILITIES COMPANY

By: _____

ATTEST:

SunTrust Bank, as Trustee

By:_____
ATTEST:

EXHIBIT A

FORM OF GLOBAL NOTE

THIS NOTE IS A GLOBAL NOTE REGISTERED IN THE NAME OF THE DEPOSITARY (REFERRED TO HEREIN) OR A NOMINEE THEREOF AND, UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL NOTES REPRESENTED HEREBY, THIS GLOBAL NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET NEW YORK, NEW YORK), TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO. ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED REGISTERED

CUSIP:

FLORIDA PUBLIC UTILITIES COMPANY
___ % SECURED INSURED QUARTERLY NOTES

ORIGINAL ISSUE DATE: _____ PRINCIPAL AMOUNT: $15,000,000

INTEREST RATE: ____% STATED MATURITY: Due October 1, 2031

FLORIDA PUBLIC UTILITIES COMPANY, a corporation of the state of Florida (the "Company"), for value received hereby promises to pay to Cede & Co. or registered assigns, the principal sum of $15,000,000 on October 1, 2031, and to pay interest thereon from the Original Issue Date (or if this Global Note has two or more Original Issue Dates, interest shall, beginning on each such Original Issue Date, begin to accrue for that part of the principal amount to which that Original Issue Date is applicable) or from the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on the October 1, January 1, April 1 and July 1 in each year (each, an "Interest Payment Date"), commencing on the first such Interest Payment Date succeeding the applicable Original Issue Date set forth above, at the per annum Interest Rate set forth above, until the principal hereof is paid or made available for payment. No interest shall accrue on the Maturity Date, so long as the principal amount of this Global Note is paid on the Maturity Date.

The interest so payable and punctually paid or duly provided for on any such Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note is registered at the close of business on the Regular Record Date for such interest, which shall be the December 15, the March 15, the June 15 and the September 15, as the case may be, next preceding such Interest Payment Date; provided that the first Interest Payment Date for any part of this Note, the Original Issue Date of which is after a Regular Record Date but prior to the applicable Interest Payment Date, shall be the

Interest Payment Date following the next succeeding Regular Record Date; and provided that interest payable on the Maturity Date set forth above or, if applicable, upon redemption or acceleration, shall be payable to the Person to whom principal shall be payable. Except as otherwise provided in the Indenture (as defined below), any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and shall be paid to the Person in whose name this Note is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Noteholders not more than 15 days or fewer than 10 days prior to such Special Record Date. On or before 2:00 p.m., Eastern Standard Time, or such other time as shall be agreed upon between the Trustee and the Depositary, of the day on which such payment of interest is due on this Global Note (other than maturity), the Trustee shall pay to the Depositary such interest in same day funds. On or before 2:00 p.m., Eastern Standard Time, or such other time as shall be agreed upon between the Trustee and the Depositary, of the day on which principal, interest payable at maturity and premium, if any, is due on this Global Note, the Trustee shall deposit with the Depositary the amount equal to the principal, interest payable at maturity and premium, if any, by wire transfer into the account specified by the Depositary. As a condition to the payment, on the Maturity Date or upon redemption or acceleration, of any part of the principal and applicable premium of this Global Note, the Depositary shall surrender, or cause to be surrendered, this Global Note to the Trustee, whereupon a new Global Note shall be issued to the Depositary.

This Global Note is a global security in respect of a duly authorized issue of ___ % Secured Insured Quarterly Notes (the "Notes") of the Company issued and to be issued under an Indenture dated as of September 1, 2001 between the Company and SunTrust Bank, as trustee (the "Trustee," which term includes any successor Trustee under the Indenture) and indentures supplemental thereto (collectively, the "Indenture"). Reference is hereby made to the Indenture for a more complete statement of the respective rights, limitations of rights, duties and immunities under the Indenture of the Company, the Trustee and the Noteholders and of the terms upon which the Notes are and are to be authenticated and delivered. This Global Note is limited in the aggregate principal amount of $15,000,000.

The Notes will be secured by first mortgage bonds (the "Pledged First Mortgage Bonds") delivered by the Company to the Trustee for the benefit of the Holders of the Notes, issued under the Indenture of Mortgage and Deed of Trust dated as of September 1, 1942, as supplemented and amended from time to time, between the Company and SunTrust Bank, as successor to Continental Illinois National Bank and Trust Company of Chicago and First National in Palm Beach (the "Mortgage Trustee") (the "Mortgage"). Reference is made to the Mortgage and the Indenture for a description of the rights of the Trustee as holder of the Pledged First Mortgage Bonds, the property mortgaged and pledged under the Mortgage, the rights of the Company and of the applicable Mortgage Trustee in respect thereof, the duties and immunities of the applicable Mortgage Trustee, the terms and conditions upon which the Pledged First Mortgage Bonds are secured and the circumstances under which additional first mortgage bonds may be issued.

Each Note shall be dated and issued as of the date of its authentication by the Trustee and shall bear an Original Issue Date or Dates. Each Note or Global Note issued upon transfer, exchange or substitution of such Note or Global Note shall bear the Original Issue Date or Dates of such transferred, exchanged or substituted Note or Global Note, as the case may be.

The Company may, at its option, at any time on or after October 1, 2006, redeem all the Notes or some of them from time to time after issuance at the following redemption prices (expressed in percentages of principal amount of the Notes) plus unpaid accrued interest to the redemption date.

If redeemed during the 12-month period beginning October 1:

Year	Redemption Price
2006	101%
Thereafter	100%

Notice of redemption will be given by mail to Holders of Notes of this issue not less than 30 or more than 60 days prior to the date fixed for redemption, all as provided in the Indenture. In the event of redemption of this Global Note in part only, a new Global Note or Notes of like tenor and series for the unredeemed portion hereof will be issued in the name of the Noteholder hereof upon the surrender hereof.

Unless the Notes have been declared due and payable prior to their maturity by reason of an Event of Default or have been called for redemption by the Company pursuant to the Indenture, the personal representative or other person authorized to represent the estate of the deceased Beneficial Owner, or surviving joint tenant(s), tenant by the entirety or the trustee of a trust for a deceased Beneficial Owner (as hereinafter defined) (the "Representative") has the right to request redemption prior to stated maturity of all or part of his interest in the Notes, and the Company will redeem the same subject to the limitations that the Company will not be obligated to redeem, during the period from the original issue date through and including October 1, 2002 (the "Initial Period"), and during any twelve-month period which ends on and includes each October 1 thereafter (each such twelve-month period being hereinafter referred to as a "Subsequent Period"), (i) on behalf of a deceased Beneficial Owner any interest in the Notes which exceeds $25,000 principal amount or (ii) interests in the Notes exceeding $300,000 in aggregate principal amount. A request for redemption may be initiated by the Representative of a holder at any time and in any principal amount.

The Company may, at its option, redeem interests of any deceased Beneficial Owner in the Notes the Initial Period or any Subsequent Period in excess of the $25,000 limitation. Any such redemption, to the extent that it exceeds the $25,000 limitation for any deceased Beneficial Owner, shall not be included in the computation of the $300,000 aggregate limitation for such Initial Period or such Subsequent Period, as the case may be, or for any succeeding Subsequent Period. The Company may, at its option, redeem interests of deceased Beneficial Owners in the Notes, in the Initial Period or any Subsequent Period in an aggregate principal amount exceeding $300,000. Any such redemption, to the extent it exceeds the $300,000 aggregate limitation shall not reduce the $300,000 aggregate limitation for any Subsequent Period. On any determination by the Company to redeem the Notes in excess of the $25,000 limitation or the $300,000 aggregate limitation, Notes so redeemed shall be redeemed in the order of the receipt of Redemption Requests (as hereinafter defined) by the Trustee.

A request for redemption of an interest in the Notes may be initiated by the Representative. The Representative shall deliver a request to the Participant (hereinafter defined) through whom the deceased Beneficial Owner owned such interest, in form satisfactory to the Participant, together with evidence of the death of the Beneficial Owner, evidence of the authority of the Representative satisfactory to the Participant, such waivers, notices or certificates as may be required under applicable state or federal law and such other evidence of the right to such redemption as the Participant shall require. The request shall specify the principal amount of the interest in the Notes to be redeemed. The Participant shall thereupon deliver to the Depositary a request for redemption substantially in the form attached as Exhibit A hereto (a "Redemption Request"). The Depositary will promptly deliver the notice to the Trustee. The Trustee shall maintain records with respect to Redemption Requests received by it including date of receipt, the name of the Participant filing the Redemption Request and the status of each such Redemption Request with respect to the $25,000 limitation and the $300,000 aggregate limitation. The Trustee will immediately file each Redemption Request it receives, together with the information regarding the eligibility thereof with respect to the $25,000 limitation and the $300,000 aggregate limitation with the

Company. The Depositary, the Company and the Trustee may conclusively assume, without independent investigation, that the statements contained in each Redemption Request are true and correct and shall have no responsibility for reviewing any documents submitted to the Participant by the Representative or for determining whether the applicable decedent is in fact the Beneficial Owner of the interest in the Bonds of the 2031 Series to be redeemed or is in fact deceased and whether the Representative is duly authorized to request redemption on behalf of the applicable Beneficial Owner.

Subject to the $25,000 limitation and the $300,000 aggregate limitation, the Company will, after the death of any Beneficial Owner, redeem the interest of such Beneficial Owner in the Notes within 60 days following receipt by the Company of a Redemption Request from the Trustee. If Redemption Requests exceed the aggregate principal amount of interests in the Notes required to be redeemed during the Initial Period or during any Subsequent Period, then such excess Redemption Requests will be applied in the order received by the Trustee to successive Subsequent Periods, regardless of the number of Subsequent Periods required to redeem such interests. The Company may, at any time notify the Trustee that it will redeem, on a date not less than 30 nor more than 60 days thereafter, all or any such lesser amount of Notes for which Redemption Requests have been received but which are not then eligible for redemption by reason of the $25,000 limitation or the $300,000 aggregate limitation. Any Notes so redeemed shall be redeemed in the order of receipt of Redemption Requests by the Trustee.

The price to be paid by the Company for the Notes to be redeemed pursuant to a Redemption Request is 100% of the principal amount thereof plus accrued but unpaid interest to the date of payment. Subject to arrangements with the Depositary, payment for interests in the Notes which are to be redeemed shall be made to the Depositary upon presentation of the Notes to the Trustee for redemption in the aggregate principal amount specified in the Redemption Requests submitted to the Trustee by the Depositary which are to be fulfilled in connection with such payment. The principal amount of any Notes acquired or redeemed by the Company other than by redemption at the option of any Representative of a deceased Beneficial Owner pursuant to this section shall not be included in the computation of either the $25,000 limitation or the $300,000 aggregate limitation for the Initial Period or for any Subsequent Period.

For purposes of redemption, a "Beneficial Owner" means the Person who has the right to sell, transfer or otherwise dispose of an interest in a Bond and the right to receive the proceeds therefrom, as well as the interest and principal payable to the holder thereof. In general, a determination of beneficial ownership in the Notes will be subject to the rules, regulations and procedures governing the Depositary and institutions that have accounts with the Depositary or a nominee thereof ("Participants").

For purposes of redemption, an interest in a Note held in tenancy by the entirety, joint tenancy or by tenants in common will be deemed to be held by a single Beneficial Owner and the death of a tenant by the entirety, joint tenant or tenant in common will be deemed the death of a Beneficial Owner. The death of a person who, during his lifetime, was entitled to substantially all of the rights of a Beneficial Owner of an interest in the Notes will be deemed the death of the Beneficial Owner, regardless of the recordation of such interest on the records of the Participant, if such rights can be established to the satisfaction of the Participant. Such interests shall be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act, community property or other similar joint ownership arrangements, including individual retirement accounts or Keogh [H.R. 10] plans maintained solely by or for the decedent or by or for the decedent and any spouse, and trust and certain other arrangements where one person has substantially all of the rights of a Beneficial Owner during such person's lifetime.

In the case of a Redemption Request which is presented on behalf of a deceased Beneficial Owner and which has not been fulfilled at the time the Company gives notice of its election to redeem the

Notes, the Notes which are the subject of such pending Redemption Request shall be redeemed prior to any other Notes.

Any Redemption Request may be withdrawn by the person(s) presenting the same upon delivery of a written request for such withdrawal given by the Participant on behalf of such person to the Depositary and by the Depositary to the Trustee not less than 30 days prior to payment thereof by the Company.

The Company may, at its option, purchase any Notes for which Redemption Requests have been received in lieu of redeeming such Notes. Any Notes so purchased by the Company shall either be reoffered for sale and sold within 180 days after the date of purchase or presented to the Trustee for redemption and cancellation.

Interest payments for this Global Note shall be computed and paid on the basis of a 360-day year of twelve 30-day months. If any Interest Payment Date or the date on which the principal of this Global Note is required to be paid is not a Business Day, then payment of principal, premium or interest 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 such Interest Payment Date or date on which the principal of this Global Note is required to be paid and, in the case of timely payment thereof no interest shall accrue for the period from and after such Interest Payment Date or the date on which the principal of this Global Note is required to be paid.

The Company, at its option, and subject to the terms and conditions provided in the Indenture, will be discharged from any and all obligations in respect of the Notes (except for certain obligations as specifically set forth in the Indenture) if the Company deposits with the Trustee money, U.S. Government Obligations which through the payment of interest thereon and principal thereof in accordance with their terms will provide money, or a combination of money and U.S. Government Obligations, in any event in an amount sufficient, without reinvestment, as certified by an independent public accounting firm of national reputation in a written certification delivered to the Trustee, to pay at maturity or the applicable redemption date (provided that notice of redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of any notice of redemption) all outstanding Notes, including principal and any premium and interest due or to become due to such date of maturity, as the case may be. If an Event of Default shall occur and be continuing, the principal of the Notes may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modifications of the rights and obligations of the Company and the rights of the Noteholders under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in principal amount of the outstanding Notes affected by such amendment or modifications. Any such consent or waiver by the Holder of this Global Note shall be conclusive and binding upon such Holder and upon all future Holders of this Global Note and of any Note issued upon the registration of transfer hereof or in exchange therefor or in lieu thereof whether or not notation of such consent or waiver is made upon the Note.

As set forth in and subject to the provisions of the Indenture, no Holder of any Notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default with respect to such Notes, the Holders of not less than a majority in principal amount of the outstanding Notes affected by such Event of Default shall have made written request and offered reasonable indemnity to the Trustee to institute such proceeding as Trustee and the Trustee shall have failed to institute such proceeding within 60 days; provided that such limitations do not apply to a suit instituted by

the Holder hereof for the enforcement of payment of the principal of and any premium or interest on this Note on or after the respective due dates expressed herein.

No reference herein to the Indenture and to provisions of this Global Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Global Note at the times, places and rates and the coin or currency prescribed in the Indenture.

As provided in the Indenture and subject to certain limitations therein set forth, this Global Note may be transferred only as permitted by the legend hereto.

If at any time the Depositary for this Global Note notifies the Company that it is unwilling or unable to continue as Depositary for this Global Note or if at any time the Depositary for this Global Note shall no longer be eligible or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, the Company shall appoint a successor Depositary with respect to this Global Note. If a successor Depositary for this Global Note is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company's election to issue this Note in global form shall no longer be effective with respect to this Global Note and the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of individual Notes in exchange for this Global Note, will authenticate and deliver individual Notes of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of this Global Note.

The Company may at any time and in its sole discretion determine that all Notes (but not less than all) issued or issuable in the form of one or more Global Notes shall no longer be represented by such Global Note or Notes. In such event, the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of individual Notes in exchange for such Global Note, shall authenticate and deliver, individual Notes of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of such Global Note or Notes in exchange for such Global Note or Notes. Under certain circumstances specified in the Indenture, the Depositary may be required to surrender any two or more Global Notes which have identical terms (but which may have differing Original Issue Dates) to the Trustee, and the Company shall execute and the Trustee shall authenticate and deliver to, or at the direction of, the Depositary a Global Note in principal or amount equal to the aggregate principal amount of, and with all terms identical to, the Global Notes surrendered thereto and that shall indicate all Original Issue Dates and the principal amount applicable to each such Original Issue Date.

Payments for the principal and interest on this Global Note are insured by Financial Guaranty Insurance Policy No. _____ (the "Policy") issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, New York, as the insurance trustee under said Policy and will be held by such insurance trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the insurance trustee and a copy thereof may be secured from Ambac Assurance or the insurance trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Global Note acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

The Indenture and the Notes shall be governed by, and construed in accordance with, the laws of the state of Florida.

Unless the certificate of authentication hereon has been executed by the Trustee, directly or through an Authenticating Agent by manual signature of an authorized officer, this Global Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose. All capitalized terms used but not otherwise defined in this Global Note shall have the respective meanings assigned to them in the Indenture unless otherwise indicated herein.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:_____

FLORIDA PUBLIC UTILITIES COMPANY

By:_____
Title:_____

Attest:_____
Title:_____

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes designated, described or provided for in the within-mentioned Indenture.

_____

_____, as Trustee

By:_____
Authorized Officer

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations: TEN COM - as tenants in common UNIF GIFT MIN ACT - _____ Custodian _____ (Cust) (Minor) TEN ENT - as tenants by the entireties Under Uniform Gifts to Minors JT TEN - as joint tenants with right of survivorship and not as tenants in common.

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED the undersigned hereby sell(s), assign(s) and transfer(s) unto PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE _____.

Please print or type name and address including postal zip code of assignee the within note and all rights thereunder, hereby irrevocably constituting and appointing attorney to transfer said note on the books of the Company, with full power of substitution in the premises.

Dated:_____ _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatever

EXHIBIT B

FORM OF NOTE

REGISTERED REGISTERED

CUSIP:

FLORIDA PUBLIC UTILITIES COMPANY
___% SECURED INSURED QUARTERLY NOTE

ORIGINAL ISSUE DATE: _____ PRINCIPAL AMOUNT: $15,000,000

INTEREST RATE: ____% STATED MATURITY: Due October 1, 2031

FLORIDA PUBLIC UTILITIES COMPANY, a corporation of the state of Florida (the "Company"), for value received hereby promises to pay to _____ or registered assigns, the principal sum of _____ on October 1, 2031, and to pay interest thereon from the Original Issue Date or from the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on the October 1, January 1, April 1 and July 1 in each year (each, an "Interest Payment Date"), commencing on the first such Interest Payment Date succeeding the applicable Original Issue Date set forth above, at the per annum Interest Rate set forth above, until the principal hereof is paid or made available for payment. No interest shall accrue on the Maturity Date, so long as the principal amount of this Note is paid on the Maturity Date.

The interest so payable and punctually paid or duly provided for on any such Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note is registered at the close of business on the Regular Record Date for such interest, which shall be the December 15, the March 15, the June 15 and the September 15, as the case may be, next preceding such Interest Payment Date; provided that the first Interest Payment Date for any part of this Note, the Original Issue Date of which is after a Regular Record Date but prior to the applicable Interest Payment Date, shall be the Interest Payment Date following the next succeeding Regular Record Date; and provided, further, that interest payable on the Maturity Date set forth above or, if applicable, upon redemption or acceleration, shall be payable to the Person to whom principal shall be payable. Except as otherwise provided in the Indenture (referred to on the reverse hereof), any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and shall be paid to the Person in whose name this Note is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Noteholders not more than 15 days nor fewer than 10 days prior to such Special Record Date. Principal, applicable premium and interest due at the maturity of this Note shall be payable in immediately available funds when due upon presentation and surrender of this Note at the corporate trust office of the Trustee or at the authorized office of any paying agent. Interest on this Note (other than interest payable at maturity) shall be paid by check or wire transfer payable in clearinghouse or similar next day funds to the Holder as its name appears on the register as of the close of business on the Regular Record Date; provided that if the Trustee receives a written request from any Holder of Notes, the aggregate principal amount of which having the same Interest Payment Date as this Note equals or exceeds $10,000,000, on or before the applicable Regular Record Date, interest on this Note shall be paid by wire transfer of immediately available funds to a bank located within the continental United States designated by such Holder in its request or by direct deposit into the account of such Holder designated by such Holder in its request if such account is maintained with the Trustee or any paying agent.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS NOTE SET FORTH IN FULL ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN FULL AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof directly or through an Authenticating Agent by manual signature of an authorized officer, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:_____

FLORIDA PUBLIC UTILITIES COMPANY

By:_____
Title:_____

Attest:_____
Title:_____

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes of the series herein designated, described or provided for in the within-mentioned Indenture.

_____

_____, as Trustee

By:_____

Authorized Officer

[FORM OF REVERSE OF NOTE]

FLORIDA PUBLIC UTILITIES COMPANY

_____% SECURED INSURED QUARTERLY NOTE

This Note is one of a duly authorized issue of ___% Secured Insured Quarterly Note (the "Note") of the Company issued and to be issued under an Indenture dated as of September 1, 2001 between the Company and SunTrust Bank, as trustee (the "Trustee", which term includes any successor Trustee under the Indenture) and indentures supplemental thereto (collectively, the "Indenture"). Reference is hereby made for a more complete statement of the respective rights, limitations of rights, duties and immunities under the Indenture of the Company, the Trustee and the Noteholders and of the terms upon which the Notes are and are to be authenticated and delivered. This Note is limited in the aggregate principal amount of $15,000,000.

The Notes will be secured by first mortgage bonds (the "Pledged First Mortgage Bonds") delivered by the Company to the Trustee for the benefit of the Holders of the Notes, issued under the Indenture of Mortgage and Deed of Trust dated as of September 1, 1942, as supplemented and amended from time to time, between the Company and SunTrust Bank, as successor to Continental Illinois National Bank and Trust Company of Chicago and First National in Palm Beach (the "Mortgage Trustee") (the "Mortgage"). Reference is made to the Mortgage and the Indenture for a description of the rights of the Trustee as holder of the Pledged First Mortgage Bonds, the property mortgaged and pledged under the Mortgage, the rights of the Company and of the applicable Mortgage Trustee in respect thereof, the duties and immunities of the applicable Mortgage Trustee, the terms and conditions upon which the Pledged First Mortgage Bonds are secured and the circumstances under which additional first mortgage bonds may be issued.

The Company may, at its option, at any time on or after October 1, 2006, redeem all the Notes or some of them from time to time after issuance at the following redemption prices (expressed in percentages of principal amount of the Notes) plus unpaid accrued interest to the redemption date.

If redeemed during the 12-month period beginning October 1:

Year	Redemption Price
2006	101%
Thereafter	100%

Notice of redemption will be given by mail to Holders of Notes of this issue not less than 30 or more than 60 days prior to the date fixed for redemption, all as provided in the Indenture. In the event of redemption of this Global Note in part only, a new Global Note or Notes of like tenor and series for the unredeemed portion hereof will be issued in the name of the Noteholder hereof upon the surrender hereof.

Unless the Notes have been declared due and payable prior to their maturity by reason of an Event of Default or have been called for redemption by the Company pursuant to the Indenture, the personal representative or other person authorized to represent the estate of the deceased Beneficial Owner, or surviving joint tenant(s), tenant by the entirety or the trustee of a trust for a deceased Beneficial Owner (as hereinafter defined) (the "Representative") has the right to request redemption prior to stated maturity of all or part of his interest in the Notes, and the Company will redeem the same subject to the limitations that the Company will not be obligated to redeem, during the period from the original issue

date through and including October 1, 2002 (the "Initial Period"), and during any twelve-month period which ends on and includes each October 1 thereafter (each such twelve-month period being hereinafter referred to as a "Subsequent Period"), (i) on behalf of a deceased Beneficial Owner any interest in the Notes which exceeds $25,000 principal amount or (ii) interests in the Notes exceeding $300,000 in aggregate principal amount. A request for redemption may be initiated by the Representative of a holder at any time and in any principal amount.

The Company may, at its option, redeem interests of any deceased Beneficial Owner in the Notes the Initial Period or any Subsequent Period in excess of the $25,000 limitation. Any such redemption, to the extent that it exceeds the $25,000 limitation for any deceased Beneficial Owner, shall not be included in the computation of the $300,000 aggregate limitation for such Initial Period or such Subsequent Period, as the case may be, or for any succeeding Subsequent Period. The Company may, at its option, redeem interests of deceased Beneficial Owners in the Notes, in the Initial Period or any Subsequent Period in an aggregate principal amount exceeding $300,000. Any such redemption, to the extent it exceeds the $300,000 aggregate limitation shall not reduce the $300,000 aggregate limitation for any Subsequent Period. On any determination by the Company to redeem the Notes in excess of the $25,000 limitation or the $300,000 aggregate limitation, Notes so redeemed shall be redeemed in the order of the receipt of Redemption Requests (as hereinafter defined) by the Trustee.

A request for redemption of an interest in the Notes may be initiated by the Representative. The Representative shall deliver a request to the Participant (hereinafter defined) through whom the deceased Beneficial Owner owned such interest, in form satisfactory to the Participant, together with evidence of the death of the Beneficial Owner, evidence of the authority of the Representative satisfactory to the Participant, such waivers, notices or certificates as may be required under applicable state or federal law and such other evidence of the right to such redemption as the Participant shall require. The request shall specify the principal amount of the interest in the Notes to be redeemed. The Participant shall thereupon deliver to the Depositary a request for redemption substantially in the form attached as Exhibit A hereto (a "Redemption Request"). The Depositary will promptly deliver the notice to the Trustee. The Trustee shall maintain records with respect to Redemption Requests received by it including date of receipt, the name of the Participant filing the Redemption Request and the status of each such Redemption Request with respect to the $25,000 limitation and the $300,000 aggregate limitation. The Trustee will immediately file each Redemption Request it receives, together with the information regarding the eligibility thereof with respect to the $25,000 limitation and the $300,000 aggregate limitation with the Company. The Depositary, the Company and the Trustee may conclusively assume, without independent investigation, that the statements contained in each Redemption Request are true and correct and shall have no responsibility for reviewing any documents submitted to the Participant by the Representative or for determining whether the applicable decedent is in fact the Beneficial Owner of the interest in the Bonds of the 2031 Series to be redeemed or is in fact deceased and whether the Representative is duly authorized to request redemption on behalf of the applicable Beneficial Owner.

Subject to the $25,000 limitation and the $300,000 aggregate limitation, the Company will, after the death of any Beneficial Owner, redeem the interest of such Beneficial Owner in the Notes within 60 days following receipt by the Company of a Redemption Request from the Trustee. If Redemption Requests exceed the aggregate principal amount of interests in the Notes required to be redeemed during the Initial Period or during any Subsequent Period, then such excess Redemption Requests will be applied in the order received by the Trustee to successive Subsequent Periods, regardless of the number of Subsequent Periods required to redeem such interests. The Company may, at any time notify the Trustee that it will redeem, on a date not less than 30 nor more than 60 days thereafter, all or any such lesser amount of Notes for which Redemption Requests have been received but which are not then eligible for redemption by reason of the $25,000 limitation or the $300,000 aggregate limitation. Any Notes so redeemed shall be redeemed in the order of receipt of Redemption Requests by the Trustee.

The price to be paid by the Company for the Notes to be redeemed pursuant to a Redemption Request is 100% of the principal amount thereof plus accrued but unpaid interest to the date of payment. Subject to arrangements with the Depositary, payment for interests in the Notes which are to be redeemed shall be made to the Depositary upon presentation of the Notes to the Trustee for redemption in the aggregate principal amount specified in the Redemption Requests submitted to the Trustee by the Depositary which are to be fulfilled in connection with such payment. The principal amount of any Notes acquired or redeemed by the Company other than by redemption at the option of any Representative of a deceased Beneficial Owner pursuant to this section shall not be included in the computation of either the $25,000 limitation or the $300,000 aggregate limitation for the Initial Period or for any Subsequent Period.

For purposes of redemption, a "Beneficial Owner" means the Person who has the right to sell, transfer or otherwise dispose of an interest in a Bond and the right to receive the proceeds therefrom, as well as the interest and principal payable to the holder thereof. In general, a determination of beneficial ownership in the Notes will be subject to the rules, regulations and procedures governing the Depositary and institutions that have accounts with the Depositary or a nominee thereof ("Participants").

For purposes of redemption, an interest in a Note held in tenancy by the entirety, joint tenancy or by tenants in common will be deemed to be held by a single Beneficial Owner and the death of a tenant by the entirety, joint tenant or tenant in common will be deemed the death of a Beneficial Owner. The death of a person who, during his lifetime, was entitled to substantially all of the rights of a Beneficial Owner of an interest in the Notes will be deemed the death of the Beneficial Owner, regardless of the recordation of such interest on the records of the Participant, if such rights can be established to the satisfaction of the Participant. Such interests shall be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act, community property or other similar joint ownership arrangements, including individual retirement accounts or Keogh [H.R. 10] plans maintained solely by or for the decedent or by or for the decedent and any spouse, and trust and certain other arrangements where one person has substantially all of the rights of a Beneficial Owner during such person's lifetime.

In the case of a Redemption Request which is presented on behalf of a deceased Beneficial Owner and which has not been fulfilled at the time the Company gives notice of its election to redeem the Notes, the Notes which are the subject of such pending Redemption Request shall be redeemed prior to any other Notes.

Any Redemption Request may be withdrawn by the person(s) presenting the same upon delivery of a written request for such withdrawal given by the Participant on behalf of such person to the Depositary and by the Depositary to the Trustee not less than 30 days prior to payment thereof by the Company.

The Company may, at its option, purchase any Notes for which Redemption Requests have been received in lieu of redeeming such Notes. Any Notes so purchased by the Company shall either be reoffered for sale and sold within 180 days after the date of purchase or presented to the Trustee for redemption and cancellation.

Interest payments for this Note shall be computed and paid on the basis of a 360-day year of twelve 30-day months. If any Interest Payment Date or the date on which the principal of this Note is required to paid is not a Business Day, then payment of principal, premium or interest 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 such Interest Payment Date or the date on which the principal of this Note is required to be paid,

and, in the case of timely payment thereof, no interest shall accrue for the period from and after such Interest Payment Date or the date on which the principal of this Note is required to be paid.

The Company, at its option, and subject to the terms and conditions provided in the Indenture, will be discharged from any and all obligations in respect of the Notes (except for certain obligations as specifically set forth in the Indenture) if the Company deposits with the Trustee money, U.S. Government Obligations which through the payment of interest thereon and principal thereof in accordance with their terms will provide money, or a combination of money and U.S. Government Obligations, in any event in an amount sufficient, without reinvestment, as certified by an independent public accounting firm of national reputation in a written certification delivered to the Trustee, to pay at maturity or the applicable redemption date (provided that notice of redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of any notice of redemption) all outstanding Notes, including principal and any premium and interest due or to become due to such date of maturity, as the case may be.

If an Event of Default shall occur and be continuing, the principal of the Notes may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modifications of the rights and obligations of the Company and the rights of the Noteholders under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in principal amount of the outstanding Notes affected by such amendment or modifications. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange therefor in lieu thereof whether or not notation of such consent or waiver is made upon the Note.

As set forth in and subject to the provisions of the Indenture, no Holder of any Notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default with respect to such Notes, the Holders of not less than a majority in principal amount of the outstanding Notes affected by such Event of Default shall have made written request and offered reasonable indemnity to the Trustee to institute such proceeding as Trustee and the Trustee shall have failed to institute such proceeding within 60 days; provided that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal of and any premium or interest on this Note on or after the respective due dates expressed herein.

No reference herein to the Indenture and to provisions of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Note at the times, places and rates and the coin or currency prescribed in the Indenture.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Note register. Upon surrender of this Note for registration or transfer at the corporate trust office of the Trustee or such other office or agency as may be designated by the Company in the state of Florida, endorsed by or accompanied by a written instrument of transfer in form satisfactory to the Company and the Note registrar, duly executed by the Holder hereof or the attorney in fact of such Holder duly authorized in writing, one or more new Notes of like tenor and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Notes are issuable only in registered form, without coupons, in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Notes are exchangeable for a like aggregate principal amount of Notes of like tenor and of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner thereof for all purposes, whether or not this Note is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and the Notes shall be governed by, and construed in accordance with, the laws of the state of Florida.

Payments for the principal and interest on this Note are insured by Financial Guaranty Insurance Policy No. _____ (the "Policy") issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, New York, as the insurance trustee under said Policy and will be held by such insurance trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the insurance trustee and a copy thereof may be secured from Ambac Assurance or the insurance trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Note acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

All capitalized terms used but not otherwise defined in this Note shall have the respective meanings assigned to them in the Indenture.

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations: TEN COM - as tenants in common UNIF GIFT MIN ACT - _____ Custodian _____ (Cust) (Minor) TEN ENT - as tenants by the entireties Under Uniform Gifts to Minors JT TEN - as joint tenants with right of survivorship and not as tenants in common.

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED the undersigned hereby sell(s), assign(s) and transfer(s) unto PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE _____.

Please print or type name and address including postal zip code of assignee the within note and all rights thereunder, hereby irrevocably constituting and appointing attorney to transfer said note on the books of the Company, with full power of substitution in the premises.

Dated:_____ _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatever.

EXHIBIT C

FORM OF REDEMPTION REQUEST

FLORIDA PUBLIC UTILITIES COMPANY
____% SECURED INTEREST QUARTERLY NOTES
DUE OCTOBER 1, 2031
(THE "NOTES")

CUSIP NO. _____

The undersigned, _____ (the "Participant"), does hereby certify, pursuant to the provisions of that certain Indenture of Trust dated as of September 1, 2001 (the "Indenture") made by Florida Public Utilities Company (the "Company") (the "Issuer") and SunTrust Bank, as Trustee (the "Trustee"), to The Depository Trust Company (the "Depositary"), the Company, the Issuer and the Trustee that:

1. [Name of deceased Beneficial Owner] is deceased.

2. [Name of deceased Beneficial Owner] had a $_____ interest in the above referenced Notes.

3. [Name of Representative] is [Beneficial Owner's personal representative/other person authorized to represent the estate of the Beneficial Owner/surviving joint tenant/surviving tenant by the entirety/trustee of a trust] of [Name of deceased Beneficial Owner] and has delivered to the undersigned a request for redemption in form satisfactory to the undersigned, requesting that $_____ principal amount of said Notes be redeemed pursuant to said Indenture. The documents accompanying such request, all of which are in proper form, are in all respects satisfactory to the undersigned and the [Name of Representative] is entitled to have the Notes to which this Request relates redeemed.

4. The Participant holds the interest in the Notes with respect to which this Request for Redemption is being made on behalf of [Name of deceased Beneficial Owner].

5. The Participant hereby certifies that it will indemnify and hold harmless the Depositary, the Trustee, the Issuer and the Company (including their respective officers, directors, agents, attorneys and employees), against all damages, loss, cost, expense (including reasonable attorneys' and accountants' fees), obligations, claims or liability (collectively, the "Damages") incurred by the indemnified party or parties as a result of or in connection with the redemption of Notes to which this Request relates. The Participant will, at the request of the Company, forward to the Company, a copy of the documents submitted by [Name of Representative] in support of the request for redemption.

IN WITNESS WHEREOF, the undersigned has executed this Redemption Request as of _____, ____.

[PARTICIPANT NAME]

By:_____
Name:_____
Title:_____

[Conformed Copy]

FLORIDA PUBLIC UTILITIES COMPANY

TO

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

AND

FIRST NATIONAL IN PALM BEACH,
A DIVISION OF SOUTHEAST BANK, N.A.,

TRUSTEES.

Twelfth Supplemental Indenture

Dated as of May 1, 1988

SUPPLEMENTING AND MODIFYING
THE

Indenture of Mortgage and Deed of Trust

Dated as of September 1, 1942

This is a Security Agreement covering Personal Property as well as a Mortgage upon Real Estate and Other Property

9 5/8% 2018 10,000,000
10.03% 2018 5,500,000

This is a Security Agreement covering Personal Property as well as a Mortgage upon Real Estate and Other Property

THIS TWELFTH SUPPLEMENTAL INDENTURE, dated for convenience as of May 1, 1988 between FLORIDA PUBLIC UTILITIES COMPANY, as Debtor (its Federal tax number being 59-0539080), a Florida corporation (hereinafter sometimes called the "Company"), whose mailing address is P.O. Drawer C, West Palm Beach, Florida 33402, and the address of its principal place of business is 401 South Dixie Highway, West Palm Beach, Florida 33401, party of the first part, and CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO (hereinafter sometimes called the "Trustee"), as Mortgagee and Secured Party (its Federal tax number being 36-0947896), a corporation duly organized and existing under the laws of the United States of America, having its principal office at 231 South LaSalle Street, Chicago, Illinois 60693 and FIRST NATIONAL IN PALM BEACH, A DIVISION OF SOUTHEAST BANK, N.A. (hereinafter sometimes called the "Co-Trustee"), as Mortgagee and Secured Party (its Federal tax number being 59-0389375), a corporation duly organized and existing under the laws of the State of Florida, having its principal place of business at 225 South County Road, Palm Beach, Florida 33480 (the "Trustee" and "Co-Trustee" being hereinafter sometimes collectively called the "Trustees"), as Trustees, parties of the second part.

WHEREAS, the Company has heretofore executed and delivered to the Trustees an Indenture of Mortgage and Deed of Trust dated as of September 1, 1942 (hereinafter called the "Original Indenture"), to secure, as provided therein, its bonds (in the Original Indenture and herein called the "Bonds"), to be designated generally as its "First Mortgage Bonds", and to be issued in one or more series as provided in the Original Indenture; and

WHEREAS, the Company has heretofore executed and delivered to the Trustees eleven indentures supplemental to the Original Indenture as follows: the First Supplemental Indenture dated as of December 1, 1945 (hereinafter sometimes called the "First Supplemental Indenture"), the Second Supplemental Indenture dated as of March 1, 1948 (hereinafter sometimes called the "Second Supplemental Indenture"), the Third Supplemental Indenture dated as

of August 1, 1954 (hereinafter sometimes called the "Third Supplemental Indenture"), the Fourth Supplemental Indenture dated as of August 1, 1956 (hereinafter sometimes called the "Fourth Supplemental Indenture"), the Fifth Supplemental Indenture dated as of September 1, 1958 (hereinafter sometimes called the "Fifth Supplemental Indenture"), the Sixth Supplemental Indenture dated as of July 1, 1959 (hereinafter sometimes called the "Sixth Supplemental Indenture"), the Seventh Supplemental Indenture dated as of June 1, 1963 (hereinafter sometimes called the "Seventh Supplemental Indenture"), the Eighth Supplemental Indenture dated as of June 1, 1965 (hereinafter sometimes called the "Eighth Supplemental Indenture"), the Ninth Supplemental Indenture dated as of July 1, 1972 (hereinafter sometimes called the "Ninth Supplemental Indenture"), the Tenth Supplemental Indenture dated as of July 1, 1975 (hereinafter sometimes called the "Tenth Supplemental Indenture") and the Eleventh Supplemental Indenture dated as of June 1, 1983 (hereinafter sometimes called the "Eleventh Supplemental Indenture") each of which supplemental indentures provided for the creation of a new series of First Mortgage Bonds and said First, Second and Sixth Supplemental Indentures modified certain provisions of the Original Indenture and the First Supplemental Indenture; and

WHEREAS, pursuant to the Original Indenture, as so supplemented and modified, there have been executed, authenticated, delivered and issued and there are now outstanding First Mortgage Bonds of series and principal amounts as follows:

Title	Issued	Outstanding
5% Series due 1988	$ 650,000	$ 455,000
5¼% Series due 1989	1,000,000	700,000
10¾% Series due 1991	2,500,000	1,200,000
4¾% Series due 1993	1,000,000	753,000
4¾% Series due 1995	1,000,000	778,000
8% Series due 2002	2,000,000	1,722,000
12½% Series due 1998	5,000,000	5,000,000

which constitute the only Bonds outstanding under the Original Indenture, as supplemented and modified by the First, Second, and

Sixth Supplemental Indentures and as supplemented by the Third, Fourth, Fifth, Seventh, Eighth, Ninth, Tenth and Eleventh Supplemental Indentures; and

WHEREAS, the Board of Directors of the Company has established pursuant to § 2.03 of said Original Indenture two new series of Bonds to be designated First Mortgage Bonds, 9.57% Series due 2018 (hereinafter sometimes referred to as the "Bonds of the 2018 Series") in the principal amount of Ten Million Dollars ($10,000,000) and First Mortgage Bonds, 10.03% Series due 2018 (hereinafter sometimes referred to as the "Bonds of the Second 2018 Series") in the principal amount of Five Million Five Hundred Thousand Dollars ($5,500,000) and has authorized the issue of said Bonds pursuant to the provisions of Article 3 of the Original Indenture, as supplemented and modified; and

WHEREAS, since the execution and delivery by the Company of the Eleventh Supplemental Indenture, the Company has acquired certain additional properties which by the terms of the Original Indenture, as supplemented and modified, are subject to the lien thereof; and

WHEREAS, § 16.01 of the Original Indenture provides, among other things, that the Company may execute and file with the Trustees and the Trustees at the request of the Company shall join in indentures supplemental to the Original Indenture and which thereafter shall form a part thereof, for the purposes, among others, of (a) describing the terms of any new series of Bonds as established by resolution of the Board of Directors of the Company pursuant to § 2.03 of the Original Indenture, (b) subjecting to the lien of the Original Indenture, as supplemented and modified, or perfecting the lien thereof upon, any additional properties of any character, (c) adding to the covenants and agreements of the Company such further covenants or agreements as the Board of Directors of the Company shall consider to be for the protection of the trust estate and of the holders of the Bonds and (d) providing for modifications in the Original Indenture, subject to certain conditions; and

WHEREAS, the Company desires to execute this Twelfth Supplemental Indenture and hereby requests the Trustees to join in this

Twelfth Supplemental Indenture for the purpose of describing the terms of the Bonds of the 2018, Series and Bonds of the Second 2018 Series, of subjecting to the lien of the Original Indenture, as supplemented and modified, the additional properties acquired by the Company since the execution and delivery of the Eleventh Supplemental Indenture, of modifying certain provisions of the Original Indenture, as supplemented and modified, (the Original Indenture, as supplemented and modified by the First, Second and Sixth and by this Twelfth Supplemental Indenture and as supplemented by the Third, Fourth, Fifth, Seventh, Eighth, Ninth, Tenth and Eleventh Supplemental Indentures being herein sometimes called the "Indenture") and of adding to the covenants and agreements of the Company in the Indenture contained other covenants and agreements hereafter to be observed by the Company; and

WHEREAS, all conditions necessary to authorize the execution, delivery and recording of this Twelfth Supplemental Indenture and to make this Twelfth Supplemental Indenture a valid and binding Indenture of Mortgage for the security of the Bonds of the Company issued or to be issued under the Indenture have been complied with or have been done or performed.

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and premium, if any, and interest on all Bonds at any time issued and outstanding under the Indenture, according to their tenor, purport and effect, and to secure the performance and observance of all the covenants and conditions in said Bonds and in the Indenture contained and for and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds of the 2018 Series and Bonds of the Second 2018 Series by the holders or registered owners thereof, and of the sum of One Dollar ($1.00) lawful money of the United States of America duly paid to the Company by the Trustees at or before the ensealing and delivery hereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, Florida Public Utilities Company has executed and delivered this Twelfth Supplemental Indenture,

and has granted, bargained, sold, aliened, remised, released, conveyed, assigned, transferred, mortgaged, pledged, set over and confirmed, and by these presents does grant, bargain, sell, alien, remise, release, convey, assign, transfer, mortgage, pledge, set over and confirm unto Continental Illinois National Bank and Trust Company of Chicago and First National in Palm Beach, a division of Southeast Bank, N.A., as Trustees, and to their successors in the trust, and to their assigns forever, all property real, personal or mixed, described in the Original Indenture and thereby conveyed or mortgaged or intended so to be, including all such property acquired since the execution and delivery of said Original Indenture which by the terms of said Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture and this Twelfth Supplemental Indenture is subjected or is intended to be subjected to the lien of the Indenture including without limiting the generality of the foregoing the following described property:

PROPERTY IN THE CITY OF FERNANDINA BEACH, NASSAU COUNTY, FLORIDA

North 1/2 of North 1/2 of Lot 6, South 1/2 of South 1/2 of Lot 7, Block 295, less Seaboard Airline Railroad Right-of-Way. Lot 5, South 3/4 of Lot 6, North 3/4 of Lot 7, Lots 26, 27, 28, City of Fernandina Beach, less Seaboard Airline Railroad Right-of-Way.

PROPERTY IN NASSAU COUNTY, FLORIDA

Block 186 of Nassau County Records: Lots 1, 2, 7 and 8.

PROPERTY IN SEMINOLE COUNTY, FLORIDA

Sec 30 Twp 19S Range 30 E. E Eighty (80) feet of S One Hundred Fifty (150) feet of W Nine Hundred Ninety (990) feet of NW 1/4 (less S Thirty-five (35) feet for road).

Together with all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid properties or any part thereof, with the reversion and reversions, remainder and remainders, tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid properties and every part and parcel thereof.

Expressly Excepting and Excluding, However, from this Twelfth Supplemental Indenture and from the lien and operation of the Indenture:

(a) any and all property of the character expressly excepted and excluded from (i) the Original Indenture and from the lien and operation thereof by subdivisions (b) to (h), both inclusive, of Part IX of Schedule A thereto and (ii) the Original Indenture as supplemented and modified by the First, Second and Sixth Supplemented Indentures and as supplemented by the Third, Fourth, Fifth, Seventh, Eighth, Ninth, Tenth and Eleventh Supplemental Indentures and from the lien and operation thereof as provided in the Granting Clauses of said First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth and Eleventh Supplemental Indentures; and

(b) all property which has been released by the Trustees or otherwise disposed of by the Company free from the lien of the Original Indenture, as supplemented and modified by the First, Second and Sixth Supplemental Indentures and as supplemented by the Third, Fourth, Fifth, Seventh, Eighth, Ninth, Tenth and Eleventh Supplemental Indentures, in accordance with the provisions thereof.

TO HAVE AND TO HOLD all said properties, real, personal and mixed, mortgaged, pledged or conveyed by the Company as aforesaid, or intended so to be, unto the Trustees, and their successors in the Trust and their assigns forever.

SUBJECT, HOWEVER, to the exceptions and reservations and matters hereinabove recited; and to any permitted liens as defined in

§ 1.05(a) of the Original Indenture, and liens existing on any property hereafter acquired by the Company at the time of such acquisition and permitted by § 5.04 of the Original Indenture, as modified by the First Supplemental Indenture.

IN TRUST, NEVERTHELESS, upon the terms and trusts in the Indenture set forth, for the equal and proportionate benefit and security of all present and future holders of the Bonds and coupons issued and to be issued under the Indenture, or any of them, without preference or priority of any said Bonds or coupons over any others thereof, or of the Bonds and coupons of any particular series over the Bonds and coupons of any other series, by reason of priority in the time of issue, sale or negotiation thereof or by reason of the purpose of issue or otherwise howsoever, except as otherwise provided in § 9.29 of the Original Indenture.

AND THIS INDENTURE FURTHER WITNESSETH, that the Company for itself and its successors, does hereby covenant and agree to and with the Trustees and their successors in said trust, for the benefit of those who shall hold the Bonds and coupons of any of them, as follows:

ARTICLE 1

Bonds of the 2018 Series.

§ 1.01. *Establishment of Bonds of the 2018 Series.* There shall be, and is hereby created a new series of Bonds, known as and entitled "First Mortgage Bonds, 9.57% Series due 2018", and the form thereof shall be substantially as hereinafter set forth in § 1.05 hereof.

The principal amount of the Bonds of the 2018 Series is limited to Ten Million Dollars ($10,000,000) in principal amount of such Bonds to be initially issued upon compliance by the Company with the provisions of § 3.03 and/or § 3.04 of the Original Indenture, as supplemented and modified, and to the Bonds of the 2018 Series issued in exchange or substitution for outstanding Bonds of said Series under the provisions of the Original Indenture and of this Twelfth Supplemental Indenture.

§ 1.02. *Terms of the Bonds of the 2018 Series.* The definitive Bonds of the 2018 Series shall be issued only as registered Bonds without coupons of the denomination of $1,000 or any multiple thereof, numbered RK 1 upwards. Notwithstanding the provisions of § 2.08 of the Indenture or any other provisions of the Indenture, the date of authentication of the first Bonds of the 2018 Series issued upon original issuance shall be the date of the commencement of the first interest period for Bonds of the 2018 Series. All Bonds of the 2018 Series shall mature May 1, 2018 and shall bear interest at the rate of 9.57% per annum until the payment of the principal thereof, such interest to be payable semi-annually on May 1 and November 1 in each year commencing November 1, 1988. Both principal of and interest on the Bonds of the 2018 Series will be paid 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. Principal of, premium, if any, and interest on Bonds of the 2018 Series will be payable at the principal corporate trust office of the Trustee, Continental Illinois National Bank and Trust Company of Chicago in the City of Chicago, Illinois, except that, in the case of the redemption as a whole at any time of Bonds of the 2018 Series then outstanding, the Company may designate in the redemption notice other offices or agencies at which, at the option of the registered holders, Bonds of the 2018 Series may be surrendered for redemption and payment. Interest on the Bonds of the 2018 Series shall, unless otherwise directed by the respective registered holders thereof, be paid by checks payable to the order of the respective holders entitled thereto, and mailed by the Trustee by first class mail, postage prepaid, to such holders at their respective registered addresses as shown on the Bond register for the Bonds of the 2018 Series, in each case to the holder of record on the record date as hereinbelow defined.

The definitive Bonds of the 2018 Series may be issued in the form of Bonds engraved, printed or lithographed on steel engraved borders.

The person in whose name any Bond of the 2018 Series is registered at the close of business on any record date (as hereinbelow defined) with respect to any interest payment date shall be entitled

to receive the interest payable on such interest payment date notwithstanding the cancellation of such Bond of the 2018 Series upon any transfer or exchange thereof (including any exchange effected as an incident to a partial redemption thereof) subsequent to the record date and prior to such interest payment date, except that, if and to the extent that the Company shall default in the payment of the interest due on such interest payment date, then the registered holders of Bonds of the 2018 Series on such record date shall have no further right to or claim in respect of such defaulted interest as such registered holders on such record date, and the persons entitled to receive payment of any defaulted interest thereafter payable or paid on any Bonds of the 2018 Series shall be the registered holders of such Bonds of the 2018 Series on the record date for payment of such defaulted interest. The term "record date" as used in this § 1.02, and in the form of the Bonds of the 2018 Series, with respect to any interest payment date applicable to the Bonds of the 2018 Series, shall mean the October 15 next preceding a November 1 interest payment date or the April 15 next preceding a May 1 interest payment date, as the case may be, or such record date established for defaulted interest as hereinafter provided.

In case of failure by the Company to pay any interest when due the claim for such interest shall be deemed to have been transferred by transfer of any Bond of the 2018 Series registered on the books of the Company and the Company, by not less than 10 days written notice to bondholders, may fix a subsequent record date for determination of holders entitled to payment of such interest. Such provision for establishment of subsequent record date, however, shall in no way affect the rights of bondholders or of the Trustee consequent on any default.

Except as provided in this § 1.02, every Bond of the 2018 Series shall be dated as provided in § 2.08 of the Original Indenture. However, so long as there is no existing default in the payment of interest on the Bonds of the 2018 Series, all Bonds of the 2018 Series authenticated by the Trustee between the record date for any interest payment date and such interest payment date shall be dated such interest payment date and shall bear interest from such interest payment date; provided, however, that if and to the extent that

the Company shall default in the interest due on such interest payment date, then any such Bond of the 2018 Series shall bear interest from the May 1 or November 1, as the case may be, to which interest has been paid, unless such interest payment date is November 1, 1988, in which case from the date of authentication of the first Bonds of the 2018 Series issued upon original issuance.

Notwithstanding the provisions of § 2.06 of the Original Indenture no charge shall be made for any exchange of Bonds of the 2018 Series for other Bonds of the 2018 Series of different authorized denominations or for any transfer of Bonds of the 2018 Series, except that the Company at its option may require the payment of a sum sufficient to reimburse it for any tax or other governmental charge incident thereto.

The Trustee hereunder shall, by virtue of its office as such Trustee, be the registrar and transfer agent of the Company for the purpose of registering and transferring Bonds of the 2018 Series. Neither the Company nor the Trustee shall be required to make transfers or exchanges of Bonds of the 2018 Series for a period of ten days next preceding any designation of Bonds of the 2018 Series to be redeemed and neither the Company nor the Trustee shall be required to make transfers or exchanges of any bonds designated in whole for redemption or that part of any bond designated in part for redemption.

§ 1.03. *Redemption Provisions for Bonds of the 2018 Series.* The Bonds of the 2018 Series shall be subject to redemption prior to maturity as a whole at any time or in part from time to time:

(a) at the option of the Company, prior to May 1, 2013, upon payment of 100% of the principal amount of the Bonds of the 2018 Series to be redeemed plus, a premium equal to the product of:

(i) the remainder (but in no event less than zero) of

(A) the present value as of the date of any voluntary redemption discounted at the Reinvestment Yield (as hereinafter defined), of the sinking fund payments of the Bonds of the 2018 Series provided for in Section 1.04, the principal payment at final maturity and scheduled interest payments on and in respect of the Bonds of the 2018 Series from the respective

dates on which such sinking fund payments and payment at final maturity and interest payments are payable, to the date of such optional redemption, with all such discounts to be computed on the basis of a 360-day year of twelve 30-day months,

MINUS

(B) 100% of the principal amount of the outstanding Bonds of the 2018 Series,

TIMES

(ii) a fraction, the numerator of which is the principal amount of the Bonds of the 2018 Series to be redeemed on such date and the denominator of which is 100% of the principal amount of the outstanding Bonds of the 2018 Series.

"Reinvestment Yield" shall be the arithmetic mean of the rates published in the Statistical Release under the caption "U.S. Government Securities-Treasury Constant Maturities" for the maturity corresponding to the remaining Weighted Average Life to Maturity of the Bonds of the 2018 Series as of the date of such optional redemption rounded to the nearest month, plus if the date of such optional redemption is prior to May 1, 2003 the Reinvestment Yield shall be increased by one-half of one per centum (1/2%). If no maturity exactly corresponds to such rounded Weighted Average Life to Maturity, yields for the two most closely corresponding published maturities shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Yield shall be interpolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For purposes of calculating the Reinvestment Yield, the most recent Statistical Release published prior to the date of payment hereunder shall be used.

"Statistical Release" shall mean the statistical release designated "H.15.(519)" which is published weekly by the Federal Reserve System or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of 66⅔% in aggregate principal amount of the outstanding Bonds of the 2018 Series.

The "Weighted Average Life to Maturity" means as at the time of the determination thereof the number of years obtained by dividing the then Remaining Dollar-years of the Bonds of the 2018 Series by the then outstanding principal amount of the Bonds of the 2018 Series. The term "Remaining Dollar-years" of the Bonds of the 2018 Series means the amount obtained by (1) multiplying the amount of each then remaining sinking fund payment and the payment at final maturity, by the number of years (calculated at the nearest one-twelfth) which will elapse between the date of determination of the Weighted Average Life to Maturity of the Bonds of the 2018 Series and the date of that payment and (2) totaling all the products obtained in (1).

In the case of any redemption of the Bonds of the 2018 Series pursuant to this clause (a) prior to May 1, 2013, the Company will deliver a supplemental notice to each holder of Bonds to be redeemed not less than three days before the date fixed for such optional redemption, stating the premium, if any, and accrued interest applicable to the optional redemption and setting forth the calculations used in determining the premium.

(b) at the option of the Company on or after May 1, 2013 as a whole at any time or in part from time to time upon payment of the applicable percentage of the principal amount thereof set forth in the following tabulation:

12 Months Period Beginning May 1	Redemption Price (%)
2013	101.33
2014	101.00
2015	100.67
2016	100.33
2017	100.00

and

(c) upon payment of the principal amount thereof

(i) through operation of the sinking fund for the Bonds of the 2018 Series provided for in § 1.04 hereof, or

(ii) through the application of cash deposited with the Trustee in connection with the taking by the exercise of the power of

eminent domain or the sale through the exercise by any governmental body or agency of any right which it may have to purchase or designate a purchaser of or order the sale of such property, of

(A) all the electric properties of the Marianna Division, all the electrical properties of the Fernandina Division or all the properties of the West Palm Beach Division, in any case as an entirety, or

(B) all or substantially all of the public utility properties of the Company subject to the lien of the Indenture as a first mortgage,

together in any case with interest accrued thereon to the date fixed for redemption.

In the event that less than all of the outstanding Bonds of the 2018 Series are to be redeemed, the Trustee shall, at the time of each such partial redemption, prorate among the registered owners of the Bonds of the 2018 Series in the proportion that their respective holdings bear to the aggregate principal amount of Bonds of the 2018 Series outstanding on the date of selection, except that the principal amount of Bonds of the 2018 Series registered in the name of any holder which is to be redeemed on any partial redemption shall be $1,000, or a multiple thereof, and such allocations as may be requisite for this purpose shall be made by the Trustee in its uncontrolled discretion. The acceptance of Bonds of the 2018 Series by the registered owners thereof shall be deemed to constitute a consent to the foregoing provisions of this Section with the same force and effect as if the provisions of this Section had been set forth in a written instrument duly executed by the registered owners of all the Bonds of the 2018 Series and an executed counterpart of said instrument had been filed with the Trustee.

In all cases of redemption, prior notice (unless waived as provided in Article 4 of the Original Indenture) shall be given by first class mail, postage prepaid, to the holder of record at the date of such notice of each Bond of the 2018 Series affected, at his address as shown on the books of the Company, upon not less than 30 days' nor more than 90 days' notice. Such notice shall be sufficiently given if

deposited in the United States mail within such period. Neither the failure to mail such notice, nor any defect in any notice so mailed to any such holder, shall affect the sufficiency of such notice with respect to other holders. The foregoing provisions with respect to notice shall be subject to all other conditions and provisions of the Indenture not inconsistent herewith.

§ 1.04. *Sinking Fund for Bonds of the 2018 Series.* As a Sinking Fund for the Bonds of the 2018 Series, the Company will on or before April 30, of each year, beginning in 2008 and continuing to and including April 30, 2017, pay to the Trustee cash sufficient to redeem on the next ensuing May 1, $909,000 of the aggregate principal amount of the Bonds of the 2018 Series authenticated and delivered on the March 15 next preceding such May 1.

The above annual principal amounts are herein referred to as "sinking fund payments" and the dates upon which payments are required as above provided are herein referred to as "sinking fund payment dates".

In the event of any partial redemption of the Bonds of the 2018 Series pursuant to the provisions of § 1.03 hereof (other than § 1.03(c)(i)) the aggregate amount of sinking fund payments becoming due after the date of such redemption shall be adjusted (as nearly as practicable) by reducing the aggregate amount of each subsequent sinking fund payment to become due by the percentage by which the principal amount of Bonds of the 2018 Series so redeemed bears to the total principal amount of such Bonds theretofore authenticated and delivered. In the event that adjustments of any sinking fund payments are at any time, or from time to time, required under the foregoing provisions, the determination of the Trustee as to the amounts of the adjustments shall be conclusive.

Forthwith after the March 15 preceding each sinking fund payment date on which the Company will be required to make to the Trustee a payment in cash for the sinking fund, the Trustee shall proceed to select for redemption, in the manner provided in Section 1.03 of the Twelfth Supplemental Indenture, a principal amount of Bonds of the 2018 Series equal to the aggregate principal amount of Bonds redeemable with such cash payment and, in the

name of the Company, shall give notice as required by the provisions of § 1.03 of this Twelfth Supplemental Indenture of the redemption for the sinking fund on the then next ensuing May 1, of the Bonds so selected. Prior to the sinking fund payment date next preceding such May 1, the Company shall pay to the Trustee the cash payment required by this Section, and the money so paid shall be applied by the Trustee to the redemption of such Bonds.

On or before each sinking fund payment date the Company will pay to the Trustee an amount equal to the interest accrued to the date of redemption on such Bonds of the 2018 Series to be redeemed for the sinking fund, and, upon request of the Trustee, from time to time will also pay the cost of giving notice of such redemption and any other expense incurred in the operation of such fund, the intention being that such fund shall not be charged for such interest and expenses.

§ 1.05. *Form of Bonds of the 2018 Series.* The Bonds of the 2018 Series and the Trustee's authentication certificate to be executed on the Bonds of said Series, shall be in substantially the following forms, respectively:

[FORM OF FACE OF BOND OF THE 2018 SERIES]

No. RK $.....

FLORIDA PUBLIC UTILITIES COMPANY
Incorporated under the laws of the State of Florida
First Mortgage Bond, 9.57% Series due 2018
Due May 1, 2018

FLORIDA PUBLIC UTILITIES COMPANY, a Florida corporation (hereinafter sometimes called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter mentioned), for value received, hereby promises to pay to , or registered assigns,

Dollars ($) on May 1, 2018 and to pay to the registered owner hereof interest thereon from the date hereof if prior to November 1, 1988 or from the interest payment date next preceding the date of this bond, or from the date of this bond if it be an interest payment date, whichever date is the later, at the rate of nine and fifty seven one hundreds per centum (9.57%) per annum, semi-annually on the first day of May and on the first day of November in each year until payment of the principal hereof.

The principal of, and the premium, if any, and the interest on, this bond will be paid in lawful money of the United States of America at the office of Continental Illinois National Bank and Trust Company of Chicago (hereinafter sometimes called the "Trustee") in the City of Chicago, Illinois, or of its successor in trust, and interest thereon will be paid in like lawful money at said office of the Trustee; provided, however, that interest on this bond may be paid by check payable to the order of the registered holder entitled thereto and mailed by the Trustee by first class mail, postage prepaid, to such holder at his address as shown on the bond register for bonds of this series.

This bond shall not become or be valid or obligatory for any purpose until the authentication certificate hereon shall have been signed by the Trustee.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, FLORIDA PUBLIC UTILITIES COMPANY has caused these presents to be executed in its name and behalf by its President or a Vice President and its corporate seal to be hereunto affixed and attested by its Secretary or an Assistant Secretary, all as of .

FLORIDA PUBLIC UTILITIES COMPANY,

By.....
President.

Attest

.....
Secretary.

[FORM OF REVERSE OF BOND OF THE 2018 SERIES]

This bond is one of the bonds, of a series designated as First Mortgage Bonds, 9.57% Series due 2018 (hereinafter sometimes referred to as "Bonds of the 2018 Series"), of an authorized issue of bonds of the Company; known as First Mortgage Bonds, not limited as to maximum aggregate principal amount except as otherwise provided in the Indenture hereinafter mentioned, all issued or issuable in one or more series (which several series may be of different denominations, dates and tenor) under and equally secured (except in so far as any sinking fund, improvement fund or other fund established in accordance with the provisions of said Indenture may afford additional security for the bonds of any specific series) by an Indenture dated as of September 1, 1942, duly executed and delivered by the Company to Continental Illinois National Bank and Trust Company of Chicago and First National in Palm Beach, a division of Southeast Bank N.A., as Trustees, as modified by the First Supplemental Indenture, dated as of December 1, 1945, by the Second Supplemental Indenture, dated as of March 1, 1948, by the Sixth Supplemental Indenture, dated as of July 1, 1959, and by the Twelfth Supplemental Indenture, dated as of May 1, 1988, and as supplemented by all other indentures supplemental thereto, to which Indenture and all indentures supplemental thereto (herein sometimes collectively referred to as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged as security for said bonds, the rights and remedies of the registered owner of this bond in regard thereto, the terms and conditions upon which said bonds are secured thereby, the terms and conditions upon which said bonds may be issued thereunder and the rights, immunities and obligations of the Trustees under the said Indenture. This bond shall be deemed to be a contract made under the laws of the State of Florida, and for all purposes shall be governed by and construed in accordance with the laws of said State.

The Bonds of the 2018 Series shall be subject to redemption prior to maturity as a whole at any time or in part from time to time (a) at

the option of the Company, prior to May 1, 2013 upon payment of 100% of the principal amount of the Bonds of the 2018 Series to be redeemed plus, a premium equal to the product of:

(i) the remainder (but in no event less than zero) of

(A) the present value as of the date of any voluntary redemption discounted at the Reinvestment Yield (as hereinafter defined), of the sinking fund payments of the Bonds of the 2018 Series provided for in Section 1.04, the principal payment at final maturity and scheduled interest payments on and in respect of the Bonds of the 2018 Series from the respective dates on which such sinking fund payments and payment at final maturity and interest payments are payable, to the date of such optional redemption, with all such discounts to be computed on the basis of a 360-day year of twelve 30-day months,

MINUS

(B) 100% of the principal amount of the outstanding Bonds of the 2018 Series,

TIMES

(ii) a fraction, the numerator of which is the principal amount of the Bonds of the 2018 Series to be redeemed on such date and the denominator of which is 100% of the principal amount of the outstanding Bonds of the 2018 Series.

"Reinvestment Yield" shall be the arithmetic mean of the rates published in the Statistical Release under the caption "U.S. Government Securities-Treasury Constant Maturities" for the maturity corresponding to the remaining Weighted Average Life to Maturity of the Bonds of the 2018 Series as of the date of such optional redemption rounded to the nearest month, plus if the date of such optional redemption is prior to May 1, 2003 the Reinvestment Yield shall be increased by one-half of one per centum, (1/2%). If no maturity exactly corresponds to such rounded Weighted Average Life to Maturity, yields for the two most closely corresponding published maturities shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Yield shall be interpolated from such yields on a straight-line basis, rounding in each of

such relevant periods to the nearest month. For purposes of calculating the Reinvestment Yield, the most recent Statistical Release published prior to the date of payment hereunder shall be used.

"Statistical Release" shall mean the statistical release designated "H.15.(519)" which is published weekly by the Federal Reserve System or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of 66⅔% in aggregate principal amount of the outstanding Bonds of the 2018 Series.

The **"Weighted Average Life to Maturity"** means as at the time of the determination thereof the number of years obtained by dividing the then Remaining Dollar-years of the Bonds of the 2018 Series by the then outstanding principal amount of the Bonds of the 2018 Series. The term **"Remaining Dollar-years"** of the Bonds of the 2018 Series means the amount obtained by (1) multiplying the amount of each then remaining sinking fund payment and the payment at final maturity, by the number of years (calculated at the nearest one-twelfth) which will elapse between the date of determination of the Weighted Average Life to Maturity, of the Bonds of the 2018 Series and the date of that payment and (2) totaling all the products obtained in (1).

In the case of any redemption of the Bonds of the 2018 Series pursuant to this clause (a) prior to May 1, 2013, the Company will deliver a supplemental notice to each holder of Bonds to be redeemed not less than three days before the date fixed for such optional redemption, stating the premium, if any, and accrued interest applicable to the optional redemption and setting forth the calculations used in determining the premium.

(b) at the option of the Company on or after May 1, 2013 as a whole at any time or in part from time to time upon payment of the applicable percentage of the principal amount thereof set forth in the following tabulation:

12 Months Period Beginning May 1	Redemption Price (%)
2013	101.33
2014	101.00
2015	100.67
2016	100.33
2017	100.00

and (c)(i) by the operation of the sinking fund for Bonds of the 2018 Series, or (ii) through the application of certain eminent domain moneys and proceeds of sales pursuant to an order of governmental authorities deposited with the Trustee as provided in the Indenture, upon payment of the principal amount thereof; together in any case with interest accrued thereon to the date fixed for redemption.

Prior notice of the redemption of the bonds of such series (unless waived as provided in the Indenture) shall be given by mailing such notice by first class mail, postage prepaid, to the respective registered holders of such bonds not less than thirty (30) nor more than ninety (90) days prior to the redemption date; and otherwise as provided in Article 4 of the Original Indenture and §1.03 of the Twelfth Supplemental Indenture.

If this bond or any portion thereof (One Thousand Dollars ($1,000) or a multiple thereof) is called for redemption and payment duly provided for as specified in said Indenture, this bond or such portion thereof that is so redeemed shall cease to be entitled to the lien and security interest of said Indenture from and after the date payment is so provided and shall cease to bear interest from and after the date fixed for redemption.

The bonds of this series are entitled to the benefit of a sinking fund as provided for in the Twelfth Supplemental Indenture.

In the event of the selection for redemption (whether for the sinking fund or otherwise) of a portion only of the principal of this bond, payment of the redemption price will be made only (a) upon presentation of this bond for notation hereon of such payment of

the portion of the principal of this bond so called for redemption, or (b) upon surrender of this bond in exchange for a bond or bonds in registered form (but only of authorized denominations), for the unredeemed balance of the principal of this bond, or (c) upon issuance of a check in the amount of the portions of the principal amount so redeemed payable to the order of the registered holder entitled thereto and mailed by the Trustee by first class mail, postage prepaid, to such holder at his address as shown on the bond register for bonds of this series provided the holder shall have entered into an agreement with the Company as required by Section 6.01 of the Twelfth Supplemental Indenture.

To the extent permitted and as provided in said Indenture, modifications or alterations of said Indenture, or of any indenture supplemental thereto, and of the bonds issued thereunder, and of the rights and obligations of the Company and the rights of the bearers or registered owners of the bonds and coupons, may be made with the consent of the Company and with the written approvals or consents of the bearers or registered owners of not less than seventy-five per centum (75%) in principal amount of the bonds outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum (60%) in principal amount of each series, provided, however, that no such alteration or modification shall, without the written approval or consent of the bearer or registered owner of any bond affected thereby, (a) impair or affect the right of such bearer or registered owner to receive payment of the principal of and premium, if any, and interest on any bond at the specified rate, on or after the respective due dates expressed in any bond, or to institute suit for the enforcement of any such payment on or after such respective dates, (b) permit the creation of any lien prior to or on a parity with the lien of said Indenture, or (c) reduce the percentage of the principal amount of the bonds upon the approval or consent of the bearers or registered owners of which modifications or alterations may be effected as aforesaid.

This bond is transferable by the registered owner hereof in person or by his duly authorized attorney, at said office of the Trustee upon

surrender of this bond for cancellation, duly endorsed with signature guaranteed, and thereupon a new registered bond or bonds of like aggregate principal amount will be issued to the transferee in exchange herefor, and the registered owner of this bond at his option may surrender the same for cancellation at said office and receive in exchange herefor the same aggregate principal amount of registered bonds of the same series but of other authorized denominations. No charge shall be made for any exchange of bonds of this series for other bonds of different authorized denominations or for any transfer of this bond, except that the Company at its option may require the payment of a sum sufficient to reimburse it for any tax or other governmental charge incident thereto.

Neither the Company nor the Trustee shall be required to make transfers or exchanges of bonds of this series for a period of ten (10) days next preceding any designation of bonds of said series to be redeemed, and neither the Company nor the Trustee shall be required to make transfers or exchanges of any bonds designated in whole for redemption or that part of any bond designated in part for redemption. Subject to the provisions of the Twelfth Supplemental Indenture, if this bond is surrendered for any transfer or exchange between the record date for any regular interest payment date and such interest payment date, the new bond will be dated such interest payment date. If this bond is surrendered for any transfer or exchange between such record date and such interest payment date, the Twelfth Supplemental Indenture provides that in the event of any default in payment of the interest due on such payment date, such interest shall not be payable to the holder of the bond on the original record date but shall be paid to the registered holder of such bond on the subsequent record date established for payment of such defaulted interest.

In case a default as defined in said Indenture shall occur, the principal of this bond may become or be declared due and payable before maturity in the manner and with the effect provided in said Indenture. The holders, however, of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in the cases, to

the extent and under the conditions provided in said Indenture, waive past defaults thereunder and the consequences of such defaults.

No recourse shall be had for the payment of the principal of or premiums, if any, or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of said Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor corporation, either directly or through the Company, or such predecessor or successor corporation, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liabilities of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of said Indenture.

[FORM OF ENDORSEMENT OF BONDS OF THE 2018 SERIES WITH RESPECT TO PAYMENTS ON ACCOUNT OF PRINCIPAL]

PAYMENTS ON ACCOUNT OF PRINCIPAL

Date	Amount Paid	Balance of Principal Amount Unpaid	Signature

[FORM OF AUTHENTICATION CERTIFICATE FOR BONDS OF THE 2018 SERIES]

This bond is one of the bonds of the series designated therein, referred to in the within-mentioned Indenture.

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, TRUSTEE,

By .....
Authorized Officer.

§ 1.06. Renewal and Replacement Fund. Notwithstanding the provision of § 1.06 of the First Supplemental Indenture, as modified by § 2.02 of the Second Supplemental Indenture, that the convenants contained therein shall continue only so long as any of the First Mortgage Bonds, 3¼% Series due 1975 (hereinafter sometimes called the "Bonds of the 1975 Series") shall remain outstanding, the Company hereby covenants that the covenants made by the Company in said § 1.06, as so modified, shall also continue so long as any of the Bonds of the 2018 Series shall remain outstanding.

§ 1.07. *Restriction on Payment of Dividends on Common Stock.* The Company hereby covenants and agrees that, so long as any Bonds of the 2018 Series remain outstanding, the Company shall not (a) declare or pay any dividend (other than dividends payable in capital stock of the Company), or make any distribution on any shares of Common Stock of the Company, or (b) purchase or otherwise retire for a consideration (other than in exchange for, or from the proceeds of, other shares of capital stock of the Company and other than any class of preferred stock required to be purchased, redeemed or otherwise retired for any sinking or purchase fund for such class of stock) any shares of capital stock of the Company, if the aggregate amount so distributed or expended after December 31, 1987 would exceed the aggregate amount of the Company's net income available for dividends on its Common Stock accumulated after December 31, 1987, plus the sum of $1,500,000.

Net income of the Company available for dividends on its Common Stock for the purpose of this Section shall mean the gross earnings of the Company, less all proper deductions for operating expenses, taxes (including income, excess profits and other taxes

based on or measured by income or undistributed earnings or income for the determination of liability in respect of which the amount payable by the Company by way of interest is a deductible item), interests charges and other appropriate items, including provisions for maintenance, and provision for retirements, depreciation or obsolescence in an amount not less than the appropriation for renewals and replacements, as defined in § 1.06 of the First Supplemental Indenture as amended by § 2.02 of the Second Supplemental Indenture, after provision for all dividends accrued on any outstanding stock of the Company having preference over the Common Stock as to dividends, and otherwise determined in accordance with generally accepted accounting principles, provided, however, that in determining the net income of the Company for the purposes of this Section no deduction or adjustment shall be made for or in respect of (a) expenses in connection with the redemption or retirement of any securities issued by the Company, including any amount paid in excess of the principal amount or par or stated value of securities redeemed or retired or, in the event that such redemption or retirement is effected with the proceeds of sale of other securities of the Company, interest or dividends on the securities redeemed or retired from the date on which the funds required for such redemption or retirement are deposited in trust for such purpose to the date of redemption or retirement; (b) profits or losses from sales of property or other capital assets, or taxes on or in respect of any such profits; (c) any earned surplus adjustment (including tax adjustments) applicable to any period prior to January 1, 1988; and (d) amortization or elimination of utility plant adjustment accounts or other intangibles.

§ 1.08. *Extension of Certain Covenants to Bonds of the 2018 Series.* Notwithstanding the provisions of § 1.08 of the First Supplemental Indenture that the covenants contained therein shall continue only so long as any of the Bonds of the 1975 Series shall remain outstanding, the Company hereby covenants that the covenants made by the Company in said § 1.08 as modified by § 2.05 of the Second Supplemental Indenture, shall also continue so long as any of the Bonds of the 2018 Series shall remain outstanding.

§ 1.09. *Duration of Effectiveness of Article 1.* This Article shall be in force and effect only so long as any of the Bonds of the 2018 Series are outstanding.

ARTICLE 2.

Bonds of the Second 2018 Series

§ 2.01. *Establishment of Bonds of the Second 2018 Series.* There shall be, and is hereby created a new series of Bonds, known as and entitled "First Mortgage Bonds, 10.03% Series due 2018", and the form thereof shall be substantially as hereinafter set forth in § 2.05 hereof.

The principal amount of the Bonds of the Second 2018 Series is limited to Five Million Five Hundred Thousand Dollars ($5,500,000) in principal amount of such Bonds to be initially issued upon compliance by the Company with the provisions of § 3.03 and/or § 3.04 of the Original Indenture, as supplemented and modified, and to the Bonds of the Second 2018 Series issued in exchange or substitution for outstanding Bonds of said Series under the provisions of the Original Indenture and of this Twelfth Supplemental Indenture.

§ 2.02. *Terms of the Bonds of the Second 2018 Series.* The definitive Bonds of the Second 2018 Series shall be issued only as registered Bonds without coupons of the denomination of $1,000 or any multiple thereof, numbered RL 1 upwards. Notwithstanding the provisions of § 2.08 of the Indenture or any other provisions of the Indenture, the date of authentication of the first Bonds of the Second 2018 Series issued upon original issuance shall be the date of the commencement of the first interest period for Bonds of the Second 2018 Series. All Bonds of the Series shall mature May 1, 2018 and shall bear interest at the rate of 10.03% per annum until the payment of the principal thereof, such interest to be payable semi-annually on May 1 and November 1 in each year commencing November 1, 1988. Both principal of and interest on the Bonds of the Second 2018 Series will be paid 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. Principal of,

the Bonds of the Second 2018 Series, with respect to any interest payment date applicable to the Bonds of the Series, shall mean the October 15 next preceding a November 1 interest payment date or the April 15 next preceding a May 1 interest payment date, as the case may be, or such record date established for defaulted interest as hereinafter provided.

In case of failure by the Company to pay any interest when due the claim for such interest shall be deemed to have been transferred by transfer of any Bond of the Second 2018 Series registered on the books of the Company and the Company, by not less than 10 days written notice to bondholders, may fix a subsequent record date for determination of holders entitled to payment of such interest. Such provisions for establishment of subsequent record date, however, shall in no way affect the rights of bondholders or of the Trustee consequent on any default.

Except as provided in this § 2.02, every Bond of the Second 2018 Series shall be dated as provided in § 2.08 of the Original Indenture. However, so long as there is no existing default in the payment of interest on the Bonds of the Second 2018 Series, all Bonds of the Second 2018 Series authenticated by the Trustee between the record date for any interest payment date and such interest payment date shall be dated such interest payment date and shall bear interest from such interest payment date; provided, however, that if and to the extent that the Company shall default in the interest due on such interest payment date, then any such Bond of the Second 2018 Series shall bear interest from the May 1 or November 1, as the case may be, to which interest has been paid, unless such interest payment date is November 1, 1988, in which case from the date of authentication of the first Bonds of the Second 2018 Series issued upon original issuance.

Notwithstanding the provisions of § 2.06 of the Original Indenture no charge shall be made for any exchange of the Bonds of the Second 2018 Series for other Bonds of the Second 2018 Series of different authorized denominations or for any transfer of Bonds of the Second 2018 Series, except that the Company at its option may require the payment of a sum sufficient to reimburse it for any tax or other governmental charge incident thereto.

premium, if any, and interest on Bonds of the Second 2018 Series will be payable at the principal corporation trust office of the Trustee, Continental Illinois National Bank and Trust Company of Chicago in the City of Chicago, Illinois, except that, in the case of the redemption as a whole at any time of Bonds of the Second 2018 Series then outstanding, the Company may designate in the redemption notice of other offices or agencies at which, at the option of the registered holders, Bonds of the Second 2018 Series may be surrendered for redemption and payment. Interest on the Bonds of the Second 2018 Series shall, unless otherwise directed by the respective registered holders thereof, be paid by checks payable to the order of the respective holders entitled thereto, and mailed by the Trustee by first class mail, postage prepaid, to such holders at their respective registered addresses as shown on the Bond register for the Bonds of the Second 2018 Series, in each case to the holder of record on the record date as hereinbelow defined.

The definitive Bonds of the Second 2018 Series may be issued in the form of Bonds engraved, printed or lithographed on steel engraved borders.

The person in whose name any Bond of the Second 2018 Series is registered at the close of business on any record date (as hereinbelow defined) with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding the cancellation of such Bond of the Second 2018 Series upon any transfer or exchange thereof (including any exchange effected as an incident to a partial redemption thereof) subsequent to the record date and prior to such interest payment date, except that, if and to the extent that the Company shall default in the payment of the interest due on such interest payment date, then the registered holders of Bonds of the Second 2018 Series on such record date shall have no further right to claim in respect of such defaulted interest as such registered holders on such record date, and the persons entitled to receive payment of any defaulted interest thereafter payable or paid on any Bonds of the Second 2018 Series shall be the registered holders of such Bonds of the Second 2018 Series on the record date for payment of such defaulted interest. The term "record date" as used in this § 2.02, and in the form of

The Trustee hereunder shall, by virtue of its office as such Trustee, be the registrar and transfer agent of the Company for the purpose of registering and transferring Bonds of the Second 2018 Series. Neither the Company nor the Trustee shall be required to make transfers or exchanges of Bonds of the Second 2018 Series for a period of ten days next preceding any designation of Bonds of the Second 2018 Series to be redeemed and neither the Company nor the Trustee shall be required to make transfers or exchanges of any bonds designated in whole for redemption or that part of any bond designated in part for redemption.

§ 2.03. *Redemption Provisions for Bonds of the Second 2018 Series.* The Bonds of the Second 2018 Series shall be subject to redemption prior to maturity as a whole at any time or in part from time to time:

(a) at the option of the Company, prior to May 1, 2013 upon payment of 100% of the principal amount of the Bonds of the Second 2018 Series to be redeemed plus, a premium equal to the product of:

(i) the remainder (but in no event less than zero) of

(A) the present value as of the date of any voluntary redemption discounted at the Reinvestment Yield (as hereinafter defined), of the sinking fund payments of the Bonds of the Second 2018 Series provided for in Section 2.04, the principal payment at final maturity and scheduled interest payments on and in respect of the Bonds of the Second 2018 Series from the respective dates on which such sinking fund payments and payment at final maturity and interest payments are payable, to the date of such optional redemption, with all such discounts to be computed on the basis of a 360-day year of twelve 30-day months,

MINUS

(B) 100% of the principal amount of the outstanding Bonds of the Second 2018 Series,

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(ii) a fraction, the numerator of which is the principal amount of the Bonds of the Second 2018 Series to be redeemed

on such date and the denominator of which is 100% of the principal amount of the outstanding Bonds of the Second 2018 Series.

"Reinvestment Yield" shall be the arithmetic mean of the rates published in the Statistical Release under the caption "U.S. Government Securities-Treasury Constant Maturities" for the maturity corresponding to the remaining Weighted Average Life to Maturity of the Bonds of the Second 2018 Series as of the date of such optional redemption rounded to the nearest month, plus if the date of such optional redemption is prior to May 1, 2003 the Reinvestment Yield shall be increased by one-half of one per centum (½%). If no maturity exactly corresponds to such rounded Weighted Average Life to Maturity, yields for the two most closely corresponding published maturities shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Yield shall be interpolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For purposes of calculating the Reinvestment Yield, the most recent Statistical Release published prior to the date of payment hereunder shall be used.

"Statistical Release" shall mean the statistical release designated "H.15.(519)" which is published weekly by the Federal Reserve System or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of 66-2/3% in aggregate principal amount of the outstanding Bonds of the Second 2018 Series.

The **"Weighted Average Life to Maturity"** means as at the time of the determination thereof the number of years obtained by dividing the then Remaining Dollar-years of the Bonds of the Second 2018 Series by the then outstanding principal amount of the Series T Bonds. The term **"Remaining Dollar-years"** of the Bonds of the Second 2018 Series means the amount obtained by (1) multiplying the amount of each then remaining sinking fund payment and the payment at final maturity, by the number of years (calculated at the nearest

one-twelfth) which will elapse between the date of determination of the Weighted Average Life to Maturity of the Bonds of the Second 2018 Series and the date of that payment and (2) totaling all the products obtained in (1).

In the case of any redemption of the Bonds of the Second 2018 Series pursuant to this clause (a) prior to May 1, 2013 the Company will deliver a supplemental notice to each holder of Bonds to be redeemed not less than three days before the date fixed for such optional redemption, stating the premium, if any, and accrued interest applicable to the optional redemption and setting forth the calculations used in determining the premium.

(b) at the option of the Company on or after May 1, 2013 as a whole at any time or in part from time to time upon payment of the applicable percentage of the principal amount thereof set forth in the following tabulation:

12 Months Period Beginning May 1	Redemption Price (%)
2013	101.33
2014	101.00
2015	100.67
2016	100.33
2017	100.00

and

(c) upon payment of the principal amount thereof

(i) through operation of the sinking fund for the Bonds of the Second 2018 Series provided for in § 2.04 hereof, or

(ii) through the application of cash deposited with the Trustee in connection with the taking by the exercise of the power of eminent domain or the sale through the exercise by any governmental body or agency of any right which it may have to purchase or designate a purchaser of or order the sale of such property, of

(A) all the electric properties of the Marianna Division, all the electric properties of the Fernandina Division or all the properties of the West Palm Beach Division, in any case as an entirety, or

(B) all or substantially all of the public utility properties of the Company subject to the lien of the Indenture as a first mortgage,

together in any case with interest accrued thereon to the date fixed for redemption.

In the event that less than all of the outstanding Bonds of the 2018 Series are to be redeemed, the Trustee shall, at the time of each such partial redemption, prorate among the registered owners of the Bonds of the 2018 Series in the proportion that their respective holdings bear to the aggregate principal amount of Bonds of the 2018 Series outstanding on the date of selection, except that the principal amount of Bonds of the 2018 Series registered in the name of any holder which is to be redeemed on any partial redemption shall be $1,000, or a multiple thereof, and such allocations as may be requisite for this purpose shall be made by the Trustee in its uncontrolled discretion. The acceptance of Bonds of the 2018 Series by the registered owners thereof shall be deemed to constitute a consent to the foregoing provisions of this Section with the same force and effect as if the provisions of this Section had been set forth in a written instrument duly executed by the registered owners of all the Bonds of the 2018 Series and an executed counterpart of said instrument had been filed with the Trustee.

In all cases of redemption, prior notice (unless waived as provided in Article 4 of the Original Indenture) shall be given by first class mail, postage prepaid, to the holder of record at the date of such notice of each Bond of the 2018 Series affected, at his address as shown on the books of the Company, upon not less than 30 days' nor more than 90 days' notice. Such notice shall be sufficiently given if deposited in the United States mail within such period. Neither the failure to mail such notice, nor any defect in any notice so mailed to any such holder, shall affect the sufficiency of such notice with

respect to other holders. The foregoing provisions with respect to notice shall be subject to all other conditions and provisions of the Indenture not inconsistent herewith.

§ 2.04. *Sinking Fund for Bonds of the 2018 Series.* As a Sinking Fund for the Bonds of the 2018 Series, the Company will on or before April 30, of each year, beginning in 2008 and continuing to and including April 30, 2017, pay to the Trustee cash sufficient to redeem on the next ensuing May 1, $500,000 of the aggregate principal amount of the Bonds of the Second 2018 Series authenticated and delivered on the March 15 next preceding such May 1.

The above annual principal amounts are herein referred to as "sinking fund payments" and the dates upon which payments are required as above provided are herein referred to as "sinking fund payment dates".

In the event of any partial redemption of the Bonds of the Second 2018 Series pursuant to the provisions of § 2.03 hereof (other than § 2.03(c)(i)) the aggregate amount of sinking fund payments becoming due after the date of such redemption shall be adjusted (as nearly as practicable) by reducing the aggregate amount of each subsequent sinking fund payment to become due by the percentage by which the principal amount of Bonds of the Second 2018 Series so redeemed bears to the total principal amount of such Bonds theretofore authenticated and delivered. In the event that adjustments of any sinking fund payments are at any time, or from time to time, required under the foregoing provisions, the determination of the Trustee as to the amounts of the adjustments shall be conclusive.

Forthwith after the March 15 preceding each sinking fund payment date on which the Company will be required to make to the Trustee a payment in cash for the sinking fund, the Trustee shall proceed to select for redemption in the manner provided in Section 2.03 of the Twelfth Supplemental Indenture, a principal amount of Bonds of the Second 2018 Series equal to the aggregate principal amount of Bonds redeemable with such cash payment and, in the name of the Company, shall give notice as required by the provisions of § 2.03 of this Twelfth Supplemental Indenture of

the redemption for the sinking fund on the then next ensuing May 1, of the Bonds so selected. Prior to the sinking fund payment date next preceding such May 1, the Company shall pay to the Trustee the cash payment required by this Section, and the money so paid shall be applied by the Trustee to the redemption of such Bonds.

On or before each sinking fund payment date the Company will pay to the Trustee an amount equal to the interest accrued to the date of redemption on such Bonds of the Second 2018 Series to be redeemed for the sinking fund, and, upon request of the Trustee, from time to time will also pay the cost of giving notice of such redemption and any other expense incurred in the operation of such fund, the intention being that such fund shall not be charged for such interest and expenses.

§ 2.05. *Form of Bonds of the Second 2018 Series.* The Bonds of the Second 2018 Series and the Trustee's authentication certificate to be executed on the Bonds of said Series, shall be in substantially the following forms, respectively:

[FORM OF FACE OF BOND OF THE SECOND 2018 SERIES]

No. RL $.....

FLORIDA PUBLIC UTILITIES COMPANY
Incorporated under the laws of the State of Florida
First Mortgage Bond, 10.03% Series due 2018
Due May 1, 2018

FLORIDA PUBLIC UTILITIES COMPANY, a Florida corporation (hereinafter sometimes called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter mentioned), for value received, hereby promises to pay to , or registered assigns,
Dollars ($) on May 1, 2018 and to pay to the registered owner hereof interest thereon from the date hereof if prior to November 1, 1988 or from the interest payment date next preceding the date of this bond, or from the date of this bond if it be an interest payment date, whichever date is the later, at the rate of ten and three hundredths per centum (10.03%) per annum, semi-annually on the first day of May and on the first day of November in each year until payment of the principal hereof.

The principal of, and the premium, if any, and the interest on, this bond will be paid in lawful money of the United States of America at the office of Continental Illinois National Bank and Trust Company of Chicago (hereinafter sometimes called the "Trustee") in the City of Chicago, Illinois, or of its successor in trust, and interest thereon will be paid in like lawful money at said office of the Trustee; provided, however, that interest on this bond may be paid by check payable to the order of the registered holder entitled thereto and mailed by the Trustee by first class mail, postage prepaid, to such holder at his address as shown on the bond register for bonds of this series.

This bond shall not become or be valid or obligatory for any purpose until the authentication certificate hereon shall have been signed by the Trustee.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, FLORIDA PUBLIC UTILITIES COMPANY has caused these presents to be executed in its name and behalf by its President or a Vice President and its corporate seal to be hereunto affixed and attested by its Secretary or an Assistant Secretary, all as of

FLORIDA PUBLIC UTILITIES COMPANY,

By .....
President.

Attest

.....
Secretary.

[FORM OF REVERSE OF BOND OF THE SECOND 2018 SERIES]

This bond is one of the bonds, of a series designated as First Mortgage Bonds, 10.03% Series due 2018 (hereinafter sometimes referred to as "Bonds of the 2018 Series"), of an authorized issue of bonds of the Company, known as First Mortgage Bonds, not limited as to maximum aggregate principal amount except as otherwise provided in the Indenture hereinafter mentioned, all issued or issuable in one or more series (which several series may be of different denominations, dates and tenor) under and equally secured (except in so far as any sinking fund, improvement fund or other fund established in accordance with the provisions of said Indenture may afford additional security for the bonds of any specific series) by an Indenture dated as of September 1, 1942, duly executed and delivered by the Company to Continental Illinois National Bank and Trust Company of Chicago and First National in Palm Beach, a division of Southeast Bank, N.A., as Trustees, as modified by the First Supplemental Indenture, dated as of December 1, 1945, by the Second Supplemental Indenture, dated as of March 1, 1948, and by the Sixth Supplemental Indenture, dated as of July 1, 1959, and by the Twelfth Supplemental Indenture, dated as of May 1, 1988 and as supplemented by all other indentures supplemental thereto, to which Indenture and all indentures supplemental thereto (herein sometimes collectively referred to as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged as security for said bonds, the rights and remedies of the registered owner of this bond in regard thereto, the terms and conditions upon which said bonds are secured thereby, the terms and conditions upon which said bonds may be issued thereunder and the rights, immunities and obligations of the Trustees under the said Indenture. This bond shall be deemed to be a contract made under the laws of the State of Florida, and for all purposes shall be governed by and construed in accordance with the laws of said State.

The Bonds of the Second 2018 Series shall be subject to redemption prior to maturity as a whole at any time or in part from time to time (a) at the option of the Company, prior to May 1, 2013 upon

payment of 100% of the principal amount of the Bonds of the Second 2018 Series to be redeemed plus, a premium equal to the product of:

(i) the remainder (but in no event less than zero) of

(A) the present value as of the date of any voluntary redemption discounted at the Reinvestment Yield (as hereinafter defined), of the sinking fund payments of the Bonds of the Second 2018 Series provided for in Section 2.04, the principal payment at final maturity and scheduled interest payments on and in respect of the Bonds of the Second 2018 Series from the respective dates on which such sinking fund payments and payment at final maturity and interest payments are payable, to the date of such optional redemption, with all such discounts to be computed on the basis of a 360-day year of twelve 30-day months,

MINUS

(B) 100% of the principal amount of the outstanding Bonds of the Second 2018 Series,

TIMES

(ii) a fraction, the numerator of which is the principal amount of the Bonds of the Second 2018 Series to be redeemed on such date and the denominator of which is 100% of the principal amount of the outstanding Bonds of the Second 2018 Series.

"Reinvestment Yield" shall be the arithmetic mean of the rates published in the Statistical Release under the caption "U.S. Government Securities-Treasury Constant Maturities" for the maturity corresponding to the remaining Weighted Average Life to Maturity of the Bonds of the Second 2018 Series as of the date of such optional redemption rounded to the nearest month, plus if the date of such optional redemption is prior to May 1, 2003, the Reinvestment Yield shall be increased by one-half of one percentum (1/2%). If no maturity exactly corresponds to such rounded Weighted Average Life to Maturity, yields for the two most closely corresponding published maturities shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Yield

shall be interpolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For purposes of calculating the Reinvestment Yield, the most recent Statistical Release published prior to the date of payment hereunder shall be used.

"Statistical Release" shall mean the statistical release designated "H.15.(519)" which is published weekly by the Federal Reserve System or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of 66⅔% in aggregate principal amount of the outstanding Bonds of the Second 2018 Series.

The **"Weighted Average Life to Maturity"** means as at the time of the determination thereof the number of years obtained by dividing the then Remaining Dollar-years of the Bonds of the Second 2018 Series by the then outstanding principal amount of the Bonds of the Second 2018 Series. The term **"Remaining Dollar-years"** of the Bonds of the Second 2018 Series means the amount obtained by (1) multiplying the amount of each then remaining sinking fund payment and the payment at final maturity, by the number of years (calculated at the nearest one-twelfth) which will elapse between the date of determination of the Weighted Average Life to Maturity of the Bonds of the Second 2018 Series and the date of that payment and (2) totaling all the products obtained in (1).

In the case of any redemption of the Bonds of the Second 2018 Series pursuant to this clause (a) prior to May 1, 2013, the Company will deliver a supplemental notice to each holder of Bonds to be redeemed not less than three days before the date fixed for such optional redemption, stating the premium, if any, and accrued interest applicable to the optional redemption and setting forth the calculations used in determining the premium.

(b) at the option of the Company on or after May 1, 2013 as a whole at any time or in part from time to time upon payment of the applicable percentage of the principal amount thereof set forth in the following tabulation:

12 Months Period Beginning May 1	Redemption Price (%)
2013	101.33
2014	101.00
2015	100.67
2016	100.33
2017	100.00

and (c)(i) by the operation of the sinking fund for Bonds of the Second 2018 Series, or (ii) through the application of certain eminent domain moneys and proceeds of sales pursuant to an order of governmental authorities deposited with the Trustee as provided in the Indenture, upon payment of the principal amount thereof; together in any case with interest accrued thereon to the date fixed for redemption.

Prior notice of the redemption of the bonds of such series (unless waived as provided in the Indenture) shall be given by mailing such notice by first class mail, postage prepaid, to the respective registered holders of such bonds not less than thirty (30) nor more than ninety (90) days prior to the redemption date; and otherwise as provided in Article 4 of the Original Indenture and § 2.03 of the Twelfth Supplemental Indenture.

If this bond or any portion thereof (One Thousand Dollars ($1,000) or a multiple thereof) is called for redemption and payment duly provided for as specified in said Indenture, this bond or such portion thereof that is so redeemed shall cease to be entitled to the lien and security interest of said Indenture from and after the date payment is so provided and shall cease to bear interest from and after the date fixed for redemption.

The bonds of this series are entitled to the benefit of a sinking fund as provided for in the Twelfth Supplemental Indenture.

In the event of the selection for redemption (whether for the sinking fund or otherwise) of a portion only of the principal of this

bond, payment of the redemption price will be made only (a) upon presentation of this bond for notation hereon of such payment of the portion of the principal of this bond so called for redemption, or (b) upon surrender of this bond in exchange for a bond or bonds in registered form (but only of authorized denominations), for the unredeemed balance of the principal of this bond, or (c) upon issuance of a check in the amount of the portions of the principal amount so redeemed payable to the order of the registered holder entitled thereto and mailed by the Trustee by first class mail, postage prepaid, to such holder at his address as shown on the bond register for bonds of this series provided the holder shall have entered into an agreement with the Company as required by Section 6.01 of the Twelfth Supplemental Indenture.

To the extent permitted and as provided in said Indenture, modifications or alterations of said Indenture, or of any indenture supplemental thereto, and of the bonds issued thereunder, and of the rights and obligations of the Company and the rights of the bearers or registered owners of the bonds and coupons, may be made with the consent of the Company and with the written approvals or consents of the bearers or registered owners of not less than seventy-five per centum (75%) in principal amount of the bonds outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum (60%) in principal amount of each series, provided, however, that no such alteration or modification shall, without the written approval or consent of the bearer or registered owner of any bond affected thereby, (a) impair or affect the right of such bearer or registered owner to receive payment of the principal of and premium, if any, and interest on any bond at the specified rate, on or after the respective due dates expressed in any bond, or to institute suit for the enforcement of any such payment on or after such respective dates, (b) permit the creation of any lien prior to or on a parity with the lien of said Indenture, or (c) reduce the percentage of the principal amount of the bonds upon the approval or consent of the bearers or registered owners of which modifications or alterations may be effected as aforesaid.

This bond is transferable by the registered owner hereof in person or by his duly authorized attorney, at said office of the Trustee upon surrender of this bond for cancellation, duly endorsed with signature guaranteed, and thereupon a new registered bond or bonds of like aggregate principal amount will be issued to the transferee in exchange herefor, and the registered owner of this bond at his option may surrender the same for cancellation at said office and receive in exchange herefor the same aggregate principal amount of registered bonds of the same series but of other authorized denominations. No charge shall be made for any exchange of bonds of this series for other bonds of different authorized denominations or for any transfer of this bond, except that the Company at its option may require the payment of a sum sufficient to reimburse it for any tax or other governmental charge incident thereto.

Neither the Company nor the Trustee shall be required to make transfers or exchanges of bonds of this series for a period of ten (10) days next preceding any designation of bonds of said series to be redeemed, and neither the Company nor the Trustee shall be required to make transfers or exchanges of any bonds designated in whole for redemption or that part of any bond designated in part for redemption. Subject to the provisions of the Twelfth Supplemental Indenture, if this bond is surrendered for any transfer or exchange between the record date for any regular interest payment date and such interest payment date, the new bond will be dated such interest payment date. If this bond is surrendered for any transfer or exchange between such record date and such interest payment date, the Twelfth Supplemental Indenture provides that in the event of any default in payment of the interest due on such payment date, such interest shall not be payable to the holder of the bond on the original record date but shall be paid to the registered holder of such bond on the subsequent record date established for payment of such defaulted interest.

In case a default as defined in said Indenture shall occur, the principal of this bond may become or be declared due and payable before maturity in the manner and with the effect provided in said Indenture. The holders, however, of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in the cases, to

the extent and under the conditions provided in said Indenture, waive past defaults thereunder and the consequences of such defaults.

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 otherwise in respect hereof or of said Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor corporation, either directly or through the Company, or such predecessor or successor corporation, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liabilities of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of said Indenture.

[FORM OF ENDORSEMENT OF BONDS OF THE SECOND 2018 SERIES WITH RESPECT TO PAYMENTS ON ACCOUNT OF PRINCIPAL]

PAYMENTS ON ACCOUNT OF PRINCIPAL

Date	Amount Paid	Balance of Principal Amount Unpaid	Signature

[FORM OF AUTHENTICATION CERTIFICATE FOR BONDS OF THE SECOND 2018 SERIES]

This bond is one of the bonds of the series designated therein, referred to in the within-mentioned Indenture.

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, TRUSTEE,

By .....
Authorized Officer.

§ 2.06. Renewal and Replacement Fund. Notwithstanding the provision of § 1.06 of the First Supplemental Indenture, as modified by § 2.02 of the Second Supplemental Indenture, that the covenants contained therein shall continue only so long as any of the First Mortgage Bonds, 3¼% Series due 1975 (hereinafter sometimes called the "Bonds of the 1975 Series") shall remain outstanding, the Company hereby covenants that the covenants made by the Company in said § 1.06, as so modified, shall also continue so long as any of the Bonds of the Second 2018 Series shall remain outstanding.

§ 2.07. *Restriction on Payment of Dividends on Common Stock.* The Company hereby covenants and agrees that, so long as any Bonds of the Second 2018 Series remain outstanding, the Company shall not (a) declare or pay any dividend (other than dividends payable in capital stock of the Company), or make any distribution on any shares of Common Stock of the Company, or (b) purchase or otherwise retire for a consideration (other than in exchange for, or from the proceeds of, other shares of capital stock of the Company and other than any class of preferred stock required to be purchased, redeemed or otherwise retired for any sinking or purchase fund for such class of stock) any shares of capital stock of the Company, if the aggregate amount so distributed or expended after December 31, 1987 would exceed the aggregate amount of the Company's net income available for dividends on its Common Stock accumulated after December 31, 1987, plus the sum of $1,500,000.

Net income of the Company available for dividends on its Common Stock for the purpose of this Section shall mean the gross earnings of the Company, less all proper deductions for operating

expenses, taxes (including income, excess profits and other taxes based on or measured by income or undistributed earnings or income for the determination of liability in respect of which the amount payable by the Company by way of interest is a deductible item), interests charges and other appropriate items, including provisions for maintenance, and provision for retirements, depreciation or obsolescense in an amount not less than the appropriation for renewals and replacements, as defined in § 1.06 of the First Supplemental Indenture as amended by § 2.02 of the Second Supplemental Indenture, after provision for all dividends accrued on any outstanding stock of the Company having preference over the Common Stock as to dividends, and otherwise determined in accordance with generally accepted accounting principles, provided, however, that in determining the net income of the Company for the purposes of this Section no deduction or adjustment shall be made for or in respect of (a) expenses in connection with the redemption or retirement of any securities issued by the Company, including any amount paid in excess of the principal amount or par or stated value of securities redeemed or retired or, in the event that such redemption or retirement is effected with the proceeds of sale of other securities of the Company, interest or dividends on the securities redeemed or retired from the date on which the funds required for such redemption or retirement are deposited in trust for such purpose to the date of redemption or retirement; (b) profits or losses from sales of property or other capital assets, or taxes on or in respect of any such profits; (c) any earned surplus adjustment (including tax adjustments) applicable to any period prior to January 1, 1988; and (d) amortization or elimination of utility plant adjustment accounts or other intangibles.

§ 2.08. *Extension of Certain Covenants to Bonds of the Second 2018 Series.* Notwithstanding the provisions of § 1.08 of the First Supplemental Indenture that the covenants contained therein shall continue only so long as any of the Bonds of the 1975 Series shall remain outstanding, the Company hereby covenants that the covenants made by the Company in said § 1.08, as modified by § 2.05 of the Second Supplemental Indenture, shall also continue so long as any of the Bonds of the Second 2018 Series shall remain outstanding.

§ 2.09. *Duration of Effectiveness of Article 2.* This Article shall be in force and effect only so long as any of the Bonds of the Second 2018 Series are outstanding.

ARTICLE 3

Additional Covenants of the Company

§ 3.01. Notwithstanding the provisions of § 1.07(4) of the Original Indenture, as modified by § 2.05(a) of the First Supplemental Indenture and § 2.03 of the Second Supplemental Indenture, that the definition contained in said § 1.07(4), as so modified, shall continue so long as any Bonds of the 1975 Series or First Mortgage Bonds, 3¾% Series due 1978 (hereinafter sometimes called the "Bonds of the 1978 Series") shall be outstanding, the Company hereby covenants that the definition contained in said § 1.07(4) as modified as aforesaid shall also apply to Bonds of the 2018 Series and Bonds of the Second 2018 Series and continue in effect so long as any Bonds of the 2018 Series and Bonds of the Second 2018 Series remain outstanding.

§ 3.02. Notwithstanding the provisions of § 1.07(7) of the Original Indenture, as modified by § 2.05(c) of the First Supplemental Indenture and § 2.04 of the Second Supplemental Indenture, that the definition contained in said § 1.07(7), as so modified, shall continue so long as any of the Bonds of the 1975 Series or Bonds of the 1978 Series shall be outstanding, the Company hereby covenants that the definition contained in said § 1.07(7) as modified as aforesaid shall also apply to Bonds of the 2018 Series and Bonds of the Second 2018 Series and continue in effect so long as any Bonds of the 2018 Series and Bonds of the Second 2018 Series shall remain outstanding.

ARTICLE 4.

Modification of the Original Indenture.

§ 4.01 The Original Indenture, as heretofore supplemented and modified, be and it hereby is further modified by striking out

paragraphs (a) and (c) of §9.01 of the Original Indenture and inserting in lieu thereof new paragraphs (a) and (c) as follows:

"(a) Failure to pay interest on any of the Bonds for a period of fifteen (15) days after such interest shall have become due and payable;

(c) Failure to discharge any sinking fund obligation in respect of any of the Bonds for a period of five (5) days after such obligation shall have become due;"

§ 4.02 Paragraph (3) of § 1.06 of the Original Indenture as modified by § 2.04 of the First Supplemental Indenture is hereby amended by deleting from paragraph (3) the words "two and one-half (2½) times" and substituting in place thereof the words "two (2) times" and the acceptance of any Bond of the Bonds of the 2018 Series or Bonds of the Second 2018 Series by the holder thereof shall be deemed to constitute a consent to such amendment; *provided, however*, that such amendment shall not become effective until (a) a further Supplemental Indenture making it effective shall have been executed with the consent of the holders of not less than 75% in principal amount of the Bonds outstanding, including the holders of not less than 60% in principal amount of the Bonds of each series, at the time outstanding, other than Bonds of the 2018 Series or Bonds of the Second 2018 Series and Bonds of any subsequent series in respect of which the Supplemental Indenture creating the series provides that the acceptance of the Bonds of such series by the holder thereof shall be deemed to constitute a consent to such amendment, or (b) none of the Bonds of any series other than Bonds of the 2018 Series or Bonds of the Second 2018 Series and any such subsequent series shall be outstanding.

ARTICLE 5.

The total aggregate principal amount of First Mortgage Bonds of the Company issued and outstanding and presently to be issued and outstanding under the provisions of, and secured by the Indenture, will be $26,108,000; namely—$455,000 principal amount of First Mortgage Bonds, 5% Series due 1988 now issued and outstanding, $700,000 principal amount of First Mortgage Bonds, 5¼% Series due 1989 now issued and outstanding, $753,000 principal amount of

First Mortgage Bonds, 4¾% Series due 1993 now issued and outstanding, $778,000 principal amount of First Mortgage Bonds, 4¾% Series due 1995 now issued and outstanding, $1,722,000 principal amount of First Mortgage Bonds, 8% Series due 2002 now issued and outstanding, $1,200,000 principal amount of First Mortgage Bonds, 10¾% Series due 1991 now issued and outstanding, $5,000,000 principal amount of First Mortgage Bonds, 12½% Series due 1998 now issued and outstanding and $10,000,000 principal amount of First Mortgage Bonds, 9.57% Series due 2018 and $5,500,000 principal amount of First Mortgage Bonds, 10.03% Series due 2018 to be issued upon compliance by the Company with the provisions of § 3.03, § 3.04 and/or § 3.05 of the Original Indenture, as supplemented and modified.

ARTICLE 6.

Sundry Provisions.

§ 6.01. The Company may enter into an agreement with the holder of any registered Bond without coupons of any series providing for the payment to such holder of the principal of and the premium, if any, and interest on such Bond or any part thereof at a place other than the offices or agencies therein specified, and for the making of notation, if any, as to principal payments on such Bond by such holder or by an agent of the Company or of the Trustee. The Trustee is authorized to approve any such agreement, and shall not be liable for any act or omission to act on the part of the Company, any such holder or any agent of the Company in connection with any such agreement.

§ 6.02. This Twelfth Supplemental Indenture is executed and shall be construed as an indenture supplemental to the Original Indenture, as supplemented and modified, and shall form a part thereof, and the Original Indenture, as heretofore supplemented and modified and as hereby supplemented and modified, is hereby ratified, approved and confirmed.

§ 6.03. The recitals contained in this Twelfth Supplemental Indenture are made by the Company and not by the Trustees and all of the provisions contained in the Indenture, in respect of the

rights, privileges, immunities, powers and duties of the Trustees shall be applicable in respect hereof as fully and with like effect as if set forth herein in full.

§ 6.04. Whenever reference is herein in this Twelfth Supplemental Indenture made to a Section or Article of the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture and the Eleventh Supplemental Indenture and such Section or Article has been modified, then such reference shall be to such Section or Article so modified whether or not expressly so stated.

§ 6.05. Nothing in this Twelfth Supplemental Indenture expressed or implied is intended or shall be construed to give to any person other than the Company, the Trustees, and the holders of the Bonds and coupons issued hereunder, any legal or equitable right, remedy or claim under or in respect of the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture or this Twelfth Supplemental Indenture or any covenant, condition or provision therein or herein or in the Bonds contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Company, the Trustees and the holders of the Bonds and coupons issued hereunder.

§ 6.06. The titles of Articles and any wording on the cover of this Twelfth Supplemental Indenture are inserted for convenience only and are not a part thereof.

§ 6.07. All the covenants, stipulations, promises and agreements in this Twelfth Supplemental Indenture contained made by or on behalf of the Company or of the Trustees shall inure to and bind their respective successors and assigns.

§ 6.08. Although this Twelfth Supplemental Indenture is dated for convenience and for the purpose of reference as of May 1, 1988, the actual date or dates of execution by the Company and by the Trustees are as indicated by their respective acknowledgements hereto annexed.

§ 6.09. In order to facilitate the recording or filing of this Twelfth Supplemental Indenture, the same may be simultaneously executed in several counterparts, each of which shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

§ 6.10. This Twelfth Supplemental Indenture and each Bond of the 2018 Series and Bond of the Second 2018 Series shall be deemed to be a contract made under the laws of the State of Florida, and for all purposes shall be governed by and construed in accordance with the laws of said State. Nothing contained in this § 6.10 shall be deemed in any manner to impair any of the rights of holders of any bonds previously issued under the Indenture.

IN WITNESS WHEREOF, FLORIDA PUBLIC UTILITIES COMPANY has caused this Twelfth Supplemental Indenture to be signed in its corporate name and behalf by its President or one of its Vice Presidents and its corporate seal to be hereunto affixed and attested by its Secretary or one of its Assistant Secretaries; and CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO in token of its acceptance of the trust hereby created has caused this Twelfth Supplemental Indenture to be signed in its corporate name and behalf by its President or one of its Vice Presidents or Second Vice Presidents and its corporate seal to be hereunto affixed and attested by one of its Trust Officers; and FIRST NATIONAL IN PALM BEACH, A DIVISION OF SOUTHEAST BANK, N.A. in token of its acceptance of the trust hereby created has caused this Twelfth Supplemental Indenture to be signed in its corporate name and behalf by its President or one of its Vice Presidents and its corporate seal to

be hereunto affixed and attested by one of its Trust Officers or its Cashier, or one of its Assistant Cashiers; all as of the day and year first above written.

FLORIDA PUBLIC UTILITIES COMPANY,

(Corporate Seal)

By Franklin C. Cressman
President

Attest: Mildred K. Hall
Secretary

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO,

(Corporate Seal)

By J. C. Mull, Jr.
Vice President

Attest: Dedra DeLaney
Trust Officer

FIRST NATIONAL IN PALM BEACH, A DIVISION OF SOUTHEAST BANK, N.A.,

(Corporate Seal)

By William F. Dineen
Vice President and Trust Officer

Attest: T. M. Skelly
Trust Officer

STATE OF FLORIDA
COUNTY OF PALM BEACH } SS.:

Before the undersigned, a Notary Public in and for said State and County, duly qualified, commissioned and sworn, personally came FRANKLIN C. CRESSMAN and MILDRED K. HALL, each to me well known to be the identical persons described in and who executed the foregoing instrument and to be President and Secretary, respectively, of FLORIDA PUBLIC UTILITIES COMPANY, the corporation described in and which executed said instrument; and the said FRANKLIN C. CRESSMAN acknowledged and declared that he as President of said corporation and being duly authorized by it, freely and voluntarily, signed its name and caused its corporate seal to be affixed to and executed said instrument in the name of, for and on behalf of said corporation and as and for its act and deed. And the said MILDRED K. HALL, acknowledged and declared that she as Secretary of said corporation, being duly authorized by it, freely and voluntarily affixed the corporate seal of said corporation to said instrument and executed and attested said instrument in the name of, for and on behalf of said corporation and as and for its act and deed.

IN TESTIMONY WHEREOF, I do hereunto set my hand and official seal at the City of West Palm Beach in said State and County this 25th day of May, 1988.

(Notarial Seal)

Ethel M. Davis
Notary Public, State of Florida
At Large
My commission expires
April 30, 1989
Bonded by SAFECO Insurance
Company of America

STATE OF ILLINOIS
COUNTY OF COOK } SS.:

Before the undersigned, a Notary Public in and for said State and County, duly qualified, commissioned and sworn, personally came J. C. MULL, JR. and DEDRA DELANEY, each to me well known to be the identical persons described in and who executed the foregoing instrument and to be a Vice President and Trust Officer respectively of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, the corporation described in and which executed said instrument; and the said J. C. MULL, JR. acknowledged and declared that he as Vice President of said corporation and being duly authorized by it, freely and voluntarily, signed its name and affixed its corporate seal to and executed said instrument in the name of, for and on behalf of said corporation and as and for its act and deed. And said DEDRA DELANEY acknowledged and declared that she as a Trust Officer of said corporation, being duly authorized by it, freely and voluntarily attested the execution and ensealing of said instrument in the name of, for and on behalf of said corporation and as and for its act and deed.

IN TESTIMONY WHEREOF, I do hereunto set my hand and official seal at the City of Chicago in said State and County this 24th day of May, 1988.

(Notarial Seal)

Mary Mucciante
Notary Public, State of Illinois
My commission expires
February 25, 1991

STATE OF FLORIDA
COUNTY OF PALM BEACH } SS.:

Before the undersigned, a Notary Public in and for said State and County, duly qualified, commissioned and sworn, personally came WILLIAM F. DINEEN and T. M. SKELLY, each to me well known to be the identical persons described in and who executed the foregoing instrument and to be a Vice President and Trust Officer of FIRST NATIONAL IN PALM BEACH, A DIVISION OF SOUTHEAST BANK, N.A., the corporation described in and which executed said instrument and the said WILLIAM F. DINEEN acknowledged and declared that he as a Vice President and Trust Officer of said corporation and being duly authorized by it, freely and voluntarily signed its name and affixed its corporate seal to and executed said instrument in the name of, for and on behalf of said corporation and as and for its act and deed. And the said T. M. SKELLY, acknowledged and declared that he as a Trust Officer of said corporation, being duly authorized by it, freely and voluntarily attested the execution and ensealing of said instrument in the name of, for and on behalf of said corporation and as and for its act and deed.

IN TESTIMONY WHEREOF, I do hereunto set my hand and official seal at the Town of Palm Beach in said State and County this 25th day of May, 1988.

Sworn to and subscribed before
me this 25th day of
May A.D. 1988

(Notarial Seal)

Lisa A. Ladasic

Notary Public, State of Florida
My commission expires
February 18, 1991
Bonded through
General Ins. Und.

RECORDING DATA FOR TWELFTH SUPPLEMENTAL INDENTURE OF FLORIDA PUBLIC UTILITIES COMPANY

State	County	Date Recorded	Recording Data		
			Receipt No.	Book	Page
Florida	Calhoun	May 26, 1988	38396	134	227-281
Florida	Jackson	May 26, 1988	G-41275	390	398
Florida	Liberty	May 26, 1988	2297297B	54	239-294
Florida	Nassau	May 26, 1988	4233B	544	16-71
Florida	Palm Beach	May 26, 1988	88-140012M	5681	1771
Florida	Seminole	May 26, 1988	00508900		
Florida	Volusia	May 26, 1988	066623	3144	1033-1088

UCC-1 filed May 26, 1988 with the Florida Secretary of State Acknowledgment Form Number 1880885810

[CONFORMED COPY]

FLORIDA PUBLIC UTILITIES COMPANY

BOND PURCHASE AGREEMENT

Dated as of May 1, 1988

Re:

$10,000,000
First Mortgage Bonds,
Series 9.57%,
Due May 1, 2018

and

$5,500,000
First Mortgage Bonds
Series 10.03%
Due May 1, 2018.

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FLORIDA PUBLIC UTILITIES COMPANY

BOND PURCHASE AGREEMENT

Re:

$10,000,000 First Mortgage Bonds,
Series 9.57% Due May 1, 2018
and
$5,500,000 First Mortgage Bonds,
Series 10.03% Due May 1, 2018

Dated as of
May 1, 1988

Allstate Life Insurance Company
Allstate Plaza North
Northbrook, Illinois 60062
Attention: Investment Department -
Taxable Fixed Income Division E2

Gentlemen:

FLORIDA PUBLIC UTILITIES COMPANY, a Florida corporation (the "Company"), agrees with you as follows:

SECTION 1. DESCRIPTION OF BONDS.

The Company will authorize and create an issue of $10,000,000 aggregate principal amount of its First Mortgage Bonds, 9.57% Series, due May 1, 2018 ("**Bonds of the 2018 Series**") and an issue of $5,500,000 aggregate principal amount of its First Mortgage Bonds, 10.03% Series, due May 1, 2018 ("**Bonds of the Second 2018 Series**") (hereinafter collectively referred to as the "**Bonds**"). The Bonds will be issued under and secured by an Indenture of Mortgage and Deed of Trust dated as of September 1, 1942 (the "**Original Indenture**") from the Company to First National Bank in Palm Beach, A Division of Southeast Bank, N.A. and Continental Illinois National Bank and Trust Company of Chicago, as Trustees (hereinafter collectively referred to as "**Trustees**"), as heretofore supplemented by eleven Supplemental Indentures, First through Eleventh, the First, Second and Sixth Supplemental Indentures having modified certain provisions of the Original Indenture and the First Supplemental Indenture, and as to be further supplemented and modified by a Twelfth Supplemental Indenture dated as of May 1, 1988 (the "**Supplement**"), which will be substantially in the form attached hereto as **Exhibit A**, with such changes therein, if any, as shall be approved by you and by the Company. The Original Indenture as so amended and supplemented is herein called the "**Indenture**". The Bonds will be dated the date of delivery and will have the terms and provisions specified in the Supplement.

SECTION 2. SALE OF BONDS AND CLOSING.

Subject to the terms and conditions and upon the basis of the representations herein set forth, the Company hereby agrees to sell to you, and you hereby agree to purchase from the Company, on the Closing Date specified herein, the Bonds of the 2018 Series, in the aggregate principal amount of $10,000,000, at a price equal to 100% of the principal amount thereof and the Bonds of the Second 2018 Series, in the aggregate principal amount of $5,500,000, at a price equal to 100% of the principal amount thereof. Payment for the Bonds of the 2018 Series shall be made by a wire transfer of Federal funds to Continental Illinois National Bank and Trust Company of Chicago, (ABA No. [redacted]) Attention: Alice Greenhouse, Corporate Trust Department, for credit to Florida Public Utilties Company Account No. [redacted] against receipt of the Bonds of the 2018 Series being purchased by you. Payment for the Bonds of the Second 2018 Series shall be made by a wire transfer of Federal funds to the Florida National Bank, Jacksonville, Florida, (ABA No. [redacted]) Attention: Florida National Bank West Palm Beach, for credit to Florida Public Utilities Company Account No. [redacted], against receipt of the Bonds of the Second 2018 Series being purchased by you. You are hereinafter sometimes referred to as the "**Purchaser**".

Delivery of the Bonds will be made at 10:00 A.M., Chicago time, at the offices of Chapman and Cutler on May 26, 1988 (the "**Closing Date**") or such other date (not later than June 15, 1988) as shall be mutually agreed upon. Each Series of Bonds will be delivered to you in the form of one or more fully registered Bonds, without coupons, in such denominations as you may request, registered in your name or in the name of such nominee as you shall designate upon five days prior notice.

SECTION 3. REPRESENTATIONS.

3.1. Representations of the Company. The Company represents and warrants that all representations set forth in the form of certificate annexed hereto as Exhibit B are true and correct on the date hereof and are incorporated herein by reference with the same force and effect as though set forth in full.

3.2. Representations of the Purchaser. You represent that you are purchasing the Bonds for your own account for the purpose of investment and not with a view to the resale or distribution thereof, and that you have no present intention of selling, negotiating or otherwise disposing of the Bonds; **provided** that the disposition of your property shall at all times be and remain within your control.

You further represent that you are acquiring the Bonds for your own account and with your general corporate assets and not with the assets of any separate account in which any employee benefit plan has any interest. As used in this Section 3.2, the terms "**separate account**" and "**employee benefit plan**" shall have the respective meanings assigned to them in the Employee Retirement Income Security Act of 1974 ("**ERISA**").

The certificates representing the Bonds may bear a restrictive legend in substantially the following form:

> These securities have not been registered under the Securities Act of 1933, as amended, and may not be sold or otherwise transferred in contravention of that Act.

SECTION 4. CLOSING CONDITIONS.

Your obligation to purchase and pay for the Bonds as herein contemplated shall be subject to the performance by the Company of its agreements hereunder which by the terms hereof are to be performed at or prior to the time of delivery of the Bonds and to the following additional conditions precedent to be satisfied on or before the Closing Date:

4.1. Closing Certificate. You shall receive from the Company a certificate, dated the Closing Date, duly authorized, executed and delivered by the Company, substantially in the form of the certificate annexed hereto and marked **Exhibit B**, the truth and accuracy of which shall be a condition precedent to your obligations hereunder.

4.2. Opinions. You shall receive from Chapman and Cutler, your special counsel in connection with this transaction, and from Paty, Downey & Fick, counsel for the Company, their opinions, dated the Closing Date, in form and substance satisfactory to you and covering the matters set forth in **Exhibit C** hereto.

4.3. Proceedings and Instruments. All proceedings to be taken in connection with the transactions contemplated by this Agreement, and all documents incident thereto, shall be satisfactory in form and substance to you and your special counsel; and you shall receive copies of all documents which you may reasonably request in connection with said transactions and all corporate proceedings in connection therewith, in form and substance satisfactory to you and your special counsel.

4.4. Legality of Investment. On the Closing Date, the Bonds to be purchased by you shall be a legal investment for you under the laws of each jurisdiction to which you may be subject without resort to any "basket" provision of such laws; and you shall have received such certificates or other evidence as you may reasonably request demonstrating the legality of such purchase under such laws.

SECTION 5. EXPENSES AND TAXES.

The Company agrees, whether or not any of the Bonds shall be issued and sold pursuant hereto, to bear all reasonable expenses in connection with (i) the authorization, preparation, issuance, sale and delivery to you at your home office or such other place as you may designate of the Bonds, (ii) the preparation, execution and delivery of this Agreement and the Supplement, (iii) any future amendment of, or waiver under or with respect to (whether or not given), this Agreement, the Indenture or the Bonds, (iv) all issuance taxes and other taxes and fees payable in connection with the transactions referred to in this Section, (v) all printing costs incurred in connection with the transactions contemplated hereby, and (vi) the reasonable charges and disbursements of your special counsel for their services in connection with the matters referred to in this Section. The Company agrees to protect and indemnify you against any liability for any and all brokerage fees and commissions payable or claimed to be payable to any person in connection with the transactions contemplated by this Agreement. In addition, the Company agrees to reimburse you for reasonable out-of-pocket expenses referred to in this Section. The obligations of the Company under this Section shall survive the payment of the Bonds and the termination of this Agreement.

SECTION 6. EXCHANGE OF BONDS.

The Company agrees that, within a reasonable time, not exceeding 90 days, after you shall have made written request therefor of the Company, it will deliver to you at the office of Continental Illinois National Bank and Trust Company of Chicago, in exchange for each of the Bonds delivered to you at the Closing, definitive Bonds, without coupons, in authorized denominations, registered in such name or names as you shall request and engraved, printed or lithographed on steel engraved borders. The Company shall bear all expenses (including any documentary or other similar taxes but excluding any transfer or other similar taxes) and shall make no charge in connection with the preparation, issue and delivery to you of the Bonds to be delivered to you upon such exchange. The Company will pay reasonable charges for shipping to and from your office set forth in Schedule 1, or such other place as you shall designate, the Bonds issued upon any aforesaid exchange. The Company further agrees that your unsecured agreement of indemnity shall be satisfactory to the Company and the Trustees under Section 2.11 of the Indenture, providing for the replacement of lost, stolen, destroyed or mutilated bonds, including the Bonds, and the Company will pay the charges for any indemnity required under said Section by the Trustees.

SECTION 7. FINANCIAL STATEMENTS AND REPORTS

The Company agrees that, so long as you shall hold any of the Bonds, it will deliver to you (in duplicate as to items described in Sections 7.1, 7.2 and 7.3 hereof) or, if you transfer your Bonds, to any institutional holder of five percent or more in principal amount of either Series of the Bonds:

7.1. Quarterly Statements. As soon as available, and in any event within 60 days after the close of each quarterly period (except the last) of each fiscal year, the consolidated balance sheet of the Company and its subsidiaries as of the end of such quarterly period, and the consolidated statements of income and retained earnings of the Company and its subsidiaries for such period, for the year to date and for the twelve month period ending with such quarter, setting forth in comparative form the corresponding figures for the corresponding period of the preceding fiscal year, all in reasonable detail and certified by a financial officer of the Company as complete and correct (subject to changes resulting from year-end adjustments).

7.2. Annual Statements. As soon as available, and in any event within 120 days after the close of each fiscal year of the Company, the consolidated balance sheet of the Company and its subsidiaries as at the end of such fiscal year, the consolidated statements showing the Company's and its subsidiaries' sources and uses of funds during such fiscal year and the statement of income and retained earnings of the Company and its subsidiaries for such year, together with the corresponding figures for the preceding fiscal year, all in reasonable detail, certified and accompanied by an opinion thereon of Deloitte Haskins & Sells or another firm of independent certified public accountants of recognized national standing selected by the Company and satisfactory to you to the effect that the above financial statements have been prepared in accordance with generally accepted accounting principles consistently maintained (except for changes in which such accountants concur) and the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing

standards and, accordingly, includes such tests of the accounting records and other auditing procedures as were considered necessary under the circumstances.

7.3. Audit Reports. Promptly upon receipt thereof, copies of the detailed reports, if any, submitted to the Company by Deloitte Haskins & Sells, or any other independent public accountants in connection with each annual or interim audit or examination of the accounts of the Company and its subsidiaries.

7.4. Officers Certificates. Within the periods provided in Sections 7.1 and 7.2, a certificate signed by the principal financial officer of the Company stating that based upon such examination or investigation as the officer signing such certificate shall have deemed necessary to enable such officer to render an informed opinion in respect thereof, in such officer's opinion, no event of default (as described in the Indenture) or event which would become an event of default with the lapse of time or the giving of notice or both, existed at any time during such fiscal year or such quarterly period, as the case may be and, to the date of such certificate except for those events of default or defaults, if any, described in such certificate in reasonable detail, with a statement of the Company's action with respect thereto taken or proposed.

7.5. Accountants' Certificate. Within the period provided in Section 7.2 above, the written statement of the certified independent public accountants who rendered an opinion with respect to such financial statements, that in making the examination necessary to their certification of such audit report they have obtained no knowledge of any event of default, or event which with the lapse of time or giving of notice, or both, would become an event of default set forth in the Indenture, or if such accountants shall have obtained knowledge of any such event of default or event which would so become an event of default, they shall disclose in such statement the default or defaults and the nature thereof.

7.6. Supplemental Indentures. Promptly upon request, a copy of any indenture supplemental to the Indenture that the Company from time to time may hereafter execute and deliver.

7.7. SEC Reports. As soon as available, any proxy statements, financial statements and reports that the Company or any subsidiary sends or makes available generally to any of its shareholders, and copies, if any, of all regular and periodic reports and of all registration statements (other than on Form S-8 or a similar form) which the Company or any subsidiary files with the SEC or with any securities exchange.

7.8. Notice of Default. Promptly after any officer of the Company or any subsidiary obtains knowledge of any event of default under the Indenture, written notice describing such event in reasonable detail, with a statement of the action with respect thereto, taken or proposed to be taken by the Company or the appropriate subsidiary.

7.9. Requested Information. Such additional information concerning the Company and its subsidiaries as you or any such institutional holder may reasonably request.

SECTION 8. INSPECTION OF PROPERTIES AND BOOKS.

The Company agrees that so long as you shall hold any of the Bonds, you may at reasonable times and from time to time, at your own expense, visit any of the offices and properties of the Company and its subsidiaries and discuss the affairs, finances and accounts of the Company and its subsidiaries with the officers of the Company and the officers of the subsidiaries and the independent public accountants of the Company and its subsidiaries. The Company further agrees that, so long as you shall hold any of the Bonds, all books, documents and vouchers relating to the business and affairs of the Company and its subsidiaries shall at all reasonable times be open to the inspection of any of your officers, accountants or agents (who may make copies of any or all such records) as shall from time to time be designated and compensated by you. The rights granted by this Section 8 may also be exercised by any institutional investor to whom you transfer 5% or more of the unpaid principal amount of either Series of the Bonds.

SECTION 9. HOME OFFICE PAYMENT.

Notwithstanding any contrary provision contained in the Indenture or in any Bonds, the Company will pay or cause to be paid all sums becoming due on each Bond registered in your name at the address and in the manner set forth in Schedule 1 hereto or at such other address as you shall from time to time designate by written notice to the Company. Such payments will be made without presentment and without notations being made on such Bond; provided you agree that (i) before any sale or other transfer by you of any Bond in respect of which any principal payments have been made in the manner provided in this Section 9, you will make appropriate notation of such payments on such Bond and will first present such Bond to Continental Illinois National Bank and Trust Company of Chicago, as Trustee in exchange for a new Bond or Bonds of aggregate principal amount equal to the unpaid principal amount of such Bond and (ii) promptly following payment in full of any Bond held by you such Bonds shall be surrendered to the Trustees for cancellation. Your rights under this Section 9 shall not be assignable except to your nominee or to another institutional investor who shall agree in writing with the Company and the Trustees to the terms of this Section 9.

SECTION 10. SURVIVAL OF PROVISIONS AND SUCCESSORS.

The Company agrees that all of its covenants, agreements, representations and warranties made herein and in any and all certificates delivered pursuant hereto shall survive the delivery to you of the Bonds and the provisions of this Agreement shall bind and shall inure to the benefit of the parties hereto and their successors and assigns.

SECTION 11. NOTICES.

All communications provided for hereunder shall be in writing, mailed or delivered, postage prepaid, if addressed to the Company, at 401 South Dixie Highway, West Palm Beach, Florida 33402, Attention: Office of the Treasurer, or if addressed to you, as set forth in Schedule 1 or to such other address as you or the Company may designate to the other in writing.

SECTION 12. COUNTERPARTS.

This Agreement may be simultaneously executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts together shall constitute but one and the same instrument.

SECTION 13. ENTIRE AGREEMENT.

This Agreement constitutes the entire agreement between us and may not be changed or modified except in writing.

SECTION 14. GOVERNING LAW.

This Agreement shall be governed and construed in accordance with Florida law.

SECTION 15. AMENDMENT AND WAIVER.

This Agreement may be amended, and the observance of any term of this Agreement may be waived, with (and only with) the written consent of the Company and (a) on or prior to the Closing Date, you, and (b) after the Closing Date, the holders of at least 66-2/3% in aggregate unpaid principal amount of both Series of Bonds at the time outstanding (exclusive of Bonds then owned or held by the Company or any affiliate thereof); **provided,** that no such amendment or waiver shall, without the written consent of the holders of all the Bonds at the time outstanding (exclusive of Bonds then owned or held by the Company or any affiliate), amend this Section 15.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed copy of this Agreement, whereupon it shall become a binding agreement between us.

FLORIDA PUBLIC UTILITIES COMPANY

By /s/Frank C. Cressman
President

The foregoing is hereby confirmed and accepted as of the date first above written.

Allstate Life Insurance Company

By /s/John F. Podjasek, Jr.

By /s/Paul R. Knachel
Authorized Signatories

SCHEDULE I

Name and Address Name and Address of Purchasers	Principal Amount of Bonds of the 2018 Series to be Purchased	Principal Amount of Bonds of the Second 2018 Series to be Purchased
ALLSTATE LIFE INSURANCE COMPANY Allstate Plaza Northbrook, Illinois 60062 Attention: Investment Department - Taxable Fixed Income Division, Private Placements - E2	$10,000,000	$5,500,000

Payments

All payments on or in respect of the Notes to be **by bank wire transfer** of Federal or other immediately available funds (identifying each payment as to issuer, aggregate principal amount, series, and maturity date to:

Continental Illinois National Bank
and Trust Company of Chicago
(ABA [redacted])
30 North LaSalle Street
Chicago, Illinois 60603
Attention: Trade Trust Teller

for deposit in Allstate Life Insurance
Company Account No. [redacted]

Notices

All notices and communications, including notices with respect to payments and written confirmation of each such payment, to be addressed as first provided above.

FLORIDA PUBLIC UTILITIES COMPANY

TO

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

AND

FIRST NATIONAL IN PALM BEACH,
A DIVISION OF SOUTHEAST BANK, N.A.,

TRUSTEES.

Twelfth Supplemental Indenture

Dated as of May 1, 1988

SUPPLEMENTING AND MODIFYING
THE

Indenture of Mortgage and Deed of Trust

Dated as of September 1, 1942

This is a Security Agreement covering Personal Property as well as a Mortgage upon Real Estate and Other Property

EXHIBIT A
(to Bond Purchase Agreement)

This is a Security Agreement covering Personal Property as well as a Mortgage upon Real Estate and Other Property

THIS TWELFTH SUPPLEMENTAL INDENTURE, dated for convenience as of May 1, 1988 between FLORIDA PUBLIC UTILITIES COMPANY, as Debtor (its Federal tax number being 59-0539080), a Florida corporation (hereinafter sometimes called the "Company"), whose mailing address is P.O. Drawer C, West Palm Beach, Florida 33402, and the address of its principal place of business is 401 South Dixie Highway, West Palm Beach, Florida 33401, party of the first part, and CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO (hereinafter sometimes called the "Trustee"), as Mortgagee and Secured Party (its Federal tax number being 36-0947896), a corporation duly organized and existing under the laws of the United States of America, having its principal office at 231 South LaSalle Street, Chicago, Illinois 60693 and FIRST NATIONAL IN PALM BEACH, A DIVISION OF SOUTHEAST BANK, N.A. (hereinafter sometimes called the "Co-Trustee"), as Mortgagee and Secured Party (its Federal tax number being 59-0389375), a corporation duly organized and existing under the laws of the State of Florida, having its principal place of business at 225 South County Road, Palm Beach, Florida 33480 (the "Trustee" and "Co-Trustee" being hereinafter sometimes collectively called the "Trustees"), as Trustees, parties of the second part.

WHEREAS, the Company has heretofore executed and delivered to the Trustees an Indenture of Mortgage and Deed of Trust dated as of September 1, 1942 (hereinafter called the "Original Indenture"), to secure, as provided therein, its bonds (in the Original Indenture and herein called the "Bonds"), to be designated generally as its "First Mortgage Bonds", and to be issued in one or more series as provided in the Original Indenture; and

WHEREAS, the Company has heretofore executed and delivered to the Trustees eleven indentures supplemental to the Original Indenture as follows: the First Supplemental Indenture dated as of December 1, 1945 (hereinafter sometimes called the "First Supplemental Indenture"), the Second Supplemental Indenture dated as of March 1, 1948 (hereinafter sometimes called the "Second Supplemental Indenture"), the Third Supplemental Indenture dated as

Sixth Supplemental Indentures and as supplemented by the Third, Fourth, Fifth, Seventh, Eighth, Ninth, Tenth and Eleventh Supplemental Indentures; and

WHEREAS, the Board of Directors of the Company has established pursuant to § 2.03 of said Original Indenture two new series of Bonds to be designated First Mortgage Bonds, 9.57% Series due 2018 (hereinafter sometimes referred to as the "Bonds of the 2018 Series") in the principal amount of Ten Million Dollars ($10,000,000) and First Mortgage Bonds, 10.03% Series due 2018 (hereinafter sometimes referred to as the "Bonds of the Second 2018 Series") in the principal amount of Five Million Five Hundred Thousand Dollars ($5,500,000) and has authorized the issue of said Bonds pursuant to the provisions of Article 3 of the Original Indenture, as supplemented and modified; and

WHEREAS, since the execution and delivery by the Company of the Eleventh Supplemental Indenture, the Company has acquired certain additional properties which by the terms of the Original Indenture, as supplemented and modified, are subject to the lien thereof; and

WHEREAS, § 16.01 of the Original Indenture provides, among other things, that the Company may execute and file with the Trustees and the Trustees at the request of the Company shall join in indentures supplemental to the Original Indenture and which thereafter shall form a part thereof, for the purposes, among others, of (a) describing the terms of any new series of Bonds as established by resolution of the Board of Directors of the Company pursuant to § 2.03 of the Original Indenture, (b) subjecting to the lien of the Original Indenture, as supplemented and modified, or perfecting the lien thereof upon, any additional properties of any character, (c) adding to the covenants and agreements of the Company such further covenants or agreements as the Board of Directors of the Company shall consider to be for the protection of the trust estate and of the holders of the Bonds and (d) providing for modifications in the Original Indenture, subject to certain conditions; and

WHEREAS, the Company desires to execute this Twelfth Supplemental Indenture and hereby requests the Trustees to join in this

and has granted, bargained, sold, aliened, remised, released, conveyed, assigned, transferred, mortgaged, pledged, set over and confirmed, and by these presents does grant, bargain, sell, alien, remise, release, convey, assign, transfer, mortgage, pledge, set over and confirm unto Continental Illinois National Bank and Trust Company of Chicago and First National in Palm Beach, a division of Southeast Bank, N.A., as Trustees, and to their successors in the trust, and to their assigns forever, all property real, personal or mixed, described in the Original Indenture and thereby conveyed or mortgaged or intended so to be, including all such property acquired since the execution and delivery of said Original Indenture which by the terms of said Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture and this Twelfth Supplemental Indenture is subjected or is intended to be subjected to the lien of the Indenture including without limiting the generality of the foregoing the following described property:

PROPERTY IN THE CITY OF FERNANDINA BEACH, NASSAU COUNTY, FLORIDA

North 1/2 of North 1/2 of Lot 6, South 1/2 of South 1/2 of Lot 7, Block 295, less Seaboard Airline Railroad Right-of-Way. Lot 5, South 3/4 of Lot 6, North 3/4 of Lot 7, Lots 26, 27, 28, City of Fernandina Beach, less Seaboard Airline Railroad Right-of-Way.

PROPERTY IN NASSAU COUNTY, FLORIDA

Block 186 of Nassau County Records: Lots 1, 2, 7 and 8.

PROPERTY IN SEMINOLE COUNTY, FLORIDA

Sec 30 Twp 19S Range 30 E. E Eighty (80) feet of S One Hundred Fifty (150) feet of W Nine Hundred Ninety (990) feet of NW 1/4 (less S Thirty-five (35) feet for road).

§ 1.05(a) of the Original Indenture, and liens existing on any property hereafter acquired by the Company at the time of such acquisition and permitted by § 5.04 of the Original Indenture, as modified by the First Supplemental Indenture.

IN TRUST, NEVERTHELESS, upon the terms and trusts in the Indenture set forth, for the equal and proportionate benefit and security of all present and future holders of the Bonds and coupons issued and to be issued under the Indenture, or any of them, without preference or priority of any said Bonds or coupons over any others thereof, or of the Bonds and coupons of any particular series over the Bonds and coupons of any other series, by reason of priority in the time of issue, sale or negotiation thereof or by reason of the purpose of issue or otherwise howsoever, except as otherwise provided in § 9.29 of the Original Indenture.

AND THIS INDENTURE FURTHER WITNESSETH, that the Company for itself and its successors, does hereby covenant and agree to and with the Trustees and their successors in said trust, for the benefit of those who shall hold the Bonds and coupons of any of them, as follows:

ARTICLE 1

Bonds of the 2018 Series.

§ 1.01. *Establishment of Bonds of the 2018 Series.* There shall be, and is hereby created a new series of Bonds, known as and entitled "First Mortgage Bonds, 9.57% Series due 2018", and the form thereof shall be substantially as hereinafter set forth in § 1.05 hereof.

The principal amount of the Bonds of the 2018 Series is limited to Ten Million Dollars ($10,000,000) in principal amount of such Bonds to be initially issued upon compliance by the Company with the provisions of § 3.03 and/or § 3.04 of the Original Indenture, as supplemented and modified, and to the Bonds of the 2018 Series issued in exchange or substitution for outstanding Bonds of said Series under the provisions of the Original Indenture and of this Twelfth Supplemental Indenture.

to receive the interest payable on such interest payment date notwithstanding the cancellation of such Bond of the 2018 Series upon any transfer or exchange thereof (including any exchange effected as an incident to a partial redemption thereof) subsequent to the record date and prior to such interest payment date, except that, if and to the extent that the Company shall default in the payment of the interest due on such interest payment date, then the registered holders of Bonds of the 2018 Series on such record date shall have no further right to or claim in respect of such defaulted interest as such registered holders on such record date, and the persons entitled to receive payment of any defaulted interest thereafter payable or paid on any Bonds of the 2018 Series shall be the registered holders of such Bonds of the 2018 Series on the record date for payment of such defaulted interest. The term "record date" as used in this § 1.02, and in the form of the Bonds of the 2018 Series, with respect to any interest payment date applicable to the Bonds of the 2018 Series, shall mean the October 15 next preceding a November 1 interest payment date or the April 15 next preceding a May 1 interest payment date, as the case may be, or such record date established for defaulted interest as hereinafter provided.

In case of failure by the Company to pay any interest when due the claim for such interest shall be deemed to have been transferred by transfer of any Bond of the 2018 Series registered on the books of the Company and the Company, by not less than 10 days written notice to bondholders, may fix a subsequent record date for determination of holders entitled to payment of such interest. Such provision for establishment of subsequent record date, however, shall in no way affect the rights of bondholders or of the Trustee consequent on any default.

Except as provided in this § 1.02, every Bond of the 2018 Series shall be dated as provided in § 2.08 of the Original Indenture. However, so long as there is no existing default in the payment of interest on the Bonds of the 2018 Series, all Bonds of the 2018 Series authenticated by the Trustee between the record date for any interest payment date and such interest payment date shall be dated such interest payment date and shall bear interest from such interest payment date; provided, however, that if and to the extent that

dates on which such sinking fund payments and payment at final maturity and interest payments are payable, to the date of such optional redemption, with all such discounts to be computed on the basis of a 360-day year of twelve 30-day months,

MINUS

(B) 100% of the principal amount of the outstanding Bonds of the 2018 Series,

TIMES

(ii) a fraction, the numerator of which is the principal amount of the Bonds of the 2018 Series to be redeemed on such date and the denominator of which is 100% of the principal amount of the outstanding Bonds of the 2018 Series.

"Reinvestment Yield" shall be the arithmetic mean of the rates published in the Statistical Release under the caption "U.S. Government Securities-Treasury Constant Maturities" for the maturity corresponding to the remaining Weighted Average Life to Maturity of the Bonds of the 2018 Series as of the date of such optional redemption rounded to the nearest month, plus if the date of such optional redemption is prior to May 1, 2003 the Reinvestment Yield shall be increased by one-half of one per centum (1/2%). If no maturity exactly corresponds to such rounded Weighted Average Life to Maturity, yields for the two most closely corresponding published maturities shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Yield shall be interpolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For purposes of calculating the Reinvestment Yield, the most recent Statistical Release published prior to the date of payment hereunder shall be used.

"Statistical Release" shall mean the statistical release designated "H.15.(519)" which is published weekly by the Federal Reserve System or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of 66⅔% in aggregate principal amount of the outstanding Bonds of the 2018 Series.

eminent domain or the sale through the exercise by any governmental body or agency of any right which it may have to purchase or designate a purchaser of or order the sale of such property, of

(A) all the electric properties of the Marianna Division, all the electrical properties of the Fernandina Division or all the properties of the West Palm Beach Division, in any case as an entirety, or

(B) all or substantially all of the public utility properties of the Company subject to the lien of the Indenture as a first mortgage,

together in any case with interest accrued thereon to the date fixed for redemption.

In the event that less than all of the outstanding Bonds of the 2018 Series are to be redeemed, the Trustee shall, at the time of each such partial redemption, prorate among the registered owners of the Bonds of the 2018 Series in the proportion that their respective holdings bear to the aggregate principal amount of Bonds of the 2018 Series outstanding on the date of selection, except that the principal amount of Bonds of the 2018 Series registered in the name of any holder which is to be redeemed on any partial redemption shall be $1,000, or a multiple thereof, and such allocations as may be requisite for this purpose shall be made by the Trustee in its uncontrolled discretion. The acceptance of Bonds of the 2018 Series by the registered owners thereof shall be deemed to constitute a consent to the foregoing provisions of this Section with the same force and effect as if the provisions of this Section had been set forth in a written instrument duly executed by the registered owners of all the Bonds of the 2018 Series and an executed counterpart of said instrument had been filed with the Trustee.

In all cases of redemption, prior notice (unless waived as provided in Article 4 of the Original Indenture) shall be given by first class mail, postage prepaid, to the holder of record at the date of such notice of each Bond of the 2018 Series affected, at his address as shown on the books of the Company, upon not less than 30 days' nor more than 90 days' notice. Such notice shall be sufficiently given if

name of the Company, shall give notice as required by the provisions of § 1.03 of this Twelfth Supplemental Indenture of the redemption for the sinking fund on the then next ensuing May 1, of the Bonds so selected. Prior to the sinking fund payment date next preceding such May 1, the Company shall pay to the Trustee the cash payment required by this Section, and the money so paid shall be applied by the Trustee to the redemption of such Bonds.

On or before each sinking fund payment date the Company will pay to the Trustee an amount equal to the interest accrued to the date of redemption on such Bonds of the 2018 Series to be redeemed for the sinking fund, and, upon request of the Trustee, from time to time will also pay the cost of giving notice of such redemption and any other expense incurred in the operation of such fund, the intention being that such fund shall not be charged for such interest and expenses.

§ 1.05. *Form of Bonds of the 2018 Series.* The Bonds of the 2018 Series and the Trustee's authentication certificate to be executed on the Bonds of said Series, shall be in substantially the following forms, respectively:

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, FLORIDA PUBLIC UTILITIES COMPANY has caused these presents to be executed in its name and behalf by its President or a Vice President and its corporate seal to be hereunto affixed and attested by its Secretary or an Assistant Secretary, all as of

FLORIDA PUBLIC UTILITIES COMPANY,

By.....
President.

Attest

.....
Secretary.

the option of the Company, prior to May 1, 2013 upon payment of 100% of the principal amount of the Bonds of the 2018 Series to be redeemed plus, a premium equal to the product of:

(i) the remainder (but in no event less than zero) of

(A) the present value as of the date of any voluntary redemption discounted at the Reinvestment Yield (as hereinafter defined). of the sinking fund payments of the Bonds of the 2018 Series provided for in Section 1.04, the principal payment at final maturity and scheduled interest payments on and in respect of the Bonds of the 2018 Series from the respective dates on which such sinking fund payments and payment at final maturity and interest payments are payable, to the date of such optional redemption, with all such discounts to be computed on the basis of a 360-day year of twelve 30-day months,

MINUS

(B) 100% of the principal amount of the outstanding Bonds of the 2018 Series,

TIMES

(ii) a fraction, the numerator of which is the principal amount of the Bonds of the 2018 Series to be redeemed on such date and the denominator of which is 100% of the principal amount of the outstanding Bonds of the 2018 Series.

"Reinvestment Yield" shall be the arithmetic mean of the rates published in the Statistical Release under the caption "U.S. Government Securities-Treasury Constant Maturities" for the maturity corresponding to the remaining Weighted Average Life to Maturity of the Bonds of the 2018 Series as of the date of such optional redemption rounded to the nearest month, plus if the date of such optional redemption is prior to May 1, 2003 the Reinvestment Yield shall be increased by one-half of one per centum, (1/2%). If no maturity exactly corresponds to such rounded Weighted Average Life to Maturity, yields for the two most closely corresponding published maturities shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Yield shall be interpolated from such yields on a straight-line basis, rounding in each of

(b) at the option of the Company on or after May 1, 2013 as a whole at any time or in part from time to time upon payment of the applicable percentage of the principal amount thereof set forth in the following tabulation:

12 Months Period Beginning May 1	Redemption Price (%)
2013	101.33
2014	101.00
2015	100.67
2016	100.33
2017	100.00

and (c)(i) by the operation of the sinking fund for Bonds of the 2018 Series, or (ii) through the application of certain eminent domain moneys and proceeds of sales pursuant to an order of governmental authorities deposited with the Trustee as provided in the Indenture, upon payment of the principal amount thereof; together in any case with interest accrued thereon to the date fixed for redemption.

Prior notice of the redemption of the bonds of such series (unless waived as provided in the Indenture) shall be given by mailing such notice by first class mail, postage prepaid, to the respective registered holders of such bonds not less than thirty (30) nor more than ninety (90) days prior to the redemption date; and otherwise as provided in Article 4 of the Original Indenture and §1.03 of the Twelfth Supplemental Indenture.

If this bond or any portion thereof (One Thousand Dollars ($1,000) or a multiple thereof) is called for redemption and payment duly provided for as specified in said Indenture, this bond or such portion thereof that is so redeemed shall cease to be entitled to the lien and security interest of said Indenture from and after the date payment is so provided and shall cease to bear interest from and after the date fixed for redemption.

The bonds of this series are entitled to the benefit of a sinking fund as provided for in the Twelfth Supplemental Indenture.

In the event of the selection for redemption (whether for the sinking fund or otherwise) of a portion only of the principal of this bond, payment of the redemption price will be made only (a) upon presentation of this bond for notation hereon of such payment of

surrender of this bond for cancellation, duly endorsed with signature guaranteed, and thereupon a new registered bond or bonds of like aggregate principal amount will be issued to the transferee in exchange herefor, and the registered owner of this bond at his option may surrender the same for cancellation at said office and receive in exchange herefor the same aggregate principal amount of registered bonds of the same series but of other authorized denominations. No charge shall be made for any exchange of bonds of this series for other bonds of different authorized denominations or for any transfer of this bond, except that the Company at its option may require the payment of a sum sufficient to reimburse it for any tax or other governmental charge incident thereto.

Neither the Company nor the Trustee shall be required to make transfers or exchanges of bonds of this series for a period of ten (10) days next preceding any designation of bonds of said series to be redeemed, and neither the Company nor the Trustee shall be required to make transfers or exchanges of any bonds designated in whole for redemption or that part of any bond designated in part for redemption. Subject to the provisions of the Twelfth Supplemental Indenture, if this bond is surrendered for any transfer or exchange between the record date for any regular interest payment date and such interest payment date, the new bond will be dated such interest payment date. If this bond is surrendered for any transfer or exchange between such record date and such interest payment date, the Twelfth Supplemental Indenture provides that in the event of any default in payment of the interest due on such payment date, such interest shall not be payable to the holder of the bond on the original record date but shall be paid to the registered holder of such bond on the subsequent record date established for payment of such defaulted interest.

In case a default as defined in said Indenture shall occur, the principal of this bond may become or be declared due and payable before maturity in the manner and with the effect provided in said Indenture. The holders, however, of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in the cases, to

This bond is one of the bonds of the series designated therein, referred to in the within-mentioned Indenture.

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, TRUSTEE,

By .....
Authorized Officer.

§ 1.06. Renewal and Replacement Fund. Notwithstanding the provision of § 1.06 of the First Supplemental Indenture, as modified by § 2.02 of the Second Supplemental Indenture, that the convenants contained therein shall continue only so long as any of the First Mortgage Bonds, 3¼% Series due 1975 (hereinafter sometimes called the "Bonds of the 1975 Series") shall remain outstanding, the Company hereby covenants that the covenants made by the Company in said § 1.06, as so modified, shall also continue so long as any of the Bonds of the 2018 Series shall remain outstanding.

§ 1.07. *Restriction on Payment of Dividends on Common Stock.* The Company hereby covenants and agrees that, so long as any Bonds of the 2018 Series remain outstanding, the Company shall not (a) declare or pay any dividend (other than dividends payable in capital stock of the Company), or make any distribution on any shares of Common Stock of the Company, or (b) purchase or otherwise retire for a consideration (other than in exchange for, or from the proceeds of, other shares of capital stock of the Company and other than any class of preferred stock required to be purchased, redeemed or otherwise retired for any sinking or purchase fund for such class of stock) any shares of capital stock of the Company, if the aggregate amount so distributed or expended after December 31, 1987 would exceed the aggregate amount of the Company's net income available for dividends on its Common Stock accumulated after December 31, 1987, plus the sum of $1,500,000.

Net income of the Company available for dividends on its Common Stock for the purpose of this Section shall mean the gross earnings of the Company, less all proper deductions for operating expenses, taxes (including income, excess profits and other taxes

§ 1.09. *Duration of Effectiveness of Article 1.* This Article shall be in force and effect only so long as any of the Bonds of the 2018 Series are outstanding.

ARTICLE 2.

Bonds of the Second 2018 Series

§ 2.01. *Establishment of Bonds of the Second 2018 Series.* There shall be, and is hereby created a new series of Bonds, known as and entitled "First Mortgage Bonds, 10.03% Series due 2018", and the form thereof shall be substantially as hereinafter set forth in § 2.05 hereof.

The principal amount of the Bonds of the Second 2018 Series is limited to Five Million Five Hundred Thousand Dollars ($5,500,000) in principal amount of such Bonds to be initially issued upon compliance by the Company with the provisions of § 3.03 and/or § 3.04 of the Original Indenture, as supplemented and modified, and to the Bonds of the Second 2018 Series issued in exchange or substitution for outstanding Bonds of said Series under the provisions of the Original Indenture and of this Twelfth Supplemental Indenture.

§ 2.02. *Terms of the Bonds of the Second 2018 Series.* The definitive Bonds of the Second 2018 Series shall be issued only as registered Bonds without coupons of the denomination of $1,000 or any multiple thereof, numbered RL 1 upwards. Notwithstanding the provisions of § 2.08 of the Indenture or any other provisions of the Indenture, the date of authentication of the first Bonds of the Second 2018 Series issued upon original issuance shall be the date of the commencement of the first interest period for Bonds of the Second 2018 Series. All Bonds of the Series shall mature May 1, 2018 and shall bear interest at the rate of 10.03% per annum until the payment of the principal thereof, such interest to be payable semi-annually on May 1 and November 1 in each year commencing November 1, 1988. Both principal of and interest on the Bonds of the Second 2018 Series will be paid 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. Principal of,

the Bonds of the Second 2018 Series, with respect to any interest payment date applicable to the Bonds of the Series, shall mean the October 15 next preceding a November 1 interest payment date or the April 15 next preceding a May 1 interest payment date, as the case may be, or such record date established for defaulted interest as hereinafter provided.

In case of failure by the Company to pay any interest when due the claim for such interest shall be deemed to have been transferred by transfer of any Bond of the Second 2018 Series registered on the books of the Company and the Company, by not less than 10 days written notice to bondholders, may fix a subsequent record date for determination of holders entitled to payment of such interest. Such provisions for establishment of subsequent record date, however, shall in no way affect the rights of bondholders or of the Trustee consequent on any default.

Except as provided in this § 2.02, every Bond of the Second 2018 Series shall be dated as provided in § 2.08 of the Original Indenture. However, so long as there is no existing default in the payment of interest on the Bonds of the Second 2018 Series, all Bonds of the Second 2018 Series authenticated by the Trustee between the record date for any interest payment date and such interest payment date shall be dated such interest payment date and shall bear interest from such interest payment date; provided, however, that if and to the extent that the Company shall default in the interest due on such interest payment date, then any such Bond of the Second 2018 Series shall bear interest from the May 1 or November 1, as the case may be, to which interest has been paid, unless such interest payment date is November 1, 1988, in which case from the date of authentication of the first Bonds of the Second 2018 Series issued upon original issuance.

Notwithstanding the provisions of § 2.06 of the Original Indenture no charge shall be made for any exchange of the Bonds of the Second 2018 Series for other Bonds of the Second 2018 Series of different authorized denominations or for any transfer of Bonds of the Second 2018 Series, except that the Company at its option may require the payment of a sum sufficient to reimburse it for any tax or other governmental charge incident thereto.

on such date and the denominator of which is 100% of the principal amount of the outstanding Bonds of the Second 2018 Series.

"**Reinvestment Yield**" shall be the arithmetic mean of the rates published in the Statistical Release under the caption "U.S. Government Securities-Treasury Constant Maturities" for the maturity corresponding to the remaining Weighted Average Life to Maturity of the Bonds of the Second 2018 Series as of the date of such optional redemption rounded to the nearest month, plus if the date of such optional redemption is prior to May 1. 2003 the Reinvestment Yield shall be increased by one-half of one per centum (½%). If no maturity exactly corresponds to such rounded Weighted Average Life to Maturity, yields for the two most closely corresponding published maturities shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Yield shall be interpolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For purposes of calculating the Reinvestment Yield, the most recent Statistical Release published prior to the date of payment hereunder shall be used.

"**Statistical Release**" shall mean the statistical release designated "H.15.(519)" which is published weekly by the Federal Reserve System or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the holders of 66-2/3% in aggregate principal amount of the outstanding Bonds of the Second 2018 Series.

The "**Weighted Average Life to Maturity**" means as at the time of the determination thereof the number of years obtained by dividing the then Remaining Dollar-years of the Bonds of the Second 2018 Series by the then outstanding principal amount of the Series T Bonds. The term "**Remaining Dollar-years**" of the Bonds of the Second 2018 Series means the amount obtained by (1) multiplying the amount of each then remaining sinking fund payment and the payment at final maturity, by the number of years (calculated at the nearest

(A) all the electric properties of the Marianna Division, all the electric properties of the Fernandina Division or all the properties of the West Palm Beach Division, in any case as an entirety, or

(B) all or substantially all of the public utility properties of the Company subject to the lien of the Indenture as a first mortgage,

together in any case with interest accrued thereon to the date fixed for redemption.

In the event that less than all of the outstanding Bonds of the 2018 Series are to be redeemed, the Trustee shall, at the time of each such partial redemption, prorate among the registered owners of the Bonds of the 2018 Series in the proportion that their respective holdings bear to the aggregate principal amount of Bonds of the 2018 Series outstanding on the date of selection, except that the principal amount of Bonds of the 2018 Series registered in the name of any holder which is to be redeemed on any partial redemption shall be $1,000, or a multiple thereof, and such allocations as may be requisite for this purpose shall be made by the Trustee in its uncontrolled discretion. The acceptance of Bonds of the 2018 Series by the registered owners thereof shall be deemed to constitute a consent to the foregoing provisions of this Section with the same force and effect as if the provisions of this Section had been set forth in a written instrument duly executed by the registered owners of all the Bonds of the 2018 Series and an executed counterpart of said instrument had been filed with the Trustee.

In all cases of redemption, prior notice (unless waived as provided in Article 4 of the Original Indenture) shall be given by first class mail, postage prepaid, to the holder of record at the date of such notice of each Bond of the 2018 Series affected, at his address as shown on the books of the Company, upon not less than 30 days' nor more than 90 days' notice. Such notice shall be sufficiently given if deposited in the United States mail within such period. Neither the failure to mail such notice, nor any defect in any notice so mailed to any such holder, shall affect the sufficiency of such notice with

the redemption for the sinking fund on the then next ensuing May 1, of the Bonds so selected. Prior to the sinking fund payment date next preceding such May 1, the Company shall pay to the Trustee the cash payment required by this Section, and the money so paid shall be applied by the Trustee to the redemption of such Bonds.

On or before each sinking fund payment date the Company will pay to the Trustee an amount equal to the interest accrued to the date of redemption on such Bonds of the Second 2018 Series to be redeemed for the sinking fund, and, upon request of the Trustee, from time to time will also pay the cost of giving notice of such redemption and any other expense incurred in the operation of such fund, the intention being that such fund shall not be charged for such interest and expenses.

§ 2.05. *Form of Bonds of the Second 2018 Series.* The Bonds of the Second 2018 Series and the Trustee's authentication certificate to be executed on the Bonds of said Series, shall be in substantially the following forms, respectively:

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, FLORIDA PUBLIC UTILITIES COMPANY has caused these presents to be executed in its name and behalf by its President or a Vice President and its corporate seal to be hereunto affixed and attested by its Secretary or an Assistant Secretary, all as of

FLORIDA PUBLIC UTILITIES COMPANY,

By .....
President.

Attest

.....
Secretary.

payment of 100% of the principal amount of the Bonds of the Second 2018 Series to be redeemed plus, a premium equal to the product of:

(i) the remainder (but in no event less than zero) of

(A) the present value as of the date of any voluntary redemption discounted at the Reinvestment Yield (as hereinafter defined), of the sinking fund payments of the Bonds of the Second 2018 Series provided for in Section 2.04, the principal payment at final maturity and scheduled interest payments on and in respect of the Bonds of the Second 2018 Series from the respective dates on which such sinking fund payments and payment at final maturity and interest payments are payable, to the date of such optional redemption, with all such discounts to be computed on the basis of a 360-day year of twelve 30-day months,

MINUS

(B) 100% of the principal amount of the outstanding Bonds of the Second 2018 Series,

TIMES

(ii) a fraction, the numerator of which is the principal amount of the Bonds of the Second 2018 Series to be redeemed on such date and the denominator of which is 100% of the principal amount of the outstanding Bonds of the Second 2018 Series.

"Reinvestment Yield" shall be the arithmetic mean of the rates published in the Statistical Release under the caption "U.S. Government Securities-Treasury Constant Maturities" for the maturity corresponding to the remaining Weighted Average Life to Maturity of the Bonds of the Second 2018 Series as of the date of such optional redemption rounded to the nearest month, plus if the date of such optional redemption is prior to May 1, 2003, the Reinvestment Yield shall be increased by one-half of one percentum (1/2%). If no maturity exactly corresponds to such rounded Weighted Average Life to Maturity, yields for the two most closely corresponding published maturities shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Yield

(b) at the option of the Company on or after May 1, 2013 as a whole at any time or in part from time to time upon payment of the applicable percentage of the principal amount thereof set forth in the following tabulation:

12 Months Period Beginning May 1	Redemption Price (%)
2013	101.33
2014	101.00
2015	100.67
2016	100.33
2017	100.00

and (c)(i) by the operation of the sinking fund for Bonds of the Second 2018 Series, or (ii) through the application of certain eminent domain moneys and proceeds of sales pursuant to an order of governmental authorities deposited with the Trustee as provided in the Indenture, upon payment of the principal amount thereof; together in any case with interest accrued thereon to the date fixed for redemption.

Prior notice of the redemption of the bonds of such series (unless waived as provided in the Indenture) shall be given by mailing such notice by first class mail, postage prepaid, to the respective registered holders of such bonds not less than thirty (30) nor more than ninety (90) days prior to the redemption date; and otherwise as provided in Article 4 of the Original Indenture and § 2.03 of the Twelfth Supplemental Indenture.

If this bond or any portion thereof (One Thousand Dollars ($1,000) or a multiple thereof) is called for redemption and payment duly provided for as specified in said Indenture, this bond or such portion thereof that is so redeemed shall cease to be entitled to the lien and security interest of said Indenture from and after the date payment is so provided and shall cease to bear interest from and after the date fixed for redemption.

The bonds of this series are entitled to the benefit of a sinking fund as provided for in the Twelfth Supplemental Indenture.

In the event of the selection for redemption (whether for the sinking fund or otherwise) of a portion only of the principal of this

This bond is transferable by the registered owner hereof in person or by his duly authorized attorney, at said office of the Trustee upon surrender of this bond for cancellation, duly endorsed with signature guaranteed, and thereupon a new registered bond or bonds of like aggregate principal amount will be issued to the transferee in exchange herefor, and the registered owner of this bond at his option may surrender the same for cancellation at said office and receive in exchange herefor the same aggregate principal amount of registered bonds of the same series but of other authorized denominations. No charge shall be made for any exchange of bonds of this series for other bonds of different authorized denominations or for any transfer of this bond, except that the Company at its option may require the payment of a sum sufficient to reimburse it for any tax or other governmental charge incident thereto.

Neither the Company nor the Trustee shall be required to make transfers or exchanges of bonds of this series for a period of ten (10) days next preceding any designation of bonds of said series to be redeemed, and neither the Company nor the Trustee shall be required to make transfers or exchanges of any bonds designated in whole for redemption or that part of any bond designated in part for redemption. Subject to the provisions of the Twelfth Supplemental Indenture, if this bond is surrendered for any transfer or exchange between the record date for any regular interest payment date and such interest payment date, the new bond will be dated such interest payment date. If this bond is surrendered for any transfer or exchange between such record date and such interest payment date, the Twelfth Supplemental Indenture provides that in the event of any default in payment of the interest due on such payment date, such interest shall not be payable to the holder of the bond on the original record date but shall be paid to the registered holder of such bond on the subsequent record date established for payment of such defaulted interest.

In case a default as defined in said Indenture shall occur, the principal of this bond may become or be declared due and payable before maturity in the manner and with the effect provided in said Indenture. The holders, however, of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in the cases, to

This bond is one of the bonds of the series designated therein, referred to in the within-mentioned Indenture.

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, TRUSTEE,

By .....
Authorized Officer.

§ 2.06. Renewal and Replacement Fund. Notwithstanding the provision of § 1.06 of the First Supplemental Indenture, as modified by § 2.02 of the Second Supplemental Indenture, that the covenants contained therein shall continue only so long as any of the First Mortgage Bonds, 3¼% Series due 1975 (hereinafter sometimes called the "Bonds of the 1975 Series") shall remain outstanding, the Company hereby covenants that the covenants made by the Company in said § 1.06, as so modified, shall also continue so long as any of the Bonds of the Second 2018 Series shall remain outstanding.

§ 2.07. *Restriction on Payment of Dividends on Common Stock.* The Company hereby covenants and agrees that, so long as any Bonds of the Second 2018 Series remain outstanding, the Company shall not (a) declare or pay any dividend (other than dividends payable in capital stock of the Company), or make any distribution on any shares of Common Stock of the Company, or (b) purchase or otherwise retire for a consideration (other than in exchange for, or from the proceeds of, other shares of capital stock of the Company and other than any class of preferred stock required to be purchased, redeemed or otherwise retired for any sinking or purchase fund for such class of stock) any shares of capital stock of the Company, if the aggregate amount so distributed or expended after December 31, 1987 would exceed the aggregate amount of the Company's net income available for dividends on its Common Stock accumulated after December 31, 1987, plus the sum of $1,500,000.

Net income of the Company available for dividends on its Common Stock for the purpose of this Section shall mean the gross earnings of the Company, less all proper deductions for operating

§ 2.09. *Duration of Effectiveness of Article 2.* This Article shall be in force and effect only so long as any of the Bonds of the Second 2018 Series are outstanding.

ARTICLE 3

Additional Covenants of the Company

§ 3.01. Notwithstanding the provisions of § 1.07(4) of the Original Indenture, as modified by § 2.05(a) of the First Supplemental Indenture and § 2.03 of the Second Supplemental Indenture, that the definition contained in said § 1.07(4), as so modified, shall continue so long as any Bonds of the 1975 Series or First Mortgage Bonds, 3¾% Series due 1978 (hereinafter sometimes called the "Bonds of the 1978 Series") shall be outstanding, the Company hereby covenants that the definition contained in said § 1.07(4) as modified as aforesaid shall also apply to Bonds of the 2018 Series and Bonds of the Second 2018 Series and continue in effect so long as any Bonds of the 2018 Series and Bonds of the Second 2018 Series remain outstanding.

§ 3.02. Notwithstanding the provisions of § 1.07(7) of the Original Indenture, as modified by § 2.05(c) of the First Supplemental Indenture and § 2.04 of the Second Supplemental Indenture, that the definition contained in said § 1.07(7), as so modified, shall continue so long as any of the Bonds of the 1975 Series or Bonds of the 1978 Series shall be outstanding, the Company hereby covenants that the definition contained in said § 1.07(7) as modified as aforesaid shall also apply to Bonds of the 2018 Series and Bonds of the Second 2018 Series and continue in effect so long as any Bonds of the 2018 Series and Bonds of the Second 2018 Series shall remain outstanding.

ARTICLE 4.

Modification of the Original Indenture.

§ 4.01 The Original Indenture, as heretofore supplemented and modified, be and it hereby is further modified by striking out

First Mortgage Bonds, 4¾% Series due 1993 now issued and outstanding, $778,000 principal amount of First Mortgage Bonds, 4¾% Series due 1995 now issued and outstanding, $1,722,000 principal amount of First Mortgage Bonds, 8% Series due 2002 now issued and outstanding, $1,200,000 principal amount of First Mortgage Bonds, 10¾% Series due 1991 now issued and outstanding, $5,000,000 principal amount of First Mortgage Bonds, 12½% Series due 1998 now issued and outstanding and $10,000,000 principal amount of First Mortgage Bonds, 9.57% Series due 2018 and $5,500,000 principal amount of First Mortgage Bonds, 10.03% Series due 2018 to be issued upon compliance by the Company with the provisions of § 3.03, § 3.04 and/or § 3.05 of the Original Indenture, as supplemented and modified.

ARTICLE 6.

Sundry Provisions.

§ 6.01. The Company may enter into an agreement with the holder of any registered Bond without coupons of any series providing for the payment to such holder of the principal of and the premium, if any, and interest on such Bond or any part thereof at a place other than the offices or agencies therein specified, and for the making of notation, if any, as to principal payments on such Bond by such holder or by an agent of the Company or of the Trustee. The Trustee is authorized to approve any such agreement, and shall not be liable for any act or omission to act on the part of the Company, any such holder or any agent of the Company in connection with any such agreement.

§ 6.02. This Twelfth Supplemental Indenture is executed and shall be construed as an indenture supplemental to the Original Indenture, as supplemented and modified, and shall form a part thereof, and the Original Indenture, as heretofore supplemented and modified and as hereby supplemented and modified, is hereby ratified, approved and confirmed.

§ 6.03. The recitals contained in this Twelfth Supplemental Indenture are made by the Company and not by the Trustees and all of the provisions contained in the Indenture, in respect of the

§ 6.07. All the covenants, stipulations, promises and agreements in this Twelfth Supplemental Indenture contained made by or on behalf of the Company or of the Trustees shall inure to and bind their respective successors and assigns.

§ 6.08. Although this Twelfth Supplemental Indenture is dated for convenience and for the purpose of reference as of May 1, 1988, the actual date or dates of execution by the Company and by the Trustees are as indicated by their respective acknowledgements hereto annexed.

§ 6.09. In order to facilitate the recording or filing of this Twelfth Supplemental Indenture, the same may be simultaneously executed in several counterparts, each of which shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

§ 6.10. This Twelfth Supplemental Indenture and each Bond of the 2018 Series and Bond of the Second 2018 Series shall be deemed to be a contract made under the laws of the State of Florida, and for all purposes shall be governed by and construed in accordance with the laws of said State. Nothing contained in this § 6.10 shall be deemed in any manner to impair any of the rights of holders of any bonds previously issued under the Indenture.

IN WITNESS WHEREOF, FLORIDA PUBLIC UTILITIES COMPANY has caused this Twelfth Supplemental Indenture to be signed in its corporate name and behalf by its President or one of its Vice Presidents and its corporate seal to be hereunto affixed and attested by its Secretary or one of its Assistant Secretaries; and CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO in token of its acceptance of the trust hereby created has caused this Twelfth Supplemental Indenture to be signed in its corporate name and behalf by its President or one of its Vice Presidents or Second Vice Presidents and its corporate seal to be hereunto affixed and attested by one of its Trust Officers; and FIRST NATIONAL IN PALM BEACH, A DIVISION OF SOUTHEAST BANK, N.A. in token of its acceptance of the trust hereby created has caused this Twelfth Supplemental Indenture to be signed in its corporate name and behalf by its President or one of its Vice Presidents and its corporate seal to

STATE OF FLORIDA
COUNTY OF PALM BEACH } SS.:

Before the undersigned, a Notary Public in and for said State and County, duly qualified, commissioned and sworn, personally came FRANKLIN C. CRESSMAN and MILDRED K. HALL, each to me well known to be the identical persons described in and who executed the foregoing instrument and to be President and Secretary, respectively, of FLORIDA PUBLIC UTILITIES COMPANY, the corporation described in and which executed said instrument; and the said FRANKLIN C. CRESSMAN acknowledged and declared that he as President of said corporation and being duly authorized by it, freely and voluntarily, signed its name and caused its corporate seal to be affixed to and executed said instrument in the name of, for and on behalf of said corporation and as and for its act and deed. And the said MILDRED K. HALL, acknowledged and declared that she as Secretary of said corporation, being duly authorized by it, freely and voluntarily affixed the corporate seal of said corporation to said instrument and executed and attested said instrument in the name of, for and on behalf of said corporation and as and for its act and deed.

IN TESTIMONY WHEREOF, I do hereunto set my hand and official seal at the City of West Palm Beach in said State and County this day of May, 1988.

Ethel M. Davis
(Notarial Seal)

Notary Public, State Of Florida At Large
My Commission Expires April 30, 1989
Bonded By Safeco Insurance Company of America

STATE OF FLORIDA
COUNTY OF PALM BEACH } SS.:

Before the undersigned, a Notary Public in and for said State and County, duly qualified, commissioned and sworn, personally came WILLIAM F. DINEEN and T.M. Skelly , each to me well known to be the identical persons described in and who executed the foregoing instrument and to be a Vice President and Trust Officer of FIRST NATIONAL IN PALM BEACH, A DIVISION OF SOUTHEAST BANK, N.A., the corporation described in and which executed said instrument and the said WILLIAM F. DINEEN acknowledged and declared that he as a Vice President and Trust Officer of said corporation and being duly authorized by it, freely and voluntarily signed its name and affixed its corporate seal to and executed said instrument in the name of, for and on behalf of said corporation and as and for its act and deed. And the said T. M. Skelly , acknowledged and declared that he as a Trust Officer of said corporation, being duly authorized by it, freely and voluntarily attested the execution and ensealing of said instrument in the name of, for and on behalf of said corporation and as and for its act and deed.

IN TESTIMONY WHEREOF, I do hereunto set my hand and official seal at the Town of Palm Beach in said State and County this day of May, 1988.

(Notarial Seal)

SWORN TO AND SUBSCRIBED BEFORE ME
THIS 25th DAY OF May A.D. 1988

Lisa A. Ludasic
NOTARY PUBLIC STATE OF FLORIDA
MY COMMISSION EXP: 2/18/91

NOTARY PUBLIC STATE OF FLORIDA
MY COMMISSION EXP. FEB 18 1991
BONDED THRU GENERAL INS. UND.

FLORIDA PUBLIC UTILITIES COMPANY

CLOSING CERTIFICATE

Allstate Life Insurance Company
Northbrook, Illinois 60062

Gentlemen:

This Certificate is delivered to you in compliance with the requirements of the Bond Purchase Agreement (the "Agreement"), dated as of May 1, 1988, between you and the undersigned, **FLORIDA PUBLIC UTILITIES COMPANY**, a Florida corporation (the "Company"), as an inducement to and as part of the consideration for your purchase on this date from the Company of $10,000,000 aggregate principal amount of its First Mortgage Bonds, 9.57% Series, due May 1, 2018 (the "Bonds of the 2018 Series") and $5,500,000 aggregate principal amount of its First Mortgage Bonds, 10.03% Series, due May 1, 2018 ("Bonds of the Second 2018 Series") (collectively the "Bonds") pursuant to the Agreement. The terms not otherwise defined herein shall have the same meanings as in the Agreement or in the Indenture referred to in the Agreement.

The Company hereby represents and warrants to you as of the date hereof as follows:

1. **Subsidiary.** The Company's only subsidiary is Flo-Gas Corporation, a Florida corporation which dispenses liquified petroleum gas ("Subsidiary"). All of the shares of capital stock of the Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable, and are owned by the Company free and clear of all liens and encumbrances, equities and claims other than the lien and security interest of the Indenture.

2. **Organization and Authorization.** Both the Company and the Subsidiary are

(a) corporations duly incorporated, validly existing and in good standing under the laws of the State of Florida,

(b) have all requisite power and authority and all necessary franchises, licenses and certificates of convenience and necessity needed to own property and to carry on the business that they each now conduct and propose to conduct in the foreseeable future, and

(c) the properties they each currently own or lease and the business they each now transact, do not require that they qualify to do business as foreign corporation in any state.

2. Financial Statements. The Company has heretofore delivered to you copies of the consolidated balance sheets of the Company and its Subsidiary as of December 31 for each of the years 1983 through 1987, inclusive, and the related statements of income and retained earnings for the fiscal years ended on such dates, certified by Deloitte Haskins & Sells, independent public accountants, and (b) a copy of the consolidated balance sheet of the Company and its Subsidiary as at March 31, 1988 and consolidated statements of income and retained earnings for the three month period then ended prepared by the Company. The financial statements referred to above are correct and complete and fairly present the financial condition of the Company and its Subsidiary at the respective dates of such balance sheets and the results of their operations for the periods covered thereby, subject to changes resulting from year-end adjustments in the case of such unaudited financial statements. Such financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods covered thereby.

Since December 31, 1987, there has been no change in the financial condition of the Company and its Subsidiary from that set forth in the consolidated balance sheet as at December 31, 1987, other than changes in the ordinary course of business, and no such changes individually or in the aggregate have been materially adverse changes; and since December 31, 1987, neither the business nor the properties of the Company or its Subsidiary have been materially and adversely affected in any way as the result of any fire, explosion, windstorm, drought, accident, strike, lockout, flood, earthquake, embargo, riot, government action or act of God or of the public enemy.

The Company does not know of any fact (other than matters of a general economic or political nature) which materially adversely affects or, so far as the Company can now foresee, will materially adversely affect the business, operations, properties or financial condition of the Company or its Subsidiary or the performance by the Company of its obligations under the Agreement, the Bonds or the Indenture.

4. Pending Litigation. There is no action, suit or proceeding pending or, to the knowledge of the Company, threatened against or affecting the Company or its Subsidiary, at law or in equity or before any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which involves the possibility of materially and adversely affecting the properties, business, prospects, profits or condition (financial or otherwise) of the Company or its Subsidiary or which might affect the ability of the Company to enter into the Agreement or the Supplement or to issue and sell the Bonds. Neither the Company nor its Subsidiary is in default with respect to any order of any court or governmental authority or arbitration board or tribunal.

5. Burdensome Agreements. Neither the Company nor its Subsidiary is a party to any contract, agreement, judgment, decree or order which materially adversely affects, or in the future may (so far as the Company can now foresee) materially adversely affect their respective businesses, properties or assets or the condition thereof, financial or otherwise, nor is the Company or its Subsidiary a party to any material management contract providing for special bonuses or profit sharing arrangements.

6. **Franchises and Permits.** Both the Company and its Subsidiary hold valid and subsisting certificates of convenience and necessity, grants, franchises, licenses, permits, consents, easements and orders of governmental and regulatory authorities, free from unduly burdensome restrictions, required for the maintenance and operation of their respective properties and businesses in the territories now served by each of them which enables both the Company and its Subsidiary to carry on the business presently being conducted by each of them, respectively.

7. **Title to Properties; Lien of Indenture.** Both the Company and its Subsidiary have good and marketable title to all the real property, and have good title to all the other property, they each purport to own, including that reflected in the most recent balance sheet referred to in paragraph 2, except properties and assets not material in the aggregate, sold or otherwise disposed of in the ordinary course of business. There are no liens, charges or encumbrances on any of the properties or assets of the Company, except the lien of the Indenture and encumbrances permitted thereby, (except for the property released in accordance with the terms of the Indenture) subject to the following qualifications:

(i) the existence of minor defects, irregularities and deficiencies in titles of real properties and rights-of-way which, in the opinion of the Company, do not materially impair the use of such property and rights-of-way for the purpose for which they are held by the Company;

(ii) the electric lines, gas and water mains of the Company are for the most part located in public ways and are maintained under the Company's franchises;

(iii) the customers' supply lines and meters located for the most part on the premises of the customers; and

(iv) the existence of permitted liens as defined in the Indenture.

8. **Property Description.** The Indenture constitutes a mortgage lien upon, and security interest on, all of the Company's properties, both real, personal and mixed, now owned or hereinafter acquired (except property which is specifically excepted from the lien of the Indenture by the terms thereof) and upon all of its franchises now owned or hereinafter acquired, such lien and security interest, except in the case of after-acquired property, is subject to no prior liens or encumbrances except permitted liens as defined in Section 1.05(a) of the Indenture.

9. **Conformity with Law and Other Agreements.** The execution and delivery of the Agreement and the Supplement and the issuance, sale and delivery of the Bonds and the performance of, and compliance with, all of the terms and provisions thereof will not violate any provision of law or the charter or by-laws of the Company or its Subsidiary and will not conflict with or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of, any lien, charge or encumbrance (other than the Indenture) upon any of the property or assets of the Company or its Subsidiary pursuant to the terms of any charter, by-law, indenture, mortgage, deed of trust, agreement, instrument, judgment, decree or order to which the Company or its Subsidiary is subject. Neither the Company nor its Subsidiary is in violation of any term of its charter or by-laws, or of any term of any agreement, instrument, judgment, decree, order, statute, rule or regulation applicable to

it, the violation of which might materially adversely affect the business, operations, properties or financial position of the Company or its Subsidiary. There is no event of default or event which with the giving of notice and/or the lapse of time would constitute an event of default under any indenture (including the Indenture), mortgage, deed of trust, agreement or instrument to which the Company or its Subsidiary is a party.

10. Taxes. All federal, state and local tax returns of the Company and its Subsidiary required by law to be filed have been filed, and all federal, state and local taxes, assessments, fees and other governmental charges upon the Company, its Subsidiary or upon any of their respective properties, income or franchises, which are shown to be due and payable have been paid. No controversy in respect of additional federal, state or local taxes is pending or, to the knowledge of the Company, threatened which would have a materially adverse effect upon the Company or its Subsidiary if adversely determined. The provision for taxes for the Company and its Subsidiary on the books of the Company is, in the opinion of the Company, adequate for all open years and for its current fiscal period.

11. Holding Company Act Status. The Company is not a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company," or a "subsidiary company" of a "holding company," as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

12. Private Offering. Neither the Company, directly or indirectly, nor any agent on its behalf has offered or will offer the Bonds or any similar security to, or has solicited or will solicit an offer to acquire the Bonds or any similar security from, or has otherwise approached or negotiated or will approach or negotiate in respect of the Bonds or any similar security with, any person other than you and you were the only person to whom the Bonds were offered, and the Bonds were offered to you only at a private sale for investment. Neither the Company, directly or indirectly, nor any agent on its behalf has offered or will offer the Bonds or any similar security to, or has solicited or will solicit an offer to acquire the Bonds or any similar security from, any person so as to bring the issuance and sale of the Bonds within the provisions of Section 5 of the Securities Act of 1933, as amended.

13. Use of Proceeds. The Company will use the proceeds from the sale of the Bonds to repay indebtedness and the balance, if any, for general corporate purposes. None of the transactions contemplated in the Agreement (including, without limitation thereof, the use of proceeds from the issuance of the Bonds) will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934, as amended, or any regulation issued pursuant thereto, including, without limitation, Regulations G, T and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II. The Company does not own and does not intend to purchase any margin stock within the meaning of said Regulation G.

14. ERISA. The consummation of the transactions provided for in the Agreement, the Indenture or the Bonds and compliance by the Company and its Subsidiary with the provisions thereof will not involve any prohibited transaction within the meaning of the Employer Retirement Income Security Act of 1974 ("ERISA") or Section 4975 of the Internal Revenue Code. No "employee pension benefit plans", as defined in ERISA ("Plans"), maintained by the Company, its Subsidiary or any Person which is under common control with the Company or its Subsidiary within the meaning of Section 4001(b) of ERISA, nor any Trust created thereunder, have incurred any "accumulated funding deficiency" as defined in Section 302 of ERISA nor does the present value of all benefits

vested under all Plans, as of December 31, 1987, the last annual evaluation date, exceed the value of the assets of the Plans allocable to such vested benefits.

15. **Full Disclosure.** The financial statements referred to in paragraph 3 do not, nor does any other written statement or certificate furnished to you by or on behalf of the Company in connection with the transaction contemplated by the Agreement, contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein not misleading. There is no fact peculiar to the Company or its Subsidiary which the Company has not disclosed to you in writing which materially affects adversely nor, so far as the Company can now foresee, will materially affect adversely the properties, business, prospects, profits or condition (financial or otherwise) or results of operations of the Company or its Subsidiary or the ability of the Company to perform its obligations under this Agreement, the Indenture or the Bonds.

16. **Regulatory Approval.** The Florida Public Service Commission has issued an appropriate order authorizing the issue and sale of the Bonds upon terms not inconsistent with the Agreement and the Indenture, which order contains no burdensome restrictions and is in full force and effect and will not, on the Closing Date, be subject to any appeal which could impair the validity of the Bonds. No consent or approval of, or registration or filing with, any other governmental or public regulatory body or authority is requisite to the execution and delivery of the Supplement by the Company and the issuance by the Company of the Bonds pursuant to the Agreement and the Indenture.

17. **Investment Company Act.** The Company is not, and is not directly or indirectly controlled by or acting on behalf of any person which is, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

18. **Nature of Business.** The business in which the Company is engaged is that of a public utility supplying natural gas, water and electricity to its customers in the State of Florida. The Subsidiary is engaged in the business of supplying propane gas to its customers in the State of Florida.

Dated: _____, 1988

FLORIDA PUBLIC UTILITIES COMPANY

By _____
Its President

LEGAL OPINIONS

A. The opinion of Chapman and Cutler shall be to the effect that:

1. The Company is duly incorporated, validly existing and in good standing under the laws of the State of Florida.

2. The Agreement has been duly authorized, executed and delivered by the Company and constitutes a legal, valid and binding contract and agreement of the Company enforceable in accordance with its terms, except as such terms may be limited by bankruptcy, insolvency or similar laws or legal or equitable principles affecting the enforcement of creditor's rights generally.

3. The Bonds delivered on the Closing Date have been duly authorized, executed, issued and delivered by the Company and duly authenticated by a Trustee under the Indenture and, subject to the qualifications expressed in paragraph 4 below, constitute the legal, valid and binding obligations of the Company enforceable in accordance with its terms and are entitled to the benefits of the Indenture in accordance with its terms.

4. The Indenture has been duly authorized, executed and delivered by the Company and, except as stated below, the Indenture constitutes a valid and legally binding instrument enforceable in accordance with its terms. The Indenture contains customary provisions for the enforcement of the security provided for therein, certain of which may be limited by laws, judicial decisions and principles of equity with respect to or affecting the remedies to enforce the security provided by the Indenture (but such laws, judicial decisions and principles of equity do not, in the opinion of such counsel, make inadequate the remedies necessary for the realization of the benefits of such security) and may also be limited or rendered unavailable by the provisions of any applicable federal or state bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally.

5. The execution and delivery of the Supplement by the Company and the issuance by the Company of the Bonds pursuant to the Agreement and the Indenture have, to the extent required by law, been approved by the Public Service Commission of the State of Florida, such approval is in full force and effect, constitutes sufficient governmental authorization for the Bonds and is not subject to any appeal which could impair the validity of the Bonds. No other consent or approval of, or notice to, any governmental body is requisite to the validity of such actions.

6. The offering, sale and delivery of the Bonds under the circumstances contemplated by the Agreement, constitutes an exempt transaction under the Securities Act of 1933, as amended, and under the Trust Indenture Act of 1939, as amended, and does not require registration of the Bonds or qualification of the Indenture, respectively, thereunder.

7. The legal opinion of Paty, Downey & Fick is satisfactory in scope and form to such special counsel and the Purchasers are justified in relying thereon.

In giving the foregoing opinions Chapman and Cutler may rely on the opinion of Paty, Downey & Fick as to the title of the Company to its properties, the filing and recording of the Indenture, the authorization, execution, delivery and validity of the Original Indenture, the First through the Twelfth Supplemental Indentures and other matters governed by the laws of the State of Florida.

B. The opinion of Paty, Downey & Fick, counsel for the Company, shall cover the matters set forth in paragraphs (1) through (6), inclusive, of the preceding Subsection A of this Exhibit C and shall be to the further effect that:

1. The Company holds valid and subsisting licenses, franchises, permits, consents, certificates of convenience and necessity and easements free from burdensome restrictions and adequate for the maintenance and operation of its properties and businesses as now conducted. The franchises contain the option to purchase required by the laws of the State of Florida.

2. All of the shares of capital stock of the Subsidiary have been duly and validly authorized and issued and are fully paid and non-assessable, and are owned by the Company free and clear of all liens and encumbrances, equities and claims other than the lien and security interest of the Indenture.

3. The Company has the corporate power to execute and deliver the Bond Purchase Agreement, dated May 1, 1988, the Indenture, and to issue and sell the $10,000,000 First Mortgage Bonds, 9.75% Series, Due May 1, 2018 and $5,500,000, First Mortgage Bonds, 10.03% Series, Due May 1, 2018 described therein.

4. The real property and interest therein and franchises specifically described in and covered by the Indenture includes all of the real property and interest therein and franchises owned of record by the Company. The Company has good and marketable title and fee simple to all real and fixed property covered by the Indenture and good and marketable title to all other property now owned by the Company and described in the Indenture as subject to the lien thereof (except for the property release in accordance with the terms of the Indenture) subject to the following qualifications:

(i) the existence of minor defects, irregularities and deficiencies in titles of real properties and rights of way which, in our opinion, do not materially impair the use of such property and rights of way for the purpose for which they are held by the Company;

(ii) the electric lines and gas and water mains of the Company are for the most part located in public ways and are maintained under the Company's possessive franchises;

(iii) the customer supply lines and meters are located for the most part on the premises of the customers; and

(iv) the existence of permitted liens is defined in the Indenture.

The Indenture constitutes a valid, direct first mortgage lien on, and creates a valid security interest in, all the real and personal property of the Company, described in the Indenture subject to the lien thereof. The Indenture will create a similar valid first mortgage lien on, and security interest in, all similar property hereinafter acquired by the Company subject only to prior liens, charges and encumbrances existing or placed thereon at the time of acquisition.

5. The Indenture has been duly filed for recordation in such manner and in such place as (including any necessary filings under the Uniform Commercial Code) as required by the law in order to establish, preserve and protect the lien thereof and security interests created thereby in and on all property described in the Indenture as subject to the lien thereof, and no recording or filing of the Indenture is necessary to preserve or protect the lien thereof. The descriptions of the Company's properties contained in the Indenture are adequate. A valid and enforceable lien and security interest have been created by the Indenture on all of the personal property of the Company described in the Indenture as subject to the lien thereof, subject to no prior liens or encumbrances except "permitted liens" as defined in the Indenture. All taxes and filing fees in connection with the execution, delivery, recordation or filing of the Supplement and the financing statements and the sale of Bonds have been paid. The Indenture will create a valid first mortgage lien on, and security interest in, all similar property hereinafter acquired by the Company subject only to prior liens, charges and encumbrances existing or placed thereon at the time of acquisition.

6. The Bonds have been duly authorized by all necessary corporate action on the part of the Company, have been duly executed and delivered by the duly authorized officers of the Company, duly authenticated by the Trustees and duly issued and sold, and constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, except as limited by bankruptcy, insolvency, reorganization or similar laws, and the holders thereof are entitled to the benefits and security of the lien of the security interest created thereby in the Indenture equably and ratably with the holders of the First Mortgage Bonds, 5% Series Due 1988, First Mortgage Bonds, 5-1/4% Series Due 1989, First Mortgage Bonds, 10-3/4% Series Due 1991, First Mortgage Bonds, 4-3/4% Series Due 1993, First Mortgage Bonds, 4-3/4% Series Due 1995, First Mortgage Bonds, 8% Series Due 2002, and First Mortgage Bonds, 12-1/2% Series, Due 1998 heretofor issued in accordance with the terms of said Bonds and Indenture.

7. The issuance and sale of the Bonds is not at variance with or in contravention of the Certificates of Re-Incorporation of the Company or Certificate of Incorporation of the Subsidiary, or any amendments thereto, the By-laws the Company or the Subsidiary or of any contract or agreement binding upon the Company or the Subsidiary.

8. There are no actions, suits or proceedings pending or to our knowledge threatened against or affecting the Company or its Subsidiary, at law or in equity, or before any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which in our opinion involve the possibility of any judgment or liability not fully covered by insurance or which might result in any material adverse change in the business, properties or assets or in the condition, financial or otherwise, of the Company or it Subsidiary except litigation of no material importance, and of the character normally incident to the kind of business conducted by the Company and its Subsidiary.

9. No consent or approval of the Commission under the Public Utilities Holding Company Act is required in connection with the issuance of the Bonds or any of the transactions incidental thereto and said Act is not applicable to the Company, its Subsidiary or its stockholders.

In giving the foregoing opinions, counsel for the Company may rely on title insurance policies (including certificates of title and searches), provided that counsel for the Company shall state in their opinion that they believe that you and they are justified in relying on such title insurance policies.

Attachment 26 - NAIC Ratings

QuadCapital Advisors, LLC ♦ 402 Gammon Place, Suite 350 ♦ Madison, WI 53719
(608) 821-1200 ♦ FAX (608) 821-1219 ♦ email: info@quadcapital.com

Rating Agency Credit Scale

Moody's	S&P	Fitch	NAIC*	
Aaa	AAA	AAA	1	Investment Grade
Aa1	AA+	AA+	1	
Aa2	AA	AA	1	
Aa3	AA-	AA-	1	
A1	A+	A+	1	
A2	A	A	1	
A3	A-	A-	1	
Baa1	BBB+	BBB+	2	
Baa2	BBB	BBB	2	
Baa3	BBB-	BBB-	2	
Ba1	BB+	BB+	3	Non-Investment Grade
Ba2	BB	BB	3	
Ba3	BB-	BB-	3	
B1	B+	B+	3	
B2	B	B	3	
B3	B-	B-	3	

* National Association of Insurance Commissioners

Charlie Knudsen
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Lois O'Rourke
608- 821-1204
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Your Source for Credit Finance

Attachment 28 - ESR Debt Cost Rates

EFFECTIVE SHORT TERM INTEREST RATE
DECEMBER 31, 2011

	# OF DAYS	AVERAGE SHORT TERM DEBT O/S	INTEREST EXPENSE	EFFECTIVE INT RATE
Dec-10	31	$63,957,795		
Jan-11	31	$68,625,945	$78,140	1.34%
Feb-11	28	$51,100,000	$61,112	1.56%
Mar-11	31	$41,426,842	$57,285	1.63%
Apr-11	30	$56,074,428	$53,717	1.17%
May-11	31	$46,300,833	$56,618	1.44%
Jun-11	30	$4,247,909	$40,080	11.48%
Jul-11	31	$17,699,326	$14,302	0.95%
Aug-11	31	$25,000,000	$16,994	0.80%
Sep-11	30	$26,590,818	$19,264	0.88%
Oct-11	31	$26,245,377	$25,567	1.15%
Nov-11	30	$28,048,968	$25,699	1.11%
Dec-11	31	$34,707,485	$17,077	0.58%
WEIGHTED AVERAGE COST OF SHORT TERM DEBT	365	$37,694,287	$465,855	1.24%

EFFECTIVE SHORT TERM INTEREST RATE-REFINANCED LTD
DECEMBER 31, 2011

	# OF DAYS	AVERAGE REFINANCED SHORT TERM DEBT O/S	INTEREST EXPENSE	EFFECTIVE INT RATE
Dec-10	31	$29,000,000		
Jan-11	31	$29,000,000		0.00%
Feb-11	28	$29,000,000		0.00%
Mar-11	31	$29,000,000		0.00%
Apr-11	30	$29,000,000		0.00%
May-11	31	$29,000,000		0.00%
Jun-11	30	$0		0.00%
Jul-11	31	$0		0.00%
Aug-11	31	$0		0.00%
Sep-11	30	$0		0.00%
Oct-11	31	$0		0.00%
Nov-11	30	$0		0.00%
Dec-11	31	$0		0.00%
WEIGHTED AVERAGE COST OF REFINANCED LTD	365	$13,384,615	$847,246	6.33%

EFFECTIVE LONG TERM DEBT INTEREST RATE
DECEMBER 31, 2011

	# OF DAYS	AVERAGE LONG TERM DEBT O/S	INTEREST EXPENSE	EFFECTIVE INT RATE
Dec-10	31	$96,744,073		
Jan-11	31	$96,721,398	$530,471	6.46%
Feb-11	28	$96,726,606	$530,416	7.15%
Mar-11	31	$96,721,893	$666,013	8.11%
Apr-11	30	$95,302,965	$567,654	7.25%
May-11	31	$95,314,006	$563,773	6.96%
Jun-11	30	$124,295,083	$595,734	5.83%
Jul-11	31	$124,276,150	$701,026	6.64%
Aug-11	31	$124,279,209	$700,971	6.64%
Sep-11	30	$124,292,506	$700,963	6.86%
Oct-11	31	$119,564,981	$691,654	6.81%
Nov-11	30	$119,563,271	$676,510	6.88%
Dec-11	31	$116,543,059	$675,916	6.83%
WEIGHTED AVERAGE COST OF LONG TERM DEBT	365	$110,026,554	$7,601,101	6.91%

Attachment 28 - Long Term Debt

	December 2010	January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011	13-Month Average
LONG-TERM DEBT														
Regulatory Asset - Unamortized Loss on Reacquired Debt	1,667,671.53	1,660,006.12	1,652,340.71	1,644,675.30	1,637,009.89	1,629,344.48	1,621,679.07	1,614,013.66	1,606,348.25	1,598,682.84	1,591,017.43	1,583,352.02	1,575,686.61	1,621,679.07
Total unamortized loss on reacquired debt	**1,667,671.53**	**1,660,006.12**	**1,652,340.71**	**1,644,675.30**	**1,637,009.89**	**1,629,344.48**	**1,621,679.07**	**1,614,013.66**	**1,606,348.25**	**1,598,682.84**	**1,591,017.43**	**1,583,352.02**	**1,575,686.61**	**1,621,679.07**
Unamortized DD&E-Convertible Debentures - Unamortized Debt Expense	13,266.73	12,704.58	12,142.43	11,692.71	11,242.99	10,793.27	10,343.55	9,893.83	9,444.11	8,994.39	8,544.67	8,094.95	7,645.23	10,369.50
Unamortized DRP - Unamortized Debt Expense	47,571.10	45,809.69	44,048.28	42,286.87	40,525.46	38,764.05	37,002.64	35,241.23	33,479.82	31,718.41	29,957.00	28,195.59	39,846.35	38,034.35
Unamortized DD&E-Senior Note 2 - Unamortized Debt Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unamortized DD&E-Senior Note 3 - Unamortized Debt Expense	1,027.95	942.26	856.57	770.88	685.19	599.50	513.81	428.12	342.43	256.74	171.05	85.36	(0.00)	513.84
Unamortized DD&E-Senior Note 4 - Unamortized Debt Expense	12,427.58	12,013.32	11,599.06	11,184.80	10,770.54	10,356.28	9,942.02	9,527.76	9,113.50	8,699.24	8,284.98	7,870.72	7,456.46	9,942.02
Unamortized DD&E-Senior Note 5 - Unamortized Debt Expense	34,598.25	33,846.12	33,093.99	32,341.86	31,589.73	30,837.60	30,085.47	29,333.34	28,581.21	27,829.08	27,076.95	26,432.27	25,787.59	30,110.27
Unamortized DD&E-Senior Note 6 - Unamortized Debt Expense	43,970.64	43,272.69	42,574.74	41,876.79	41,178.84	40,480.89	39,782.94	39,084.99	38,387.04	37,689.09	37,060.94	36,432.79	35,804.64	39,815.16
Unamortized DD&E-Senior Note 7 - Unamortized Debt Expense	31,298.45	30,982.31	30,666.17	30,350.03	30,033.89	29,717.75	29,401.61	29,085.47	28,769.33	28,453.19	28,137.05	27,820.91	27,504.77	29,401.61
Unamortized DD&E-Senior Note 8 - Unamortized Debt Expense	0.00	0.00	0.00	0.00	0.00	0.00	30,646.72	30,738.56	30,679.83	30,399.65	33,688.29	33,254.18	32,946.27	17,104.12
First Mortgage Bond 1 - Unamortized Debt Expense	20,106.06	19,669.03	19,232.00	18,794.97	18,357.94	17,975.53	17,593.12	17,210.71	16,828.30	16,445.89	16,063.48	15,681.07	15,298.66	17,635.14
First Mortgage Bond 2 - Unamortized Debt Expense	10,824.64	10,589.32	10,354.00	10,118.68	9,883.36	9,677.45	9,471.54	9,265.63	9,059.72	8,853.81	8,647.90	8,441.99	8,236.08	9,494.16
First Mortgage Bond 3 - Unamortized Debt Expense	46,431.08	46,092.16	45,753.24	45,414.32	45,075.40	44,736.48	44,397.56	44,058.64	43,719.72	43,380.80	43,041.88	42,702.96	42,364.04	44,397.56
Unamortized DD&E-FPU Note 1 - Unamortized Debt Expense	6,481.59	6,481.59	6,481.59	6,481.59	6,481.59	6,481.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,991.50
Unamortized DD&E-FPU Note 2 - Unamortized Debt Expense	2,160.53	2,160.53	2,160.53	2,160.53	2,160.53	2,160.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	997.17
Long-term Debt - Unamortized Debt Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total other deferred charges	**270,164.60**	**264,563.60**	**258,962.60**	**253,474.03**	**247,985.46**	**242,580.92**	**259,180.98**	**253,868.28**	**248,405.01**	**242,720.29**	**240,674.19**	**235,012.79**	**242,890.09**	**250,806.37**
Current Portion of LTD - Notes Payable	($7,727,272.72)	($7,727,272.72)	($7,727,272.72)	($7,727,272.72)	($7,727,272.72)	($7,727,272.72)	($7,727,272.72)	($7,727,272.72)	($7,727,272.72)	($7,727,272.72)	($7,727,272.72)	($7,727,272.72)	($6,727,272.72)	(7,650,349.64)
Current Portion of LTD - Notes Payable	(1,409,000.00)	(1,409,000.00)	(1,409,000.00)	(1,409,000.00)	(1,409,000.00)	(1,409,000.00)	(1,409,000.00)	(1,409,000.00)	(1,409,000.00)	(1,409,000.00)	(1,409,000.00)	(1,409,000.00)	(1,409,000.00)	(1,409,000.00)
Total current portion of long-term debt	**(9,136,272.72)**	**(9,136,272.72)**	**(9,136,272.72)**	**(9,136,272.72)**	**(9,136,272.72)**	**(9,136,272.72)**	**(9,136,272.72)**	**(9,136,272.72)**	**(9,136,272.72)**	**(9,136,272.72)**	**(9,136,272.72)**	**(9,136,272.72)**	**(8,136,272.72)**	**(9,059,349.64)**
Long-term debt														
LTD Conv Debentures-8.25% - Bonds Payable (LTD)	(1,317,999.82)	(1,282,058.19)	(1,273,999.82)	(1,256,132.93)	(1,233,051.62)	(1,231,022.44)	(1,221,033.70)	(1,189,123.22)	(1,179,053.59)	(1,178,999.80)	(1,169,036.21)	(1,153,999.81)	(1,133,999.81)	(1,216,885.46)
LTD Senior Note 2 - Bonds Payable (LTD)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LTD Senior Note 3-6.85% - Bonds Payable (LTD)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LTD Senior Note 4-7.83% - Bonds Payable (LTD)	(6,000,000.00)	(6,000,000.00)	(6,000,000.00)	(6,000,000.00)	(6,000,000.00)	(6,000,000.00)	(6,000,000.00)	(6,000,000.00)	(6,000,000.00)	(6,000,000.00)	(6,000,000.00)	(6,000,000.00)	(4,000,000.00)	(5,846,153.85)
LTD Senior Note 5-6.64% - Bonds Payable (LTD)	(16,363,636.32)	(16,363,636.32)	(16,363,636.32)	(16,363,636.32)	(16,363,636.32)	(16,363,636.32)	(16,363,636.32)	(16,363,636.32)	(16,363,636.32)	(16,363,636.32)	(13,636,363.58)	(13,636,363.58)	(13,636,363.56)	(15,734,265.69)
LTD Senior Note 6-5.5% - Bonds Payable (LTD)	(18,000,000.00)	(18,000,000.00)	(18,000,000.00)	(18,000,000.00)	(18,000,000.00)	(18,000,000.00)	(18,000,000.00)	(18,000,000.00)	(18,000,000.00)	(18,000,000.00)	(16,000,000.00)	(16,000,000.00)	(16,000,000.00)	(17,538,461.54)
LTD Senior Note 7-5.93% - Bonds Payable (LTD)	(30,000,000.00)	(30,000,000.00)	(30,000,000.00)	(30,000,000.00)	(30,000,000.00)	(30,000,000.00)	(30,000,000.00)	(30,000,000.00)	(30,000,000.00)	(30,000,000.00)	(30,000,000.00)	(30,000,000.00)	(30,000,000.00)	(30,000,000.00)
LTD Senior Note 7-5.68% - Bonds Payable (LTD)	0.00	0.00	0.00	0.00	0.00	0.00	(29,000,000.00)	(29,000,000.00)	(29,000,000.00)	(29,000,000.00)	(29,000,000.00)	(29,000,000.00)	(29,000,000.00)	(15,615,384.62)
Long-term Debt - Bonds Payable (LTD)	(17,864,000.00)	(17,864,000.00)	(17,864,000.00)	(17,864,000.00)	(16,455,000.00)	(16,455,000.00)	(16,455,000.00)	(16,455,000.00)	(16,455,000.00)	(16,455,000.00)	(16,455,000.00)	(16,455,000.00)	(16,455,000.00)	(16,888,538.46)
Total long-term debt	**(89,545,636.14)**	**(89,509,694.51)**	**(89,501,636.14)**	**(89,483,769.25)**	**(88,051,687.94)**	**(88,049,658.76)**	**(117,039,670.02)**	**(117,007,759.54)**	**(116,997,689.91)**	**(116,997,636.12)**	**(112,260,399.79)**	**(112,245,363.39)**	**(110,225,363.37)**	**(102,839,689.61)**

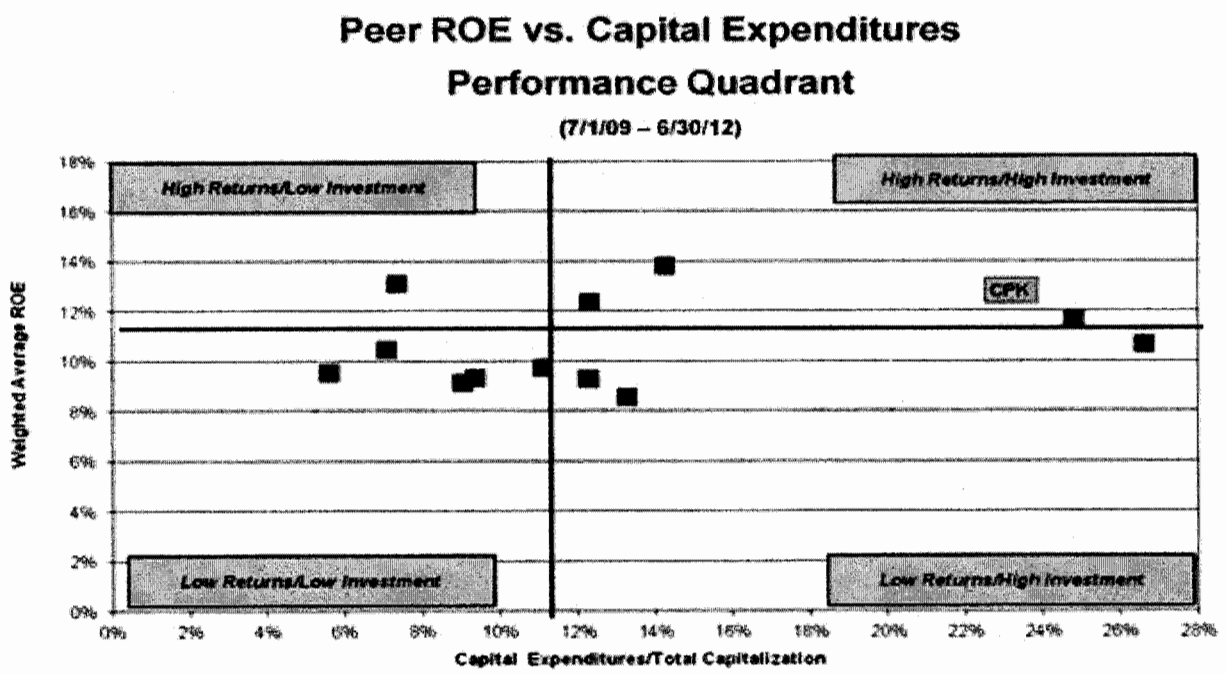
ATTACHMENT 31b
DEFERRED INCOME TAXES

Per (GL)

	DEFERRED TAXES (CURRENT)	DEFERRED TAXES (NON-CURRENT)	TOTAL	check
Dec-10	6,825	(1,762)	5,063	
Jan-11	6,825	(1,762)	5,063	
Feb-11	6,825	(1,762)	5,063	
Mar-11	6,825	(39,476)	(32,651)	
Apr-11	6,825	(39,476)	(32,651)	
May-11	6,825	(39,476)	(32,651)	
Jun-11	6,825	(60,403)	(53,578)	
Jul-11	6,825	(1,762)	5,063	
Aug-11	6,825	(58,986)	(52,161)	
Sep-11	6,825	(63,601)	(56,776)	
Oct-11	6,825	(64,660)	(57,835)	
Nov-11	6,825	(76,494)	(69,669)	
Dec-11	6,331	(102,146)	(95,815)	
13 Month Average	6,787	(42,444)	(35,657)	(35,657)

Attachment 35c – Peer Group Comparison

Performance Relative to Our Peers



Our Disciplined Approach, Every Day.

- The returns earned in our unregulated businesses coupled with our returns achieved in our regulated businesses has enabled us to achieve consolidated returns greater than regulatory commissions allow
- We will continue to focus on maximizing returns in our existing businesses while investing capital in new opportunities
- Expansion projects are driving the increase in 2012 capital expenditures in excess of 2011's level.

EXCLUSIVE WALK-IN PAYMENT PROCESSING SERVICES AGREEMENT

This Exclusive Walk-in Payment Processing Services Agreement (the "Agreement") by and between **CheckFreePay Corporation** ("CheckFreePay"), a Connecticut corporation having its principal place of business at 15 Sterling Drive, Wallingford, CT 06492 and **Florida Public Utilities Company**, a Florida corporation, having its principal place of business at 401 S. Dixie Hwy., West Palm Beach, Florida 33401 (the "Client") is made as of the date last signed below by the parties (the "Effective Date").

Background

Client has customers ("Customers") who are required to make payments to Client on a periodic basis ("Bill Payments"). Client requires an efficient system to allow Customers to make Bill Payments in person at convenient and easily accessible Payment Outlets. CheckFreePay has a network of Payment Outlets with Payment Terminals (the "Agent Network") to process Customer Payment Data and to report and remit Customer Payments to Client. This Agreement provides the terms and conditions of Client's and CheckFreePay's obligations in performing their respective duties hereunder.

NOW, THEREFORE, the parties hereto agree as follows:

1. **DEFINITIONS.** Capitalized, but otherwise undefined terms herein, shall have the following meanings:

1.1. **ACH** (Automated Clearinghouse) **Transfer.** A method by which Customer Payment Funds are moved from one bank account to another. Client grants CheckFreePay the right to ACH Transfer Client's Bank Account for obligations owed CheckFreePay or Client hereunder.

1.2. **Affiliate.** "Affiliate" means with respect to a party, a person or entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such party, where "control" means the direct or indirect ownership of 50% or more of the equity or voting rights in such person or entity from time to time.

1.3. **Agent Commission Fee.** Percentage of the Customer Convenience Fee retained by the Agent or paid to the Agent per transaction as compensation for the Agent's performance of the Services as set forth in the Economic Summary.

1.4. **Agent.** The person(s) or company recruited and trained by CheckFreePay to perform the Services. Agents may also perform walk-in bill payment services for other clients pursuant to separate agreements with CheckFreePay.

1.5. **Business Day.** Normal administrative business hours: 8:00 a.m. through 5:00 p.m. Eastern Time, Monday through Friday. CheckFreePay is closed on the following holidays: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

1.6. **Canceled Check.** Copy of the front and back of the check proving that the check was processed through customer's account.

1.7. **CheckFreePay Concentration Account.** A bank account in a commercial bank that aggregates, holds and transfers all Customer Payments from Field Bank Accounts to the respective Client's Bank Account.

1.8. **Client's Bank Account.** The bank account specified by Client to receive Client's Customer Payments.

1.9. **Close-out Transmission.** A daily electronic transmission file uploaded to CheckFreePay, at the time required by CheckFreePay and its clients, containing Customer Payment Data, balanced by Agent.

1.10. **Customer Convenience Fee.** Fee paid by the Customer for each Bill Payment as set forth in the Economic Summary.

1.11. **Customer Payment Data.** Information pertaining to Bill Payments received at a Payment Outlet and processed through the Payment Terminal.

1.12. **Customer Payment Funds.** Customer Payments plus any associated fees due CheckFreePay.

1.13. **Customer Payment.** The monetary instruments remitted in conjunction with a Bill Payment transaction within the Agent Network.

1.14. **DirectNet.** A web site with which Client is able to monitor transaction activities.

1.15. **Do Not Accept Checks ("DNAC").** A process where Client provides an electronic file, in a format approved by CheckFreePay, of Customer account numbers for which Agents will not be allowed to process a check for Customer Payment. When Agent enters the Customer account number into the Payment Terminal, the Payment Terminal will inform the Agent that the customer account number corresponds to a DNAC Customer account within the electronic file and that a check cannot be accepted as payment, only cash or certified check.

1.16. **Economic Summary.** Certain economic terms and conditions set forth on Exhibit A and incorporated by reference into this Agreement.

1.17. **Field Bank Account.** A bank account in a commercial bank that will accept Customer Payments deposited by Agents.

1.18. **Memo File.** Electronic report to Client of Customer Payment Data processed through Payment Terminals prior to the daily Production File. Except for Client's "Real Time" transmissions pursuant to the Economic Summary, Memo File transmissions are made by CheckFreePay at times established for other clients already existing in the same service area.

1.19. **Overlay Terminal.** Payment Terminal established for use in collecting Bill Payments for more than one CheckFreePay client.

1.20. **Payment Concentrator.** An Affiliate of CheckFreePay with whom Client has an agreement to receive Client's Memo Files, Production files and Customer Payments for consolidation prior to sending such files and payments to Client.

1.21. **Payment Concentrator's Bank Account.** A bank account held for the benefit of Client by Client's Payment Concentrator in which Client's Customer Payments shall be deposited by CheckFreePay prior to Payment Concentrator remitting such Customer Payments to Client.

1.22. **Payment Outlet.** Physical location operated by CheckFreePay or Agent where the Services are available to Customers.

1.23. **Payment Terminal.** Electronic mechanism or system used in Payment Outlets to provide the Services.

1.24. **Point of Purchase Check Conversion ("POP").** Agent shall convert each eligible Customer Payment check received from Customer into an electronic check when authorized by Customer and in accordance with National Automated Clearinghouse Association rules.

1.25. **Production File.** The daily transaction file containing consolidated Customer Payment Data collected from all Agents' Close-out Transmissions that CheckFreePay transmits to Client's designated processing center or Payment Concentrator for Client's use in posting Bill Payments to Customers' accounts.

1.26. **Programming Change.** Any change requested by Client requiring CheckFreePay to reprogram its systems after implementation. Costs incurred by CheckFreePay while implementing the Programming Change(s) shall be borne by Client.

1.27. **Services.** The walk-in bill payment processing services provided by CheckFreePay and Agents described in this Agreement.

1.28. **Stand-Alone Terminal.** Payment Terminal initially established for use, at Client's request, in collecting Bill Payments for Client only.

1.29. **Walmart as an Agent.** Walmart is an Agent pursuant to the terms of this Agreement and Exhibit B attached hereto and incorporated herein.

2. **Exclusivity.** Client hereby designates CheckFreePay as its "Exclusive Walk-in Payment Services Provider". During the Term, Client shall not engage any other third party to provide walk-in bill payment processing services. In no event shall anything contained in this Agreement prohibit Client from providing walk-in payment processing services directly to its customers without the use of a third party who is not an Affiliate.

3. **Responsibilities of CheckFreePay.**

3.1. **Selection of Agents.** Based on criteria provided by the Client, CheckFreePay shall select and manage Payment Outlets to provide the Services and be the sole contact for Client with respect to the Agents. Client may direct CheckFreePay, via e-mail or other written communication, to terminate a Payment Outlet within thirty (30) days of such notification for poor customer service or improper disclosure of Customer information to a third party.

3.2. **Management of Agents.** CheckFreePay shall manage the Agents that provide the Services and shall retrieve Customer Payments, and CheckFreePay shall remain primarily liable for the performance of any such Agent as it relates to the Services being provided under this Agreement. Each Agent shall:
(a) provide each Customer with a printed receipt generated by the Payment Terminal;
(b) allow only trained personnel to provide the Services and operate Payment Terminals;
(c) balance out daily and reconcile Customer Payments Funds collected with Customer Payment Data before transmitting the Close-out Transmission to CheckFreePay;
(d) transmit Customer Payment Data to CheckFreePay at least once each Business Day even if no Bill Payments were taken;
(e) deposit Customer Payment Funds into a designated Field Bank Account no later than the next banking business day;
(f) refrain from accepting Customer Payments when the Payment Terminal is inoperable or malfunctioning; and
(g) if applicable, collect a Customer Convenience Fee.

3.3. **Equipping of Payment Outlets.**
(a) CheckFreePay shall equip Payment Outlets with at least one (1) Payment Terminal capable of accessing, recording and transmitting Customer Payment Data to CheckFreePay's central computer and appropriate software at a level sufficient for Agents to perform its obligations.
(b) CheckFreePay will provide printer paper, printer ribbons and journal tape to each Payment Outlet per month as needed. Customized counter slips shall be made available upon request by Client and will be priced separately.
(c) CheckFreePay will provide each Payment Outlet with appropriate signage, as determined by CheckFreePay. Client requests for signage beyond CheckFreePay's standard signage will be priced separately.

3.4. **Maintenance.** CheckFreePay shall service and maintain the Payment Terminals at the Payment Outlets, and shall provide spare parts and spare terminals as necessary to repair or replace defective or malfunctioning Payment Terminals. If a CheckFreePay field representative is unable to repair or replace a Payment Terminal on the same Business Day that a request is made by an Agent, CheckFreePay shall ship a replacement Payment Terminal for delivery the next day provided that CheckFreePay receives notification by 3:00 p.m. Eastern Time. CheckFreePay shall not be in default for inadvertent delays of standard commercial overnight couriers.

3.5. **Transmission of Customer Payment Data.**
(a) On each Business Day, CheckFreePay shall consolidate and transmit Memo File(s) and a Production File to Client or Payment Concentrator.
(b) The Production File shall include all Close-out Transmissions that have been transmitted from the Payment Outlets to CheckFreePay up to one hour prior to the time the Production File is scheduled to be sent to Client or Payment Concentrator.
(c) Payment Terminals may be capable of canceling erroneously entered Customer Payment Data, but such cancellations shall be shown on the Close-out Transmission to CheckFreePay. Agents shall not be able to delete Customer Payment Data from the Payment Terminal.

(d) Client shall promptly post Customer Payment Data upon receipt of the Production File(s) from CheckFreePay or Payment Concentrator.
(e) Client shall notify CheckFreePay immediately if Client fails to receive a readable Memo File and/or Production File(s). CheckFreePay shall promptly retransmit said File(s) to Client.
(f) In the event that a Close-out Transmission does not transmit properly to CheckFreePay for technical reasons, CheckFreePay shall ensure that all Customer Payment Data entered into the Payment Terminal before the malfunction is retrieved and transmitted to Client or Payment Concentrator within 48 hours of the malfunction and similarly that Customer Payment Data manually recorded by an Agent at the Payment Outlet is promptly retrieved and transmitted to Client or Payment Concentrator.
(g) After transmitting the Production File to Client, CheckFreePay shall run a report which lists Agents who were not included in the Production File. CheckFreePay shall request those Agents to transmit the Close-out Transmission and shall include those Close-out Transmissions in the next Production File sent to the Client or Payment Concentrator.
(h) Client shall communicate to CheckFreePay when Customer Payment Data contained in the Production File is rejected by Client's processing center. CheckFreePay will use reasonable efforts to collect evidence of the payment to present to the biller to make the adjustment.

3.6. **Transfer of Customer Payments.** Agents shall deposit the Customer Payment Funds in Field Bank Accounts at banks in or near the community served by each Agent. CheckFreePay shall transfer Customer Payment Funds from the Field Bank Accounts into a CheckFreePay Concentration Account no later than the second banking day immediately following Agent upload of Customer Payment Data. The obligation of CheckFreePay to transfer Customer Payment Funds to Client or Payment Concentrator shall in no way be dependent on the ability of CheckFreePay to collect such funds from Agents. All Customer Payments collected by Agents from Client's Customers and proceeds thereof are the exclusive property of Client upon collection by the Agents. Neither any Agent nor CheckFreePay shall have any ownership interest in any Customer Payment or proceeds thereof.

3.7. **Handling of Checks.** CheckFreePay provides for a customized endorsement to be printed on each Customer Payment check. This endorsement directs the bank to forward a Customer Payment check that has been returned from the bank ("Returned Item") to a centralized location for handling ("Centralized Returns").
(a) Returned Items returned due to "account closed," "stop payment," "do not re-deposit," etc., will not be represented. A Returned Item received by the bank will attempt re-presentment up to two additional times, if applicable, using electronic re-presentment. CheckFreePay shall invoice a Centralized Return Fee (as defined in the Economic Summary) for each Returned Item CheckFreePay processes, regardless of whether any Returned Item is re-presented and subsequently paid by Customer's bank.
(b) If the Returned Item does not clear the bank after re-presentment, CheckFreePay will communicate to Client via a Returned Item letter ("Returned Item Letter") that the Customer Payment in question is a Returned Item and will provide identifying information, including the name of the Agent who took the Customer Payment, the Customer account number, the face amount of the check, the actual bank fee charges, and a code indicating the reason the Returned Item was returned. CheckFreePay will communicate electronically to Client all of the information that is required to be set forth in a Returned Item Letter. Images and reports of Returned Items are available to be viewed and reports can be downloaded through the secure CheckFreePay website for a fee as outlined in the Economic Summary. CheckFreePay will enter an ACH debit to Client's Bank Account for the face amount of any corresponding Returned Item.
(c) CheckFreePay, in its sole discretion, may implement the capability for POP at any or all Payment Outlets. Neither an electronic image nor the actual check will be available for Returned Items resulting from POP, however, in addition to the identifying information detailed above; the Customer's bank account and routing number will be noted on the Returned Item Letter. Returned Item charges will be assessed for POP at the same rate as indicated for Centralized Returns in the Economic Summary.
(d) At Client's option and cost, CheckFreePay will employ the Real Time Processing and/or DNAC technology within Client's Agent Network. If Client declines these options at the time of execution of this Agreement, CheckFreePay reserves the right to renegotiate pricing for such items at the time Client requests to employ the applications.

3.8. **Customer Receipts.** For each processed Bill Payment, the Payment Terminal shall print a receipt containing, at a minimum: the business name of the Payment Outlet, customer account number, method of

payment (cash, check, and money order), amount of Customer Payment, date and time, transaction type, and transaction number. The Agent shall give the receipt to the person making the Bill Payment.

3.9. **Support and Training.** CheckFreePay shall provide initial training [at each Payment Outlet] for Agents, furnish the Payment Outlet with appropriate training literature, and support the Agents and their employees during the term of this Agreement by communicating changes in the CheckFreePay system to the Agents, maintaining a toll-free telephone number that Agents may call for assistance, and, as necessary, visiting Payment Outlets to resolve operational problems.

3.10. **Adjustments and Disputed Customer Payments.**

(a) CheckFreePay shall promptly adjust any inaccuracy in the Production Files and process an adjustment via ACH debit or credit within three (3) Business Days of becoming aware of the error.

(b) For any disputed Customer Payments or Customer Payment Data (a "Disputed Item") forwarded by Client and received by CheckFreePay within ninety (90) days from the date of the Customer Payment, CheckFreePay shall, within thirty (30) days of receipt of such Disputed Item from Client, research and attempt to resolve the Disputed Item, and provide reasonable supporting documentation for such Disputed item.

3.11. **Risk of Loss.** In the event that any Customer Payments are stolen, lost, damaged, or destroyed ("Missing Payments") between the time of receipt of a Customer Payment by an Agent and transfer of the Customer Payment to Client's Bank Account, CheckFreePay shall be responsible for such Missing Payments to the extent set forth below. CheckFreePay shall notify Client of any Missing Payments within twenty-four (24) hours of such knowledge and agrees to cooperate fully with Client by providing Customer Payment Data pertaining to Missing Payments due to Client. Client agrees to cooperate fully with CheckFreePay by providing names and addresses for all Customer accounts related to the Missing Payments. CheckFreePay shall replace Missing Payments as follows:

(a) In the case of Missing Payments other than cash (e.g., checks, money orders, travelers checks), CheckFreePay shall use its best efforts to contact Customers directly to obtain replacement instruments or a copy of a Canceled Check representative of the Customer's Missing Payment. In the event that replacement instruments or a copy of a Canceled Check can not be obtained by CheckFreePay, Client agrees to use its best efforts to obtain replacement instruments or a copy of each of the Canceled Checks representative of the Missing Payments. Client will have thirty (30) days after notification of Missing Payments to obtain replacement instruments or a copy of each Canceled Check. The issuance of a replacement instrument by Customer shall limit CheckFreePay's liability to reimbursing Customer any charges incurred by it in replacing the instrument, including charges incurred in stopping payment on the Missing Payment. CheckFreePay may require written proof of such charges. If the Customer produces proof of a Canceled Check representative of the Missing Payment, CheckFreePay will honor the Canceled Check only if it clearly indicates CheckFreePay's endorsement or the Customer produces the customer receipt representative of the Missing Payment if the Canceled Check does not indicate CheckFreePay's endorsement. CheckFreePay will not be liable for Missing Payments in instances where Client or CheckFreePay can not obtain replacement instruments or proof of Canceled Checks. If Client can not obtain a replacement instrument, CheckFreePay will process a debit adjustment to Client's Bank Account for the value of the Missing Payment that has already been forwarded to Client pursuant to Section 3.6.

(b) In the case of Missing Payments in the form of cash, the sole liability of CheckFreePay shall be the value of the Customer Payment that has already been forwarded to Client pursuant to Section 3.6.

3.12. **Retention of Records.** CheckFreePay shall maintain the following records in hard copy or electronic image for the periods set forth below:

Item	On-Site	Total Time Retained/Archived
ACH transmissions	12 months	7 years
Agent deposit tickets	as received	destroyed after bank statement reconciliation
Agent transmissions	12 months	7 years
Client adjustment correspondence	12 months	7 years
Client contract file	life of contract	life of contract plus 7 years

Item	On-Site	Total Time Retained/Archived
Client correspondence	as needed	2 years
Debit/credit advice	2 months	destroyed after 2 months
Returned Items	N/A	Original items 6 mos./images 7 years- by offsite Independent Records Vendor
Returned Items Letters	N/A	Electronic copies 7 years- by offsite Independent Records Vendor

3.13 Insurance. At all times during the term of this Agreement CheckFreePay shall procure, pay premiums for, and maintain insurance coverage as follows:

(i) Commercial general liability with bodily injury and property damage limits of one million dollars ($1,000,000) per occurrence and two million dollars ($2,000,000) general aggregate.

(ii) Automobile Liability insurance with limits of one million dollars ($1,000,000) per accident covering vehicles owned, leased or operated by CheckFreePay and its employees.

(iii) Workers' Compensation insurance with statutory limits under Coverage A; and limits of $1million/$1million/$1million under Coverage B, Employer's Liability insurance.

(iv) Commercial Umbrella Liability insurance with limits of five million dollars ($5,000,000) per occurrence and in the aggregate which shall be excess the liability insurance required in sub-sections (i), (ii), (iii) herein.

(v) Crime insurance, including Employee Dishonesty and Computer Fraud coverages with limits of one million dollars ($1,000,000).

Upon written request, CheckFreePay shall furnish to Client standard Accord certificates of insurance issued by authorized representative(s) of the insurance carrier(s) as evidence of each foregoing coverage, and such certificate shall contain a clause requiring the insurer to give Client at least thirty (30) days prior written notice of any material change or cancellations of coverage specified therein.

4. Warranty, Limitation of Liability and Indemnification.

4.1 Warranty. CheckFreePay warrants that it will exercise reasonable care in the performance of its obligations under this Agreement. CHECKFREEPAY MAKES NO OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR ANY IMPLIED WARRANTY ARISING BY STATUTE OR OTHERWISE IN LAW OR FROM A COURSE OF DEALING OR USAGE OF TRADE WITH RESPECT TO THE SERVICES PROVIDED HEREUNDER.

4.2 Limitation of Liability. IN NO EVENT WILL EITHER PARTY BE RESPONSIBLE FOR: (A) ANY INCIDENTAL, INDIRECT, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES OF ANY KIND, INCLUDING LOST REVENUES OR PROFITS, LOSS OF BUSINESS OR LOSS OF DATA REGARDLESS OF WHETHER IT WAS ADVISED, HAD REASON TO KNOW, OR IN FACT KNEW OF THE POSSIBILITY THEREOF; OR, (B) ANY LOSS OR DAMAGE TO THE OTHER PARTY OR TO CUSTOMER, DIRECT OR CONSEQUENTIAL, ARISING OUT OF OR IN ANY WAY RELATED TO ACTS OR OMISSIONS OF THIRD PARTIES INCLUDING, BUT NOT LIMITED TO, VARIOUS COURIER SERVICES, THE FEDERAL RESERVE BANK, OTHER BANKS WITH WHICH THE OTHER PARTY OR CUSTOMER DEALS OR THE EMPLOYEES OR AGENTS OF SUCH BANK OR ANY FINANCIAL INSTITUTION WHICH RECEIVES OR ORIGINATES ENTRIES. EXCEPT FOR CLAIMS RELATED TO PROPRIETARY RIGHTS OR PAYMENT OBLIGATIONS, NEITHER PARTY MAY ASSERT ANY CLAIM AGAINST THE OTHER RELATED TO THIS AGREEMENT MORE THAN 2 YEARS AFTER SUCH CLAIM ACCRUED. CHECKFREEPAY'S AGGREGATE LIABILITY TO CLIENT OR ANY THIRD PARTY FOR ANY AND ALL CLAIMS OR OBLIGATIONS RELATING TO THIS AGREEMENT SHALL BE LIMITED TO THE TOTAL FEES PAID BY CLIENT TO CHECKFREEPAY IN THE TWELVE MONTH (12) PERIOD PRECEDING THE DATE THE CLAIM ACCRUED; PROVIDED THAT SUCH LIMITATION SHALL NOT APPLY TO CHECKFREEPAY'S OBLIGATION TO REMIT TO THE CLIENT THE DOLLAR AMOUNTS EQUIVALENT TO THE CUSTOMER PAYMENTS COLLECTED PURSUANT TO THIS AGREEMENT. THE FOREGOING LIMITATION SHALL APPLY NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY.

4.3 **Indemnification** CheckFreePay and Client (the "indemnifying party") each agree to indemnify, defend and hold harmless the other (the "indemnified party"), and each of the indemnified party's Affiliates, officers, directors, employees, agents, successors and assigns, from any and all losses, liabilities, damages, costs and expenses (including without limitation reasonable attorneys' fees and costs of investigation) arising from, in connection with, or based on allegations, claims, demands, suits and proceedings, whenever made or brought by any third party, of any of the following: (i) the death or bodily injury of any agent, employee, customer, business invitee, or business visitor or other person caused by the negligent or willful conduct or omission of the indemnifying party during the course of performance under the Agreement; and (ii) the damage, loss or destruction of any real or tangible personal property caused by the negligent or willful conduct or omission of the indemnifying party during the course of performance under the Agreement, provided that real or tangible property expressly excludes all data and information. The indemnifying party's obligations under this Section 4.3 shall be subject to, and conditioned upon, the indemnified party providing to the indemnifying party (1) prompt written notice of any claim; provided the rights of such indemnified party to be indemnified in respect of an indemnifiable claim shall not be adversely affected by its failure to give notice pursuant to the foregoing unless, and, if so, only to the extent that, the indemnifying party is prejudiced by such failure, (2) sole control over the defense or settlement of the claim and (3) all necessary cooperation in the defense and settlement of the claim. The indemnifying party shall not be responsible for any costs or expenses of the indemnified party that are incurred prior to the indemnified party meeting the conditions set forth in subsections (1) and (2) of the prior sentence.

5. Responsibilities of Client.

5.1. Fees and Compensation to CheckFreePay.

(a) Client shall pay CheckFreePay according to the Economic Summary. Client grants CheckFreePay the right to execute an ACH Transfer debit/credit to Client's Bank Account or invoice Client monthly for fees as outlined in the Economic Summary.

(b) Client agrees to promote the walk-in payment processing solution by advertising the Services to its Customers; provided, however, all such advertisement and promotion by Client shall be within Client's sole but reasonable discretion. For example, Client may determine to promote such solution through phone via customer service representatives, via Client's website using the "Agent Locator", etc.

5.2. Non-Solicitation of Agents. Client agrees that during the Term and for a period of one (1) year thereafter, Client will not, either alone or in concert with others, directly or indirectly solicit, entice, induce or encourage any Agent to process walk-in bill payments for Client. Notwithstanding the foregoing, upon termination of this Agreement pursuant to Section 6.3.2, Client may at any time engage other companies to provide walk-in payment processing services and such other companies shall not be prohibited from soliciting, enticing, inducing or encouraging any Agent to process walk-in payments for Client, so long as Client does not, directly or indirectly, encourage such companies to solicit, entice, induce or encourage any such Agent.

5.3. Non-Solicitation of CheckFreePay Employees. Neither party shall, without the other party's prior written consent, directly or indirectly, solicit for employment or hire any Restricted Employee (as defined herein) while such person is employed by the other party and for the 12-month period starting on the earlier of: (i) termination of such Restricted Employee's employment with the other party, or (ii) termination or expiration of this Agreement; provided, however, that the foregoing shall not apply to the hiring of the other party's or its Affiliate's employees who respond to Internet or other advertisements of general circulation not specifically targeted at such employees. **"Restricted Employee"** means any former or current employee of the other party or its Affiliates that a party became aware of or came into contact with during the other party's obligations under this Agreement.

5.4. Transition of Client's Existing Agents. Client agrees to provide CheckFreePay with an all-inclusive list of its existing agents currently providing Client with a similar service as that which is contemplated by this Agreement. Client further agrees to contact, in writing, Client's existing agents to identify CheckFreePay as Client's Exclusive Walk-in Payment Service Provider.

5.5. Notice of IT Maintenance. Client must give CheckFreePay six (6) weeks advance written notice prior to performing any Client IT maintenance that may impact CheckFreePay's delivery of the Services to Client or Client's Customers.

6. Term.

6.1. Term. The term of this Agreement shall begin on the Effective Date and continue for an initial term of forty-two (42) months ("**Initial Term**"), unless earlier terminated as provided herein. This Agreement shall be renewed automatically for successive one (1) year terms unless either party provides the other with at least six (6) months' notice of its decision not to renew this Agreement after the Initial Term or at least three (3) months notice of its decision not to renew this Agreement after any subsequent one (1) year term (the Initial Term and any renewal term, the "**Term**").

6.2. Termination. Either party may terminate this Agreement immediately by written notice to the other party:

(a) if, after thirty (30) days' notice from the terminating party, the other party has failed to remedy any material breach of this Agreement; or

(b) upon or after the bankruptcy, insolvency, dissolution or winding up of the other party (other than dissolution or winding up for the purposes of reconstruction or amalgamation).

6.3. Early Termination. Client may terminate this Agreement at any time without liability except for undisputed payment obligations for Services performed and the liquidated damages set forth herein, by providing sixty (60) days written termination notice to CheckFreePay. The termination date will be as set forth in Client's termination notice (the "Termination Date").

6.3.1. The rates offered by CheckFreePay are based on the total gross revenue anticipated by CheckFreePay from Client's agreement to keep this Agreement in place for the Initial Term. Client agrees and understands that in the event of cancellation prior to the Initial Term, CheckFreePay's actual damages would be difficult to determine. Therefore, Client has agreed to pay CheckFreePay reasonable liquidated damages for cancellation prior to the Initial Term. Cancellation damages will be calculated as described in the below:

6.3.1.1. If Client cancels the agreement in less than one (1) year following the Effective Date, CheckFreePay will calculate the average monthly Customer Convenience Fee receipts and Transaction Fees of the six (6) months immediately preceding the Termination Date and multiply that by twelve (12) to determine the amount owed by Client. If CheckFreePay does not have six (6) months of volume to average prior to the Termination Date, it will take the average amount for the existing months and multiple it by twelve (12) to determine the amount owed by Client;

6.3.1.2. If Client terminates this agreement in months thirteen (13) through eighteen (24) following the Effective Date, CheckFreePay will calculate the average monthly Customer Convenience Fee receipts and Transaction Fees of the six (6) months immediately preceding the Termination Date and multiply that by six (6) to determine the amount owed by Client; and

6.3.1.3. If Client terminates this agreement in months twenty-five (25) through thirty-six (36) following the Effective Date, CheckFreePay will calculate the average monthly Customer Convenience Fee receipts and Transaction Fees of the three (3) months immediately preceding the Termination Date and multiply that by three (3) to determine the amount owed by Client.

6.3.2. Upon termination of this Agreement pursuant to this Section 6.3 and payment by Client of the applicable liquidated damages, the exclusivity provision in Section 2 of this Agreement shall terminate immediately and the non-solicitation provisions of Sections 5.2 and 5.3 of this Agreement shall survive for a period of one year following such termination.

6.4. Rights and Duties Upon Termination. Notwithstanding anything to the contrary contained herein, termination of this Agreement, for whatever reason, shall not affect any other rights or obligations accrued

by either party prior to the effective date of termination, nor prejudice any other rights or remedies that either party may have at law or in equity.

7. Miscellaneous Provisions.

7.1. Assignment. None of this Agreement, nor any rights and obligations hereunder, shall be assigned by either party without the prior written consent of the other, except: (a) to an Affiliate; (b) in connection with the assignment of substantially all of the assets relating to the business to which this Agreement relates; or (c) in connection with a merger or sale of all or substantially all of the stock of the assigning party.

7.2. Audits. Client shall have the right to inspect and review, on CheckFreePay's premises and at Payment Outlets, all Customer Payment Data that directly relates to Client once per each twelve (12) month period of the term of this Agreement. Audit rights shall be extended to Client or to any representative designated by Client. Audits shall occur during normal business hours, during the term of this Agreement and for two (2) years after expiration or earlier termination of this Agreement, upon reasonable notice by Client. CheckFreePay shall have the right to be included and/or represented in any audit. Costs incurred by Client while undertaking such audit shall be borne by Client.

7.3. CheckFreePay's Use of Subcontractors or Affiliates. CheckFreePay may subcontract Services to be performed hereunder to such of its affiliates or third parties as it may desire in its sole discretion; provided, however, CheckFreePay's use of subcontractors will not relieve CheckFreePay of its responsibility or liability under this Agreement.

7.4. Force Majeure. Neither party shall be deemed in default of this Agreement to the extent that performance of its obligations or attempts to cure any breach are delayed, restricted or prevented by reason of any fire, natural disaster, act of government, strikes or labor disputes, any act of terrorism, act or omission of carriers, including telecommunications common carriers, inability to provide telecommunications services or internet services, power or supplies, or any other similar act or condition beyond its reasonable control ("Force Majeure Conditions"); provided that the party so affected provides prompt notice and uses reasonable efforts to avoid or remove the causes of nonperformance and continues performance hereunder immediately after those causes are removed. In the event that any Force Majeure Condition prevents either party from carrying out its obligations under this Agreement for a period of more than thirty (30) days, the other party may terminate this Agreement upon ten (10) days written notice; provided, however, that if a Force Majeure Condition affects less than all the Payment Outlets, this Agreement may be terminated only with respect to the Payment Outlets which are affected. For the duration of any CheckFreePay Force Majeure Condition, Client may temporarily obtain services similar to those provided pursuant to this Agreement from another party.

7.5. Relationship of the Parties. Client hereby authorizes CheckFreePay to act on behalf of Client for the purpose of fulfilling its obligations hereunder. It is expressly agreed that the parties are independent contractors and that the relationship between the parties shall not constitute a partnership, joint venture or agency. Neither party shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other, without the prior consent of the other.

7.6. Connectivity. In the event Client enters into an agreement with CheckFreePay's Affiliate, Fiserv Solutions, Inc. to act as Client's Payment Concentrator as described herein, CheckFreePay shall establish such connectivity as required to deliver Production Files and Customer Payments accordingly. In the event that Client's agreement with Fiserv Solutions, Inc. terminates or expires for any reason prior to the end of the Term, Client agrees to participate in the redirection of certain communications to allow CheckFreePay to connect directly to Client as may be required for CheckFreePay to perform its duties as specified herein. CheckFreePay requires a minimum of one hundred twenty (120) days advance notice of such redirection in order to avoid any interruption in the Services.

7.7. Severability. In the event any provision contained in this Agreement is found to be invalid or unenforceable in any respect, such invalidity or unenforceability will not affect any other provision of this Agreement, and this Agreement shall be deemed amended to the minimum extent required to express the intention of the invalid or unenforceable term or provision.

7.8. **Confidentiality.** During the Term and for a period of five (5) years thereafter, each party agrees not to disclose to any third party or to use any Confidential Information of the other without the prior written consent of the other party, except: (i) information generally available to the public without breach of this Agreement; (ii) information developed independently by the receiving party; (iii) information obtained from a third party not under any obligation of nondisclosure; and (iv) information required to be disclosed by law or governmental regulation; provided however, that before making any use or disclosure in reliance on any such exceptions, the party that intends to use or disclose such Confidential Information shall give at least fifteen (15) days notice to the other party specifying the applicable exception(s) and circumstances giving rise thereto.

"**Confidential Information**" shall mean without limitation financial information, budgets, Customer information (including but not limited to Customer Payment Data), terms, conditions and pricing of contracts, intellectual property, specifications, drawings, models, technical and business data and plans, works of authorship and other creative works, ideas, computer programming including but not limited to object code and source code, customized terminal applications, knowledge and know-how maintained in confidence in any media, written (or other tangible form) or oral, in whole or in part either non-public or proprietary in nature, concerning either party or their respective businesses whether or not marked or identified as confidential.

ALL MATERIALS CONTAINING CONFIDENTIAL INFORMATION SHALL BE PROMPTLY RETURNED OR DESTROYED UPON THE WRITTEN REQUEST OF THE DISCLOSING PARTY, EXCEPT FOR PORTIONS REQUIRED TO BE RETAINED FOR REGULATORY OR CORPORATE GOVERNANCE PURPOSES. NOTWITHSTANDING THE RETURN OR DESTRUCTION OF ANY CONFIDENTIAL INFORMATION, THE RECEIVING PARTY WILL CONTINUE TO BE BOUND BY THE OBLIGATIONS OF CONFIDENTIALITY AND OTHER OBLIGATIONS HEREUNDER FOR THE PERIOD STATED HEREIN.

7.9. **Notice.** Any notice or other communication with respect to this Agreement shall be in writing and shall be deemed to have been duly given: (i) when delivered personally, (ii) two (2) Business Days after being sent by reputable international overnight courier, (iii) one (1) Business Day after being sent by facsimile (delivery confirmation), or (iii) five (5) Business Days after being sent by registered or certified mail, return receipt requested, postage prepaid to the parties at the addresses set forth below:

To CheckFreePay:

CheckFreePay Corporation
15 Sterling Drive
Wallingford, CT 06492
Attn: Site Manager
Fax: (203) 679-4837

And

Fiserv, Inc.
4411 East Jones Bridge Road
Norcross, GA 30092
Attn: General Counsel, Electronic Biller Services
Fax: (678) 375-1150

To Client:

Florida Public Utilities Company
401 S. Dixie Hwy.
West Palm Beach, FL 33401
Attn: Jeff Sylvester
Fax #: (561) 833-8562

7.10. **Entire Agreement.** This Agreement, together with all exhibits and all documents expressly referred to herein, constitutes the complete and exclusive statement of the agreement of the parties with respect to the subject matter hereof and supersedes all prior proposals, understandings, amendments and agreements, whether oral or written, between the parties with respect to the subject matter hereof. In case of conflict the order of precedence of the documents constituting this Agreement is as follows, each listed document superseding in the event of any conflicting provision in a later listed document: (1) Agreement; (2) Exhibits (3) SOW; and (4) any other document. In the event Client submits work orders, change orders, invoices or other similar documents for accounting or administrative purposes or otherwise, no pre-printed or similar

terms and conditions contained in any such form shall be deemed to supersede any of the terms and conditions herein without express approval (making specific reference to this Section) by CheckFreePay. Neither shall any pre-printed or similar terms and conditions contained in any purchase order issued by Client hereunder be deemed to supersede any of the terms and conditions herein.

7.11. **Applicable Law.** This Agreement shall be governed, construed and enforced in accordance with the laws of the State of Delaware, without regard to its conflicts of law principles.

7.12. **Use of Name and Logo.** CheckFreePay may use the names and logos of Client in reasonable and discrete advertising for its Agents (e.g., window stickers, service desk display cards) and for other reasonable business purposes after consultation with and written approval by Client, which approval may be given or withheld in Client's sole and absolute discretion.

7.13. **Binding Effect of the Agreement.** This Agreement is signed by persons who are legally entitled to bind their respective companies to the terms of this Agreement. The Agreement shall inure to the benefit of the parties and their respective successors.

7.14. **Dispute Resolution.** Before initiating legal action against the other party relating to a dispute herein, the parties agree to work in good faith to resolve disputes and claims arising out of this Agreement. To this end, either party may request that each party designate an officer or other management employee with authority to bind such party to meet to resolve the dispute or claim. If the dispute is not resolved within thirty (30) days of the commencement of informal efforts under this paragraph, either party may pursue formal dispute resolution. This paragraph will not apply if expiration of the applicable time for bringing an action is imminent and will not prohibit a party from pursuing injunctive or other equitable relief to which it may be entitled.

7.15. **Attorneys' Fees.** In the event of any dispute resulting legal action arising from this Agreement, the substantially non-prevailing party shall reimburse the substantially prevailing party upon demand for all costs and expenses incurred by the substantially prevailing party in such arbitration, including reasonable attorneys' and paralegals' fees. The obligations set forth in this section shall survive the expiration or termination of this Agreement or the parties' obligations hereunder.

7.16. **Compliance with Laws.** The parties shall comply at their own expense with all federal, state, local and foreign laws, ordinances, regulations and codes applicable to it including but not limited to executive orders administered by the Office of Foreign Assets Control (OFAC), Bank Secrecy Act, anti-money laundering laws, and the identification and procurement of required permits, certificates, licenses, insurance, approvals and inspections as required for the performance of this Agreement (collectively the "Laws"). Notwithstanding the above, the parties agree to provide reasonable assistance, as may be required by law, to each other when one or the other is performing investigations pertaining to Bill Payment transactions hereunder, including, but not limited to fraud or other regulatory purposes. If any Law materially alters CheckFreePay's or its Agents' ability to provide the Services in whole or in part, the parties will renegotiate the terms and conditions of this Agreement in order to reflect the effect of such Law. If renegotiations do not result in terms amenable to both parties, either party may terminate this Agreement upon thirty (30) days prior written notice to the other.

7.17. **Construction.** All references in this Agreement in the singular shall be construed in the plural where applicable. All covenants, agreements and obligations in this Agreement assumed by the parties shall be, and shall be deemed to be, joint and several covenants. Headings of the paragraphs of this Agreement are for convenience only and do not limit, expand, or otherwise construe the provisions or contents of this Agreement.

7.18. **No Waiver.** The failure of either party hereto to enforce at any time, or for any period of time, any provision of this Agreement shall not be construed as a waiver of such provision or of the right of such party thereafter to enforce each and every provision.

7.19. **Counterpart Originals; Facsimile/PDF Execution.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall

constitute one and the same agreement. The parties agree that execution and delivery of this Agreement via facsimile or scanned PDF is legal, valid and binding execution and delivery for all purposes.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

CheckFreePay:		**Client:**	
CHECKFREEPAY CORPORATION		**FLORIDA PUBLIC UTILITIES COMPANY**	
Signature:	Michael A. Underwood	Signature:	
Name Printed:	Michael A. Underwood	Name Printed:	Jeff Sylvester
Title:	VP of Finance	Title:	VP, Customer Care
Date:	11/23/10	Date:	11/19/10

EXHIBIT A
Economic Summary

Item	Amount	Description	Payment Mode
Implementation Fee	$10,000	One-time fee	Invoiced at onset of contract
Transfer of Customer Payments from CheckFreePay to Client	No charge	100% by the second banking Business Day	ACH Transfer credit
Transaction Fee to CheckFreePay	Per Monthly Transaction Volumes listed below**	Per transaction charge to the Client in lieu of a Customer Convenience Fee	Invoiced monthly
Agent Commission Rate	$0.25	Per Transaction Fee for any non-Walmart Agents	Invoiced monthly
Walmart Transaction Fee to CheckFreePay for Walmart transactions only	$0.88	Per transaction charge to the Client for each transaction processed at Walmart, inclusive of both Walmart and CheckFreePay's fees.	Invoiced monthly
Centralized Return Fee	$3.75	Per Returned Item regardless of the number of re-presentments	Invoiced monthly
Returned Items	Face value	Adjustment for the face value of Customer checks returned by the bank for non-sufficient funds or otherwise	ACH Transfer debit
On-line Account Reporting (OAR)	$100.00 per UID	View and download image and report capabilities for Returned Items	Invoiced monthly
Adjustments	Varies	Include but are not limited to: Missing Payments, Customer Payments entered twice, incorrect amount, incorrect utility, and/or incorrect payment type.	ACH transfer Debit/credit
Programming Changes	$200 per hour OR Priced per job	For any change requested after implementation	Invoiced as incurred
Initial Term	42 months	Beginning on the Effective Date	---
Payment of Invoice	Within 30 days	Of date of invoice	---
Late Penalty Charge	1.5%	On unpaid balance	Invoiced monthly

Item	Amount	Description	Payment Mode
* "Real Time" Processing	Monthly recurring and Non-recurring charges	Client will cover the cost of dedicated telephone line for connection from each specified Payment Terminal to CheckFreePay's central computer.	Invoiced monthly
* "Real Time" Memo File	TBD	Per "Real Time" Memo File sent from CheckFreePay to Client no later than fifteen (15) minutes after Customer Payment is processed	Invoiced monthly
* DNAC Database	$7,500	Programming fee	Invoiced when incurred
* DNAC Maintenance Fee	$350 per month	Monthly updating of file from Client of Customer account numbers applicable to DNAC to all Client's Agent Network	Invoiced monthly

*OPTIONAL ITEMS

**__Monthly Transaction Volumes__:

Per Transaction Fee Paid to CheckFreePay by Client:

1-9,999 transactions	$0.65/per transaction
10,000 – 19,999 transactions	$0.55/per transaction
20,000 – 29,999 transactions	$0.45/per transaction
30,000+ transactions	$0.35/per transaction

EXHIBIT B
Walmart as an Agent

Client wishes to have those certain Walmart locations included in its Agent Network for the purposes of the Services Client is receiving from CheckFreePay under the Agreement, and the Client and CheckFreePay agree that the following terms, conditions and exceptions shall apply to Walmart as an Agent under the Agreement:

1. Notwithstanding the terms and conditions of the Agreement:

   (a) Client and/or CheckFreePay in their respective sole discretion, may at any time, upon thirty (30) days prior written notice, reasonably revoke their respective authorizations to allow any or all Authorized Walmart Location(s) to process Client Authorized Payments;

   (b) Client understands and acknowledges and agrees that, Walmart, in its sole discretion, may at any time, upon thirty (30) days prior written notice, revoke its authorization to allow any or all Authorized Walmart Location(s) to process Client Authorized Payments;

   (c) CheckFreePay shall direct Walmart not to charge a customer convenience fee to the consumer for Client Authorized Payments;

   (d) Client shall be charged a "Walmart Agent Commission Rate" in accordance with the Economic Summary of the Agreement;

   (e) Walmart shall post signage that is legally required and, otherwise, as may be reasonably requested by Client in a manner as mutually agreed to by Walmart and CheckFreePay (working in consultation with Client) in connection with the Client Authorized Payments;

   (f) Client understand and acknowledges that Walmart does not provide customized counter slips; and

   (g) Client shall have the right to inspect and review, on CheckFreePay's premises, all Customer Payment Data for payments collected by Walmart under this Agreement once per each twelve (12) month period of the term of this Agreement.

2. Client understands, acknowledges and agrees that, notwithstanding any requirements to the contrary set forth in the Agreement, with respect to the Authorized Walmart locations:

   (a) Client's customers shall be required to present a bill stub in order to make a payment at Authorized Walmart Locations, however, Walmart shall not be required to retain such bill stubs;

   (b) Walmart shall not be required to accept any form of check, including but not limited to bank checks, cashier's checks or personal checks, as tender for Client Authorized Payments; and

   (c) Walmart shall be allowed to accept PIN debit and Walmart gift cards as forms of tender from Client's customers, and shall settle such transactions with CheckFreePay in cash.

3. In the event Walmart is no longer authorized to process Client Authorized Payments pursuant to this Agreement, the parties shall mutually agree upon an amendment to Exhibit A to reflect such fact and to incorporate such other terms and conditions as the parties may mutually agree.

Attachment 46 - FPUC Bill

FLORIDA PUBLIC UTILITIES

Florida Public Utilities
P.O. Box 7005
Marianna, FL 32447-7005
Customer Care: 1-800-427-7712
www.fpuc.com

Account #: **0366420-8**
Service Period: 11/29-12/31
Route: 001977

Page: 1
Billing Date: 01/07/2013

Service Location:
ARMANDO TZUL
14557 SW MARTIN AVE.
INDIANTOWN, FL 34956

Previous Account Balance	Less Payments	Past Due Or Credit Balance	Current Charges	Current Charges Due On	**Total NOW Due**
$23.18	$23.18CR	$0.00	$18.05	01/28/2013	**$18.05**

* A Late Payment Fee will apply if amount due is greater than $5.00 and is not paid by due date.

* Past due balances are due immediately and subject to previous disconnect dates.

* The APR for installment contracts is 18%.

Meter Information - meter # 05F259208

Current Reading		0001038
Previous Reading	-	0001029
CCF's Used	=	9
Multiplying Factor	X	1.0141
Total Therms Used	=	9.12

Energy Usage	Last Year	This Year
Therms This Month	11	9
Therms/Day	0	0
Service Days	31	32

****Amount Includes the following charges****	
Customer Charge	9.00
Usage Charge/Therm @ 0.38483	3.51
Infinite Delivered @ 0.56300	5.13

Effective Immediately| NEW PAYMENT ADDRESS P. O. Box 2137, Salisbury MD 21802

Current Account Activity

Billing For Schedule - TS-1	
Natural Gas Service Amount**	12.51
Florida Gross Receipts Tax	0.41
Current Utility Charges	**12.92**

Current Other Charges

Billing For Infinite	
Infinite Service Amount**	5.13
Current Utility Charges	**5.13**
Total Current Charges	**$18.05**

FLORIDA PUBLIC UTILITIES

Florida Public Utilities
P.O. Box 7005
Marianna, FL 32447-7005

Address Service Requested

Route: 001977

ARMANDO TZUL
P O BOX 1306
INDIANTOWN, FL 34956

To ensure proper credit: Please return this portion with payment, make check / money order payable to CFG and indicate account number.

Current Charges Due On:	01/28/2013
Account Number:	0366420-8
Amount Due:	**$18.05**

Check Number: _____

Amount Enclosed: _____

Please check box to indicate address / phone changes and EFT enrollment on the reverse side. ☐

Florida Public Utilities
P.O. Box 2137
Salisbury, MD 21802-2137

03664208000000000018059

Attachment 46 - IGC Bill

INDIANTOWN
Gas company, inc.
P.O. BOX 8
INDIANTOWN, FLORIDA 34956
772-597-2168 • FAX 772-597-2068

14845 SW SEMINOLE DR

ACCOUNT #	885	DATE	06/30/10
INVOICE #	6/ 7121	DUE	07/15/10

TO/FROM: 06/22/10-05/20/10
100'S CU FT RATE: FC1
FUEL CHG: .7570 NONFUEL: .3918

PRES.	PREV.	USAGE	BILLING FACTOR	
1826	1805	21	1.06	
22.26 THERMS				25.57
CUSTOMER CHARGE				9.00
GROSS RECEIPTS TAX				1.11
PREVIOUS BALANCE				86.52
TOTAL DUE				122.20

DAILY THERMS .6 PRIOR YR .6

PAST DUE AMOUNTS SUBJECT TO FINANCE CHARGE OF 1-1/2% PER MONTH (A.P.R. 18%).

N

ACCOUNT # 885 6/7121-0
RETURN THIS STUB WITH PAYMENT

AMOUNT ENCLOSED _____

ODILIA ESCALANTE
MAIL RETURNED 4/12/10

INDIANTOWN,FL 34956

INDIANTOWN
Gas company, inc.
P.O. BOX 8
INDIANTOWN, FLORIDA 34956
772-597-2168 • FAX 772-597-2068

14557 SW MARTIN AVE.

ACCOUNT #	1420	DATE	07/27/10
INVOICE #	6/ 7154	DUE	08/15/10

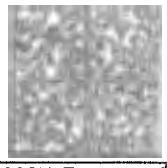
TO/FROM: 07/22/10-06/22/10
100'S CU FT RATE: FC1
FUEL CHG: .7570 NONFUEL: .3918

PRES.	PREV.	USAGE	BILLING FACTOR	
765	756	9	1.06	
9.54 THERMS				10.96
CUSTOMER CHARGE				9.00
GROSS RECEIPTS TAX				0.48
TOTAL DUE				20.44

DAILY THERMS .3 PRIOR YR

PAST DUE AMOUNTS SUBJECT TO FINANCE CHARGE OF 1-1/2% PER MONTH (A.P.R. 18%).

N



UNITED STATES POSTAGE
PITNEY BOWES
02 1P $ 000.28⁰
0003126279 AUG 09 2010
MAILED FROM ZIP CODE 34956

ACCOUNT # 1420 6/7154-1
RETURN THIS STUB WITH PAYMENT

AMOUNT ENCLOSED _____

ARMANDO TZUL
P O BOX 1306

INDIANTOWN,FL 34956

SAFETY NOTICE

NATURAL GAS HAS AN UNUSUAL ODOR, SIMILAR TO ROTTEN EGGS.

1. Natural Gas is lighter than air; therefore, leaks will tend to rise to the ceiling.

2. Under some of the following conditions, you may not be able to smell a gas leak:
   - Colds, Allergies, Sinus Congestion and the use of tobacco, alcohol or drugs may diminish your sense of smell.
   - Cooking or other strong odors may cover up the smell of gas.
   - Some persons are physically unable to detect the smell of gas. If you are one of these people, call us immediately.

3. For these reasons we recommend that you install a gas detector according to the manufacturer's instructions.

4. **WHAT TO DO IF YOU SMELL GAS:**
   a. Put out all smoking material and other open flames.
   b. DO NOT operate a light switch, telephone, cigarette lighter, appliance or thermostat. Any spark in the area where natural gas is present may ignite the gas.
   c. Get everyone out of the building.

5. **CALL INDIANTOWN GAS AT 597-2268 • USE A NEIGHBOR'S PHONE.**

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ORDER NO. PSC-09-0328-PAA-GU
DOCKET NO. 080170-GU
PAGE 8

INDIANTOWN GAS COMPANY
2008 DEPRECIATION STUDY
RATE COMPONENTS
ATTACHMENT A

ACCOUNT		CURRENT AVERAGE REMAINING LIFE (YRS.)	CURRENT NET SALVAGE (%)	CURRENT REMAINING LIFE RATE (%)	COMMISSION APPROVED AVERAGE REMAINING LIFE (YRS.)	COMMISSION APPROVED NET SALVAGE (%)	COMMISSION APPROVED 1/1/2009 (%)	COMMISSION APPROVED REMAINING LIFE RATE (%)
GAS DISTRIBUTION								
376.1	Mains - Plastic	191,859	91,039**	3.3	26.0	-30.0	47.45	3.2
376.2	Mains - Steel	249,316	234,432**	4.2	10.9	-30.0	94.03	3.3
378.0	M&R Equipment - General	59,054	14,527**	3.4	26.0	-20.0	24.60	3.7
380.0	Services - Plastic	105,882	52,094**	3.3	22.0	-35.0	49.20	3.9
381.0	Meters	62,891	22,012**	3.8	13.0	0.0	35.00	5.0
382.0	Meter Installations	15,471	2,785**	2.6	29.0	-5.0	18.00	3.0
383.0	House Regulators	19,667	5,389**	3.0	22.0	0.0	27.40	3.3
385.0	M&R Equipment - Industrial	99,570	61,783**	3.5	11.5	0.0	62.05	3.3
387.0	Other Equipment	0	0	4.0	0.0	0.0	0.00	4.0
	Total Distribution Plant	803,710	484,061					
GENERAL PLANT								
390.0	Structures & Improvements	171,895	43,740	2.5	32.0	0.0	25.45	2.3
391.0	Office Furniture	27,774	11,804	5.0	12.3	0.0	42.50	4.7
391.3	Computer Equipment	6,500	2,092	12.9	6.9	0.0	32.18	9.8
392.0	Transportation Equipment	106,661	43,176	14.8	4.3	10.0	40.48	11.5
394.0	Tools, Shop, and Garage Equip.	5,926	3,751	5.1	8.0	0.0	63.30	4.6
396.0	Power Operated Equipment	35,794	12,816	6.6	9.8	0.0	35.80	6.6
397.0	Communication Equipment	0	0	8.3	0.0	0.0	0.00	9.1 *
398.0	Misc. Equipment	13,647	4,722	NA	6.8	5.0	34.60	8.9
399.0	Computer Software	12,311	5,885	NA	5.1	0.0	47.80	10.2
	Total General Plant	380,508	127,986					
	Total Plant	1,184,218	612,047					

* Denotes whole life rate.
** Denotes restated reserve after corrective measures.