ORIGINAL

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March 28, 2002

BY HAND DELIVERY
Ms. Blanca Bayo, Director
Division of Records and Reporting
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket No. 001783-GU

Dear Ms. Bayo:

Pursuant to Rule 25-8.009, Florida Administrative Code, and FPSC Order No. PSC-01-0627-FOF-GU, issued March 14, 2001, enclosed for filing on behalf of Florida Public Utilities Company are the original and three copies of the following documents:

1. Exhibit C disclosure of information required in Part 1 of the Rule;

2. Exhibit D underwriter disclosure;

3. Original indentures for two new issues:

   $14,000,000 issued 11/1/2001 at 4.9%
   $15,000,000 issued 9/27/01 at 6.85 %;

4. Prospectuses for the two new bond issuances;

5. Form S-3, Registration of the $15,000,000 with the SEC;

6. Underwriting agreement on both issuances;

AUS ___
CAF ___
CMP ___
COM ___
CTR ___
ECR ___
GCL ___
OPC ___
MMS ___
SEC 1
OTH ___

7. Legal counsel on both issuances;

8. Fees pertaining to both issuances; and

9. Merger agreement pertaining to the issuance of shares for the acquisition of Z-Gas Company.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance.

Sincerely,

Norman H. Horton, Jr.

NHH/amb
Enclosure
cc: Mr. George Bachman

NO. 1

Florida Public Utilities Company
Statement of Capital Stock and Debt
December 31, 2001

Preferred Stock without Sinking Fund Requirements:

Dividend Rate	Series	Issue Date	Shares Authorized and Outstanding	Amount Authorized and Outstanding	Annual Dividend Requirement
4.75%		1959	6,000	$ 600,000.00	$ 28,500.00

Other:

Description	Par Value	Issue Date	Shares		Outstanding Amounts
			Authorized	Outstanding	
Common Stock	$ 1.50	1947, 1987, &1998	6,000,000	2,886,284	$ 14,757,904.00
Treasury Stock	$ 1.50			350,691	$ (4,815,383.00)
Affiliated Corporations: Flo-Gas Shares					$ -
Total					$ 9,942,521.00

Florida Public Utilities Company
Statement of Capital Stock and Debt
December 31, 2001

First Mortgage Bonds:

Series	Issue date	Maturity	Principal Outstanding	Proceeds / (Expenses)
9.57%	5/1/1988	5/1/2018	$ 10,000,000	
10.03%	5/1/1988	5/1/2018	$ 5,500,000	
9.08%	6/1/1992	6/1/2022	$ 8,000,000	
4.90%	11/1/2001	11/1/2031	$ 14,000,000	$ (769,426.00)
6 85%	9/27/2001	10/1/2031	$ 15,000,000	$ (472,500.00)
		Total	$ 52,500,000	$(1,241,926.00)

Unsecured Short Term Debt:

	Current Interest Rate	Balance	Proceeds / (Expenses)
December 31, 2000	7.18%	17,900,000	
December 31, 2001	2.72%	20,430,000	(194,425)

Other:

Amount Pledged by Applicant:	0
Amount held in any Fund	0

Pre-tax Interest Coverage: 2.197717

NO. 2

EXHIBIT D
Underwriter Disclosure

$15,000,000 Bond

Issue Date:	September 27, 2001
Maturity Date:	October 1, 2031

Edward D. Jones & Co., L.P.
Edward Jones Investments
7360 Lake Worth Road
Lake Worth, FL 33467

Amount Underwritten:	$15,000,000
Underwriter Discount:	$472,500
Provision for counsel fees:	$5,000
Affiliation:	None

$14,000,000 Bond

Issue Date:	November 1, 2001
Maturity Date:	November 1, 2031

Edward D. Jones & Co., L.P.
Edward Jones Investments
7360 Lake Worth Road
Lake Worth, FL 33467

Amount Underwritten:	$14,000,000
Underwriter Discount:	$420,000
Bond insurance premium:	$349,426
Provision for counsel fees:	$0
Affiliation:	None

- Plus accrued interest to date of delivery

CLOSING INSTRUCTIONS

$14,000,000
Palm Beach County, Florida
Industrial Development Revenue Bonds
(Florida Public Utilities Company Project)
Series 2001

Pre-Closing: The issue will be closed over the telephone and through the mail.

Closing: The Closing will occur on Wednesday, November 14, 2001.

Transfer of Funds: ***9:00 a.m. EDT, November 14, 2001***

1.) Edward Jones will wire Federal Funds in the amount of $349,426, which represents the bond insurance premium, to AMBAC, as follows:

Credit Bank:	Citibank, N.A.
ABA #:	021000089
For credit to:	Ambac Assurance Corporation
Account #:	40609486
Policy No.	18826BE
Attn:	Pamela Dottin (212) 208-3308

2.) Edward Jones will wire $13,675,346.22 of Federal Funds to the Trustee as follows: the $13,675,346.22 represents the purchase price of the Bonds ($14,000,000.00) plus accrued interest ($24,772.22) less the bond insurance premium ($349,426). The Trustee will place $13,370,574 in the Project Fund; $24,772.22 in the Bond Fund; and $280,000 (i.e., 2% of the bond's par) in the Expense Fund.

Destination:	SunTrust Bank
ABA #:	061000104
A/C#:	9088000265
A/C Name:	Florida Public Utilities Trustee
Ref:	FPU 2001 Construction Fund L. Derryberry

NO. 3

Principal p2 $15,000,000
Interest p2 6.85%
Maturity p5 Oct-01-2031

PF 210.9
MAH 1/18/02
all pages

FLORIDA PUBLIC UTILITIES COMPANY

To

SUNTRUST BANK,
Trustee

FOURTEENTH SUPPLEMENTAL INDENTURE

Dated as of September 1, 2001

Providing for the issuance of 6.85% Insured Secured Quarterly Notes

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

TABLE OF CONTENTS

NOTE: ALL REFERENCES TO PF 210.1 etc. PERTAIN TO THE ORIGINAL INDENTURE OR SUPPLEMENTS.

This is a Security Agreement covering Personal Property
as well as a Mortgage upon Real Estate and Other Property

FOURTEENTH SUPPLEMENTAL INDENTURE

THIS FOURTEENTH SUPPLEMENTAL INDENTURE, dated for convenience as of September 1, 2001 (the "*Fourteenth 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 thirteen 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") and the Thirteenth Supplemental Indenture dated as of June 1, 1992 (hereinafter sometimes called the *"Thirteenth 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 and Thirteenth 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 Fourteenth 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 (1)	$10,000,000
9.08% Series due 2022	$ 8,000,000	$ 8,000,000

which constitute the only Bonds outstanding under 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; 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, 6.85% Series due 2031 (hereinafter sometimes referred to as the *"Bonds of the 2031 Series"*) in the principal amount of Fifteen Million Dollars ($15,000,000) 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, since the execution and delivery by the Company of the Thirteenth 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 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, 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

(1) SHOULD READ: $10,000,000, SEE "OUTSTANDING" COLUMN ABOVE AND §1.01 pg 5.

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 is making provisions for the issuance and sale of its Secured Insured Quarterly Notes due 2031 (the "Notes"), to be issued under an Indenture of Trust (the "Note Indenture") to be dated as of September 1, 2001 between the Company and SunTrust Bank as trustee (the "Note Trustee") and to be secured by Bonds of the 2031 Series (as defined below); and

WHEREAS, the Company desires to execute this Fourteenth Supplemental Indenture and hereby requests the Trustee to join in this Fourteenth Supplemental Indenture for the purpose of describing the terms of the Bonds of the 2031 Series and 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 Thirteenth 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, Sixth, Twelfth, Thirteenth and by this Fourteenth 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 Fourteenth Supplemental Indenture and to make this Fourteenth 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 Fourteenth 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, and this Fourteenth Supplemental Indenture 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 Fourteenth 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 and Thirteenth 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, 6.85% 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 Fifteen Million Dollars ($15,000,000) 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 Fourteenth Supplemental Indenture.

Dte: Interest Payable JAN 1 April 1 July 1 OCT 1 V/P 210.9

Pg 15

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 October 1, 2031, and shall bear interest at the rate of 6.85% per annum until the payment of the principal thereof, such interest to be payable quarterly on October 1, October 1, October 1 and October 1 in each year commencing October 1, 2002; provided, however, that the Company shall receive certain credits against principal and interest as set forth in Section 2.1 hereof. Subject to the provisions of Section 2.1 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

PER PF 210.1; §2.08 RELATES TO DATES of BONDS (i.e. all coupon bonds of any one series shall bear the same date)

* PER PF 210.1, §9.29 RELATES TO SUBORDINATION of COUPONS OR CLAIMS for INTEREST AFTER EXTENSION, SEPARATE TRANSFER, etc.

* PER PF 210.1, §3.03 RELATES TO AUTHENTICATION & DELIVERY of BONDS AGAINST NET AMT. of ADDITIONAL PROPERTY.

** PER PF 210.1, §3.04 RELATES TO AUTHENTICATION & DELIVERY of BONDS AGAINST

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 a October 1 interest payment date, or the March 15 next preceding an October 1 interest payment date, or the October 15 next preceding a October 1 payment, or the October 15 next preceding an October 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 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.

See pg 5

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 January 1, April 1, July 1 or October 1, as the case may be, to which interest has been paid, unless such interest payment date is October 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 and the Note 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. Subject to the provisions of the Note 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 October 1, 2006, at the following redemption prices, subject to the terms and conditions set forth in this Fourteenth Supplemental Indenture:

If redeemed during the 12-month period beginning October 1:

Year	Redemption Price
2006	101%
Thereafter	100%

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 at no less than 30 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 determine the amount of any such premium.

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:

* PER PF 210.1, §2.06 RELATES TO EXCHANGE AND TRANSFER OF BONDS.

BOND CERTIFICATE TEMPLATE

[FORM OF FACE OF BOND OF THE 2031 SERIES]

No. RN $15,000,000

FLORIDA PUBLIC UTILITIES COMPANY
Incorporated under the laws of the State of Florida
First Mortgage Bond, 6.85% Series due 2031
Due October 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 under the Indenture of Trust dated as of September 1, 2001, between the Company and such trustee (the "Trustee") or registered assigns, Fifteen Million Dollars ($15,000,000) on October 1, 2031, and to pay to the registered owner hereof interest thereon from the date hereof if prior to January 1, 2002, 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 six and eighty-five one hundreds per centum (6.85%) per annum, quarterly on the first day of January, on the first day of April, on the first day of July and on the first day of October 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 SunTrust Bank, a Georgia corporation (hereinafter sometimes called 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 5.01 of the Fourteenth Supplemental Indenture (hereinafter described); 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 the Fourteenth Supplemental Indenture dated as of September 1, 2001 referred to below.

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 _____.

FLORIDA PUBLIC UTILITIES COMPANY,

By:_____
John T. English,
President and Chief Executive Officer

ATTEST

_____
Jack R. Brown, Secretary

BOND CERTIFICATE TEMPLATE

[FORM OF REVERSE OF BOND OF THE 2031 SERIES]

This Bond is one of the bonds, of a series designated as First Mortgage Bonds, 6.85% 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 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 SunTrust Bank, as 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, 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 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.

Subject to the provisions of the Note 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 October 1, 2006, at the following redemption prices:

If redeemed during the 12-month period beginning October 1:

Year	Redemption Price
2006	101%
Thereafter	100%

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 and §1.03 of the Fourteenth 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.

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 5.01 of the Fourteenth 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 and in the Indenture of Trust dated as of September 1, 2001 between the Company and the Trustee, 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 Fourteenth 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 Fourteenth 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.

* PER PF 210.1B, §2.02 MODIFIES THE CALCULATION FOR RENEWAL & REPLACEMENT FUND.

* PER PF 210.1A, §1.06 RENEWAL & REPLACEMENT FUND INSTRUCTS COMPANY TO PAY TRUSTEE ON OR BEFORE EACH MARCH 15 AN AMOUNT W/ RESPECT TO THE

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.

THIS SECTION BRINGS Rise to FPU's Stmt of EARNINGS AVAILABLE for Divid of C-Stk ref: 6361 P4

See pg 13

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.

* PER PF 210.1A: THIS PROVIDES THAT AS LONG AS BONDS of the 1975 Series REMAIN O/S, FPU COVENANTS AND AGREES TO VARIOUS RULES.

** PER PF 210.1B, WORDING to §1.08(a) PF 210.1A WAS MODIFIED TO CORRECT TYPO.

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. In addition to any other credit, payment or satisfaction to which the Company is entitled with respect to the Bonds of the 2031 Series, the Company shall be entitled to credits against amounts otherwise payable in respect of the Bonds of the 2031 Series in an amount corresponding to (i) the principal amount of any of the Company's Notes issued under the Note Indenture surrendered to the Note Trustee by the Company, or purchased by the Note Trustee, for cancellation, (ii) the amount of money held by the Note Trustee and available and designated for the payment of principal of, and/or interest on, the Notes, regardless of the source of payment to the Note Trustee of such moneys and (iii) the amount by which principal of and interest due on the Bonds of the 2031 Series exceeds principal of and interest due on the Notes. The Note Trustee shall make notation on such Bonds authorized hereby of any such credit.

Section 2.02. A certificate of the Company signed by the President OR any Vice President, and attested to by the Secretary or any Assistant Secretary, and consented to by the Note Trustee, stating that the Company is entitled to a credit under Section 2.01 hereof or that Bonds of the 2031 Series have been canceled, and setting forth the basis therefor in reasonable detail, shall be conclusive evidence of such entitlement, and the Trustee shall accept such certificate as such evidence without further investigation or verification of the matters stated therein.

Section 2.03. Notwithstanding anything in this Supplemental Indenture to the contrary the obligation of the Company to make payment with respect to the principal and premium, if any, and interest on the Bonds of the 2031 Series shall be deemed satisfied and discharged if at any time: (x) 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, (y) the Company shall have delivered to the Note Trustee for cancellation all outstanding Notes, or (z) the Company shall have irrevocably deposited or caused to be irrevocably deposited with the Note 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 Note 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.

When obligation of the Company to make payment with respect to the principal of and premium, if any, and interest on the Bonds of the 2031 Series shall be satisfied or deemed satisfied pursuant to this Section 2.03 hereof, the holders of Bonds of the 2031 Series shall, upon written request of the Company, deliver without cost to the Company all of the Bonds of the 2031 Series, together with such appropriate instruments of transfer or release as may be reasonably requested by the Company. All Bonds of the 2031 Series delivered to the Company in accordance with this Section 2.03 shall be delivered by the Company to the Trustee for cancellation.

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 4
MODIFICATION OF THE ORIGINAL INDENTURE

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 (2-1/2) times" and substituting in place thereof the words "two (2) times" and the acceptance of any Bond of the Bonds of the 2031 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 2031 Series and Bonds of any other 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 2031 Series and any such other series shall be outstanding.

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 $38,500,000; 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 and $15,000,000 principal amount of First Mortgage Bonds, 6.85% 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 Fourteenth 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 Fourteenth 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.

(1) PER PF 210.1, §3.03 RELATES TO AUTHENTICATION AND DELIVERY of BONDS AGAINST NET AMOUNT of ADDITIONAL PROPERTY. THIS PERTAINS TO FPU's PREPARATION of BONDABLE ADDITIONS AND BOND ISSUABLE SCHEDULE (ref: 6362) AND ANNUAL RENEWAL AND REPLACEMENT FUND (ref: 6363).

(2) PER PF 210.1, §3.04 RELATES TO AUTHENTICATION AND DELIVERY of BONDS AGAINST RETIREMENT of BONDS.

(3) PER PF 210.1, §3.05 RELATES TO " " " " " " DEPOSIT of CASH.

Section 6.04. Whenever reference is herein in this Fourteenth 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 and the Thirteenth 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 Fourteenth 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, or this Fourteenth 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.

Section 6.06. The titles of Articles and any wording on the cover of this Fourteenth 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 Fourteenth 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 Fourteenth Supplemental Indenture is dated for convenience and for the purpose of reference as of September 1, 2002, 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 Fourteenth 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 Fourteenth 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 Fourteenth 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 Fourteenth 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: _____
LISA DERRYBERRY, Vice President

Attest: _____
Stacey Johnson, Trust Officer

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 21 day of September, 2001.

Peter E Reinert
(Notarial Seal)

Peter E Reinert
My Commission CC801299
Expires January 11, 2003

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 LISA DERRYBERRY and Stacey Johnson, 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 SUNTRUST BANK described in and which executed said instrument; and the said LISA DERRYBERRY acknowledged and declared that she as Vice President of said corporation and being duly authorized by it, freely and voluntarily, signed its 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. And said Stacey Johnson 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 here unto set my hand and official seal at the City of Orlando in said State and County this 25th day of September, 2001.

Andrea L Lathrop
MY COMMISSION # CC831145 EXPIRES
April 28, 2003
BONDED THRU TROY FAIN INSURANCE, INC.

Andrea L. Lathrop
(Notarial Seal)

LOAN AGREEMENT

dated as of November 1, 2001

between

PALM BEACH COUNTY, FLORIDA

and

FLORIDA PUBLIC UTILITIES COMPANY

Industrial Development Revenue Bonds
(Florida Public Utilities Company Project)
Series 2001

(c) Neither the execution and delivery by the Issuer of this Loan Agreement nor the consummation by the Issuer of the transactions contemplated by this Loan Agreement conflicts with, will result in a breach of or default under or will (except with respect to the lien of the Indenture) result in the imposition of any lien on any property of the Issuer pursuant to the terms, conditions or provisions of any statute, order, rule, regulation, agreement or instrument to which the Issuer is a party or by which it is bound.

(d) Each of this Loan Agreement and the Indenture has been duly authorized, executed and delivered by the Issuer and each constitutes the legal, valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms subject, as to the enforcement of remedies, to any applicable bankruptcy, reorganization, insolvency or other similar laws affecting creditors' rights generally.

(e) There is no litigation or proceeding pending, or to the knowledge of the Issuer after due inquiry threatened, against the Issuer, or affecting it, which could adversely affect the validity of this Loan Agreement, the Indenture or the Bonds or the ability of the Issuer to comply with its obligations under this Loan Agreement, the Indenture or the Bonds.

(f) The Issuer hereby finds and determines that, based on representations of the Company, all requirements of the Act have been complied with and that the financing of the Costs of the Project through the issuance of the Bonds will further the public purposes of the Act.

(g) No member, director, officer or official of the Issuer has any interest (financial, employment or other) prohibited by law in the Company, or the transactions contemplated by this Loan Agreement.

(h) The Issuer will apply the proceeds from the sale of the Bonds as specified in the Indenture and this Loan Agreement. So long as any of the Bonds remain outstanding and except as may be authorized by the Indenture, the Issuer will not issue or sell any bonds or obligations, other than the Bonds, the principal of or premium, if any, or interest on which will be payable from the property described in the granting clause of the Indenture.

Section 2.2 Representations of Company. The Company represents as follows:

(a) The Company (1) is a corporation duly incorporated, validly existing and in good standing in the State, (2) is duly qualified to transact business and is in good standing in every state where its ownership of property or the conduct of business requires that it be so qualified, (3) is not in violation of any provision of its Articles of Incorporation or its By-laws, (4) has full corporate power to own its properties and conduct its business, (5) has full legal right, power and authority to enter into this Loan Agreement and the Mortgage and to issue its [^] First Mortgage Bonds and consummate all transactions contemplated by this Loan Agreement and the Mortgage and (6) by proper corporate action has duly authorized the execution and delivery of this Loan Agreement, the Mortgage and the [^] First Mortgage Bonds.

(b) Neither the execution and delivery by the Company of this Loan Agreement, the Mortgage or the [^] First Mortgage Bonds nor the consummation by the Company of the transactions contemplated by this Loan Agreement conflicts with or will result in a breach of or default under the Articles of Incorporation or By-laws of the Company or the terms, conditions or provisions of any corporate restriction or any statute, order, rule, regulation, agreement or instrument to which the Company is a party or by which it is bound.

the Company Representative. In the event any of said persons, or any successor appointed pursuant to the provisions of this Section, should resign or become unavailable or unable to take any action or make any certificate provided for in this Loan Agreement or the Indenture, another Company Representative or alternate Company Representative shall thereupon be appointed by the Company. If the Company fails to make such designation within 10 days following the date when the then incumbent resigns or becomes unavailable or unable to take any of the said actions, the Treasurer of the Company shall serve as the Company Representative.

Whenever under the provisions of this Loan Agreement or the Indenture the approval of the Company is required or the Issuer is required to take some action at the request of the Company, such approval or such request shall be made by the Company Representative or alternate Company Representative unless otherwise specified in this Loan Agreement or the Indenture, and the Issuer or the Trustee shall be authorized to act on any such approval or request.

Section 3.3 Maintenance of Project. The Company will at all times make or cause to be made such expenditures by means of renewals, replacements, repairs, maintenance, or otherwise as shall be necessary to maintain, preserve and keep the Project in good repair, physical condition, working order and condition and in a state of good operating efficiency, except that the Company may abandon any portion of the Project if in its opinion the abandonment of such portion is desirable in the proper conduct of its business and in the operation of its properties or is otherwise in its best interests.

ARTICLE IV

ISSUANCE OF BONDS; LOAN TO COMPANY

Section 4.1 Issuance of Bonds; Loan to Company. In order to pay a portion of the Costs of the Project, the Issuer will issue, sell and deliver the Bonds to the initial purchasers thereof and cause the proceeds thereof to be disbursed or deposited with the Trustee as provided in **Article IV** of the Indenture. Such disbursement shall constitute a loan to the Company under this Loan Agreement. The Issuer authorizes the Trustee to disburse the proceeds of the Bonds so deposited with it into the various funds as provided in **Section 4.02** of the Indenture and to make disbursements out of such funds as in said **Article IV** provided. The Company covenants to pay directly to the Trustee at the time the proceeds of the Bonds are paid out or deposited with the Trustee, the amounts provided to be so paid by the Company in **Section 4.02** of the Indenture. If the proceeds of the Bonds are not sufficient to pay the Costs of the Project, the Company shall at its own expense and without any right of reimbursement in respect thereof pay all additional amounts necessary to pay such Costs. The Company hereby approves the Indenture and the issuance by the Issuer of the Bonds.

ARTICLE V

REPAYMENT OF LOAN; PURCHASE OF BONDS

Section 5.1 Repayment of Loan; Purchase of Bonds in the Event of Death of a Bondholder. The Company will repay the loan made to it under **Section 4.1** as follows: Before 11:00 a.m. (local time at the principal corporate office of the Trustee) on each day on which any payment of either principal of and interest on the Bonds, or both, shall become due (whether at maturity, or upon redemption or acceleration or otherwise), the Company will pay, in immediately available funds, an amount which, together with other moneys held by the Trustee under the Indenture and available therefor, will enable the Trustee to make such payment in full in a timely manner. If the Company does not intend or will be unable to make the payments to the Trustee in this **Section 5.1** provided, the Company shall give telephonic notice of the fact thereof to the Bond Insurer, promptly confirmed in writing, not less than two days prior to the date such payment is due. It is intended that payments made with respect to the [^]

fees and expenses, including attorneys' fees, of the Trustee for any extraordinary services rendered by it under the Indenture; provided that the Company may, without creating an Event of Default, delay making any payment under clause (ii) while it contests in good faith the necessity for, reasonableness of, or reasonableness of amount of, such extraordinary services and expenses. All such fees and expenses are to be paid directly to the Trustee or other fiduciary or agent for its own account as and when such fees and expenses become due and payable.

(c) All other reasonable fees and expenses incurred in connection with the issuance of the Bonds, including but not limited to all costs associated with any discontinuance of the book-entry only system.

(d) Any amounts required to be deposited in the Rebate Fund pursuant to the Rebate and Investment Instructions.

Section 5.4 Prepayments.

(a) Subject to the terms and provisions of the Mortgage and the Indenture, the Company may at any time prepay to the Trustee all or any part of the amounts payable under **Section 5.2** on the [^] First Mortgage Bonds. A prepayment shall not relieve the Company of its obligations under this Loan Agreement until all the Bonds have been paid or provision for the payment of all the Bonds has been made in accordance with the Indenture. In the event of a mandatory redemption of the Bonds, the Company will prepay all amounts necessary for such redemption. If the Company prepays the [^] First Mortgage Bonds in accordance with the terms of such bonds, the Mortgage, the Bonds and the Indenture, the Company's obligations under **Section 5.1** will be satisfied and there will be a corresponding redemption of the Bonds.

(b) Redemption of the Bonds with proceeds derived under **Section 4.03** of the Indenture shall be deemed to be a prepayment of the [^] First Mortgage Bonds in the same aggregate principal amount as the Bonds so redeemed.

Section 5.5 Payments Assigned; Obligations of Company Unconditional. It is understood and agreed that all right, title and interest of the Issuer to this Loan Agreement and the [^] First Mortgage Bonds are assigned to the Trustee. The Company assents to such assignment, and hereby agrees that the obligations of the Company to make the payments required by **Sections 5.1, 5.2** and **5.3** and to perform its other agreements contained in this Loan Agreement and under the [^] First Mortgage Bonds shall be absolute and unconditional. Until the principal of and interest on the Bonds shall have been fully paid or provision for the payment of the Bonds made in accordance with the Indenture, the Company (a) will not suspend or discontinue any payments provided for in **Section 5.1, 5.2** or **5.3** hereof, (b) will perform all its other agreements in this Loan Agreement and (c) will not terminate this Loan Agreement for any cause including any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the laws of the United States or of the State or any political subdivision of either or any failure of the Issuer to perform any of its agreements, whether express or implied, or any duty, liability or obligation arising from or connected with this Loan Agreement.

ARTICLE VI

OTHER COMPANY AGREEMENTS

Section 6.1 Maintenance of Existence. Except as provided in and subject to **Section 5.03** of the Mortgage, the Company agrees that during the term of this Loan Agreement and so long as any Bond is outstanding, it will maintain its corporate existence, will continue to be a corporation in good standing

remedy under this Loan Agreement in the event of any failure of the Company to comply with the Continuing Disclosure Agreement shall be the remedy of specific performance; however, the Trustee may (and, at the request of the Underwriter (as defined in the Continuing Disclosure Agreement) or the holders of at least twenty-five percent (25%) aggregate principal amount in outstanding Bonds, shall) or any Bondholder or Beneficial Owner may seek specific performance by court order to cause the Company to comply with its obligations under this Section. Neither the Trustee nor any Bondholder shall have any right to monetary damages or any other remedy for any failure of the Company to comply with any provision of the Continuing Disclosure Agreement, except the remedy of specific performance by the Company to comply with such provision. For purposes of this Section, "Beneficial Owner" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Section 6.6 Accounting at Bond Insurer's Request. The Bond Insurer 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 the Bond Insurer 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 interest of any Bondholders.

ARTICLE VII

NO RECOURSE TO ISSUER; INDEMNIFICATION

Section 7.1 No Recourse to Issuer. The Issuer will not be obligated to pay the Bonds except from revenues provided by the Company. The issuance of the Bonds will not directly or indirectly or contingently obligate the Issuer or the State to levy or pledge any form of taxation whatever or to make any appropriation for their payment. Neither the Issuer nor any officer, employee or agent of the Issuer nor any person executing the Bonds shall be liable personally for the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds.

Section 7.2 Indemnification. The Company during the term of this Loan Agreement releases the Issuer and the Trustee, their members, officers, directors, employees and agents from and covenants and agrees that the Issuer and the Trustee, their members, officers, directors, employees and agents shall not be liable for, and agrees to indemnify and hold the Issuer and the Trustee, their members, directors, officers, employees and agents harmless against, any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project, provided that the indemnity shall not be effective for damages that result from the negligence or willful misconduct on the part of the Issuer or the Trustee, their members, officers, directors, employees or agents. The Company will also indemnify and save harmless the Issuer and the Trustee, their members, officers, directors, employees or agents from and against any and all losses, costs, charges, expenses, judgments and liabilities imposed upon or asserted against it or them with respect to the Project on account of any failure on the part of the Company to perform or comply with any of the provisions of this Loan Agreement.

ARTICLE VIII

ASSIGNMENT

Section 8.1 Assignment by Company. The Company may assign its rights and obligations under this Loan Agreement with the prior written consent of the Issuer, but no assignment will relieve the Company from primary liability for any obligations under this Loan Agreement.

Section 10.3 Severability. If any provision of this Loan Agreement shall be determined to be unenforceable at any time, that shall not affect any other provision of this Loan Agreement or the enforceability of that provision at any other time.

Section 10.4 Amendments. After the issuance of the Bonds, this Loan Agreement may not be effectively amended or terminated without the written consent of the Trustee and in accordance with the provisions of the Indenture.

Section 10.5 Right of Company To Perform Issuer's Agreements. The Issuer irrevocably authorizes and empowers the Company to perform in the name and on behalf of the Issuer any agreement made by the Issuer in this Loan Agreement or in the Indenture which the Issuer fails to perform in a timely fashion if the continuance of such failure could result in an Event of Default. This Section will not require the Company to perform any agreement of the Issuer.

Section 10.6 Applicable Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State.

Section 10.7 Captions; References to Sections. The captions in this Loan Agreement are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Loan Agreement. References to Articles and Sections are to the Articles and Sections of this Loan Agreement, unless the context otherwise requires.

Section 10.8 Complete Agreement. This Loan Agreement represents the entire agreement between the Issuer and the Company with respect to its subject matter.

Section 10.9 Termination. When no Bonds are outstanding under the Indenture, the Company and the Issuer shall not have any further obligations under this Loan Agreement; provided that the Company's covenants in **Sections 6.4** and **6.5**, and the provisions of **Section 5.4** with respect to mandatory redemption of the Bonds, shall survive so long as any Bond remains unpaid.

Section 10.10 Counterparts. This Loan Agreement may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

PALM BEACH COUNTY, FLORIDA

(SEAL)

By: _____
Chairman

ATTEST:

By: _____

SUNTRUST BANK, as trustee

(SEAL)

By: _____
Vice President

EXHIBIT A

PROJECT DESCRIPTION

The Project consists of the following facilities owned or to be owned and operated by Florida Public ~~[^]~~ Utilities Company:

System improvements including, but not limited to the construction of gas line to serve Lake Worth Generation's new power plant. The estimated cost of the project is $_____.

INDENTURE OF TRUST

Table of Contents

Agreement (excluding, however, any amounts payable to meet the rebate requirements of Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code")), to bring actions and proceedings under the [^] First Mortgage Bonds and the Loan Agreement or for the enforcement of the [^] First Mortgage Bonds and the Loan Agreement and to do all things that the Issuer is entitled to do under the [^] First Mortgage Bonds and the Loan Agreement, but excluding the Unassigned Rights (as hereinafter defined), (b) all moneys and securities held from time to time by the Trustee under this Indenture as provided in this Indenture, except the Rebate Fund and as otherwise provided in this Indenture, and (c) all proceeds of the foregoing, all for the equal and proportionate benefit of all holders of the Bonds without priority or distinction as to lien or otherwise of any Bonds over any other Bonds.

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01 Definitions. For all purposes of this Indenture, unless the context requires otherwise, the following terms shall have the following meanings:

"Act" shall mean Chapter 159, [^] Part II [^], Florida Statutes, as amended, and other applicable provisions of law.

"Bond Insurer" shall mean AMBAC Assurance Corporation, a Wisconsin-domiciled stock insurance company.

"Bond Fund" shall mean the fund of that name created pursuant to **Section 4.01(a)** hereof.

"Bondholder" or **"holder"** shall mean the registered owner of any Bond.

"Bonds" or **"Bond"** shall mean one or more of the Bonds issued pursuant to this Indenture.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which banks in New York, New York, or the city of the Trustee's principal corporate trust office are required or authorized to close.

"Code" shall mean the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor of the Code, and all applicable regulations (whether proposed, temporary or final) under that Code and the statutory predecessor of the Code, and any successor provisions to the provisions of the Code and those regulations and any official rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Bonds.

"Company" shall mean Florida Public Utilities Corporation, a Florida corporation, and its successors and assigns, and any surviving, resulting or transferee entity as provided in **Section 6.1** of the Loan Agreement.

"Company Representative" shall mean a person at the time designated to act on behalf of the Company in matters related to this Indenture by a written instrument furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Company by any of its officers. The certificate may designate an alternate or alternates. A Company Representative may be an employee of the Company.

"Construction Fund" shall mean the fund of that name created pursuant to **Section 4.01(c)** hereof.

"**Mortgage Trustee**" shall mean the trustee or trustees at the time acting as such under the Mortgage; provided, however, that when notice or other filings are required hereunder to be made with the Mortgage Trustee, such notice or other filings need only be given to or made with ~~[A]~~ Sun Trust Bank, as long as it is acting as trustee under the Mortgage.

"**Non-Arbitrage and Rebate Certificate**" shall mean the Non-Arbitrage and Rebate Certificate of the Authority and all certificates of other parties attached as exhibits thereto.

"**Opinion of Counsel**" shall mean a written opinion of counsel who is acceptable to the Trustee. Such counsel may be an employee of or counsel to the Issuer, the Trustee or the Company.

"**Opinion of Tax Counsel**" shall mean an Opinion of Counsel experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions.

The term "**outstanding**" when used with reference to Bonds, or "**Bonds outstanding**" means all Bonds which have been authenticated and delivered by the Trustee under this Indenture, except the following:

(a) Bonds canceled or purchased by or delivered to the Trustee for cancellation.

(b) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment, including interest accrued to the due date, of which sufficient moneys are held by the Trustee.

(c) Bonds deemed paid by **Section 6.01** except as described in the last paragraph of **Section 6.01**.

(d) Bonds in lieu of which others have been authenticated under **Section 2.05** (relating to registration and exchange of Bonds) or **Section 2.06** (relating to mutilated, lost, stolen or destroyed Bonds).

"**Permitted Investments**" shall mean those investments listed in **Exhibit B** hereto, provided that any investment or deposit therein described is not prohibited by applicable law or the Rebate and Investment Instructions. All such securities so purchased shall mature or be redeemable at the option of the owner on a date or dates prior to the time when, in the judgment of the Company, the funds so invested will be required for expenditure. The express judgment of the Company as to the time when any funds will be required for expenditure or be redeemable shall be final and conclusive.

The term "**principal,**" when used with reference to any Bonds, includes any premium payable on those Bonds.

"**Project**" shall mean the gas line and system improvements financed from the proceeds of the Bonds and described in **Exhibit A** to the Loan Agreement.

["**Rating Agency**" shall mean S&P.]

"**Rating Category**" shall mean one of the long-term or short-term rating categories of S&P; provided, however, that any refinement or gradation of a general rating category by a numerical modifier or otherwise shall not be deemed to be a separate Rating Category.

ARTICLE II

THE BONDS

Section 2.01 Issuance of Bonds; Form; Dating. The Bonds shall be designated "Industrial Development Revenue Bonds (Florida Public Utilities Company Project) Series 2001." The total principal amount of the Bonds that may be outstanding under this Indenture shall not exceed $14,600,000, except as provided in Section 2.06 with respect to replacement of mutilated, lost, stolen or destroyed Bonds. The Bonds shall be substantially in the form of Exhibit A which is part of this Indenture, in the denominations provided for in the Bonds. The Bonds may have notations, legends or endorsements required by law or usage.

All Bonds will be dated November 1, 2001 and shall mature, subject to prior redemption, on November 1, 2031. Bonds issued in exchange for Bonds surrendered for transfer or exchange or in place of mutilated, lost, stolen or destroyed Bonds will bear interest from the last date to which interest has been paid in full on the Bonds being transferred, exchanged or replaced or, if no interest has been paid, from the date of their initial issuance. Bonds will be numbered as determined by the Trustee.

Upon the execution and delivery of this Indenture, the Issuer will execute and deliver to the Trustee, and the Trustee will authenticate, the Bonds and deliver them to or upon the order of the purchaser or purchasers as directed by the Issuer.

Section 2.02 Interest on the Bonds. The Bonds shall bear interest from November 1, 2001 (or from the last date to which interest has been paid in full) at the rate of _____ percent (____%) per annum (computed on the basis of a 360 day year of twelve 30-day months) until the payment of principal. Interest on the Bonds will be payable on the first days of May and November of each year commencing on May 1, 2002.

Section 2.03 Execution and Authentication. The Bonds will be signed on behalf of the Issuer with the manual or facsimile signature of its Chairman or Vice Chairman and attested by the manual or facsimile signature of its Secretary or Assistant Secretary, and the seal of the Issuer will be impressed or imprinted on the Bonds by facsimile or otherwise. If an officer of the Issuer whose signature is on a Bond no longer holds that office at the time the Trustee authenticates the Bond, the Bond shall nevertheless be valid. Also, if a person signing a Bond is the proper officer on the actual date of execution, the Bond shall be valid even if that person is not the proper officer on the nominal date of action.

A Bond shall not be valid for any purpose under this Indenture until the Trustee manually signs the certificate of authentication on the Bond. Such signature shall be conclusive evidence that the Bond has been authenticated under this Indenture.

Section 2.06 Mutilated, Lost, Stolen or Destroyed. If any Bond is mutilated, lost, stolen or destroyed, the Trustee will authenticate a new Bond of the same denomination if any mutilated Bond shall first be surrendered to the Trustee, and if, in the case of any lost, stolen or destroyed Bond, there shall first be furnished to the Trustee evidence of such loss, theft or destruction, together with an indemnity, satisfactory to the Trustee to save each of the Issuer, the Company and the Trustee harmless. If the Bond has matured, is about to mature or has been called for redemption, instead of issuing a duplicate Bond, the Trustee may with the consent of the Company pay the Bond without requiring surrender of the Bond (except in the case of a mutilated Bond) and make such requirements as the Trustee deems fit for its protection, including a lost instrument bond. The Issuer, the Company and the Trustee may charge their reasonable fees and expenses in this connection.

Section 2.07 Cancellation of Bonds. Whenever a Bond is delivered to the Trustee for cancellation (upon payment, redemption or otherwise), or for transfer, exchange or replacement pursuant to **Section 2.05** or **2.06**, such Bond will be delivered to the Trustee, and the Trustee will promptly cancel and, in accordance with applicable law, destroy the Bond and issue a certificate of destruction to the Company and the Issuer.

Section 2.08 Temporary Bonds. Until definitive Bonds are ready for delivery, the Issuer may execute and the Trustee will authenticate temporary Bonds substantially in the form of the definitive Bonds, with appropriate variations. The Issuer will, without unreasonable delay, prepare and the Trustee will authenticate definitive Bonds in exchange for the temporary Bonds. Such exchange shall be made by the Trustee without charge to the Bondholders.

Section 2.09 DTC Book-Entry. The Bonds shall be initially issued in the name of Cede & Co., as nominee for DTC, as registered owner of the Bonds, and held in the custody of DTC or its agent. A single certificate will be issued and delivered to DTC or its agent for each maturity of the Bonds. The actual purchasers of the Bonds (the "Beneficial Owners") will not receive physical delivery of Bond certificates except as provided herein. Beneficial Owners are expected to receive a written confirmation of their purchase providing details of each Bond acquired. For so long as DTC shall continue to serve as securities depository for the Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Bonds is to receive, hold or deliver any Bond certificate.

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover such Beneficial Owner's allocable share of any tax, fee or other governmental charge that may be imposed in relation thereto.

Bond certificates are required to be delivered to and registered in the name of the Beneficial Owner, under the following circumstances:

(a) DTC determines to discontinue providing its service with respect to the Bonds. Such a determination may be made at any time by giving notice to the Issuer and the Trustee and discharging its responsibilities with respect thereto under applicable law.

(b) The Issuer, with the concurrence of the Company, determines that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners.

The Issuer and the Trustee will recognize DTC or its nominee as the Bondowner for all purposes, including notices and voting.

price, (4) the address at which the Bonds must be surrendered and (5) that interest on the Bonds called for redemption ceases to accrue on the redemption date.

Failure to give any required notice of redemption as to any particular Bonds or any defect therein will not affect the validity of the call for redemption of any Bonds in respect of which no such failure has occurred. Any notice mailed as provided in the Bonds will be conclusively presumed to have been given whether or not actually received by any holder.

(b) *Additional Notice of Redemption.* Except as provided in paragraph (c) of this Section, in addition to the redemption notice required above, if there is more than one registered owner of all the Bonds, further notice (the "Additional Notice") shall be given by the Trustee as set out below. No defect in the Additional Notice nor any failure to give all or any portion of the Additional Notice shall in any manner defeat the effectiveness of a call for redemption if notice is given as prescribed in paragraph (a) above.

(1) Each Additional Notice of redemption shall contain the information required in paragraph (a) above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of the Bonds; (iii) the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Upon the payment of the redemption price of the Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear or have enclosed the CUSIP number identifying, by series and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(3) Each Additional Notice of redemption shall be sent at least 35 days before the redemption date by registered or certified mail or overnight delivery service to all registered securities depositories then in the business of holding substantial amounts of obligations similar to the Bonds (such depository now being Depository Trust Company of New York, New York) and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(c) *Notice of Purchase in the Event of Death of a Bondholder.* The Trustee shall give notice to the Bond Insurer, the Company and the Mortgage Trustee of each request for purchase pursuant to the provisions of the Bonds with respect to the death of a Bondholder. The notice shall identify the Bonds to be purchased and the purchase date thereof. The Trustee shall give such notice within fifteen days of the date set for purchase. Paragraph (a) and (b) of this Section shall not apply to purchases made by the Company pursuant to the provisions of the Bonds with respect to the death of a Bondholder.

Section 3.05 Payment of Bonds Called for Redemption. Upon surrender to the Trustee, Bonds called for redemption shall be paid at the redemption price stated in the notice, plus interest accrued to the redemption date.

Section 3.06 Bonds Redeemed in Part. Upon surrender of a Bond redeemed in part, the Trustee will authenticate for the holder a new Bond or Bonds equal in principal amount to the unredeemed portion of the Bond surrendered.

ARTICLE IV

Section 4.03 **Construction Fund.** The moneys on deposit in the Construction Fund shall be paid out by the Trustee from time to time, for the purpose of paying the Cost of the Project, but only upon receipt of a Written Request for payment signed by the Company Representative and stating with respect to each such payment:

(i) the amount requested to be paid,

(ii) the name and address of the Person, firm or corporation to whom such payment is or has been made,

(iii) a description, in reasonable detail, of the particular Costs for which payment is being requested,

(iv) that such Costs are valid "costs" of "utilities" and/or "distribution facilities" as described or defined in the Act, and the purpose for which such payment is to be made is one for which moneys are authorized under the Loan Agreement and the Tax Certificate to be expended for the acquisition or construction of such facilities of the Company, and

(v) that no part of such Costs was included in any other Written Request previously filed with the Trustee under the provisions hereof or reimbursed to the Company from proceeds of the Bonds.

(b) In addition to the documents required by the provisions of subsection (a) of this Section, the Trustee may require as a condition precedent to any payment or withdrawal from the Construction Fund further evidence with respect thereto or with respect to the application of any moneys previously disbursed or as to the correctness of any statement made in any requisition. The Trustee shall, however, be under no duty to require such evidence or to make any independent investigation in connection with any such payment or withdrawal. The Trustee shall not be liable for any misapplication of moneys in the Construction Fund if such moneys shall have been disbursed pursuant to the provisions of this Section and the Trustee is without knowledge or reason to believe that any disbursement constitutes a misapplication of funds.

(c) The completion of the Project described in **Exhibit A** to the Loan Agreement shall be evidenced by the filing with the Trustee of the certificate of the Company Representative as required by the provisions of the Loan Agreement which shall include information with respect to amounts which are to be retained in the Construction Fund and shall include written directions by the Company Representative to the Trustee for the investment of any money so to be retained in the Construction Fund. Such written direction shall include an Opinion of Tax Counsel that such investment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. As soon as practicable and in any event within sixty (60) days from the receipt by the Trustee of such certificate, any balance remaining in the Construction Fund shall without further authorization be deposited by the Trustee to the Bond Fund, with advice to the Issuer, the Mortgage Trustee and the Company of such action.

Section 4.04 **Payments of Bonds.** The Trustee will make payments of principal of and interest on the Bonds from moneys deposited in the Bond Fund. The Trustee will deposit in the Bond Fund all moneys paid on the [~~^~~] First Mortgage Bonds or by the Company pursuant to the Loan Agreement or under any provisions of this Indenture or the Bonds and from any other moneys available to the Trustee for that purpose. Upon receipt of money representing a prepayment on the [~~^~~] First Mortgage Bonds, the Trustee will acknowledge such receipt to the Mortgage Trustee. The Trustee will notify the Mortgage

Section 4.06 **Investment Income.** Interest income and gain received, or loss realized, from investments of moneys in any fund or account shall be credited or charged, as the case may be, to such respective fund or account. Investment income and gain credited to the Bond Fund shall be a credit against the next forthcoming payment made on the [^] First Mortgage Bonds or pursuant to the Loan Agreement to be deposited to such Fund. The credits provided by this Section shall not be made if the Company Representative directs that such moneys are otherwise required to be deposited in the Rebate Fund.

Section 4.07 **Non-Presentment of Bonds.** In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Issuer to the holder thereof for the payment of such Bond, shall forthwith cease, determine and be completely discharged and thereupon it shall be the duty of the Trustee to hold such funds in trust, without liability for interest thereon, for the benefit of the holder, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Indenture or on or with respect to said Bond. If any Bond shall not be presented for payment within two years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall repay to the Company the funds theretofore held by it for payment of such Bond, without liability for interest thereon, and such Bond shall, subject to the defense of any applicable statute of limitations, thereafter be an unsecured obligation of the Company, and the holder thereof shall be entitled to look only to the Company for payment, and then only to the extent of the amount so repaid, and the Company shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

ARTICLE V

COVENANTS

Section 5.01 **Payment of Bonds.** The Issuer will promptly pay the principal of and interest on the Bonds on the dates and in the manner provided in the Bonds, but only from the amounts assigned to and held by the Trustee under this Indenture.

Section 5.02 **Further Assurances.** The Issuer will execute and deliver such supplemental indentures and such further instruments, and do such further acts, as the Trustee may reasonably require for the better assuring, assigning and confirming to the Trustee the amounts assigned under this Indenture for the payment of the Bonds.

Section 5.03 **Performance of Covenants.** The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions on its part to be performed as provide herein, in each and every Bond executed, authenticated and delivered hereunder and in all proceedings of the Issuer pertaining thereto.

Section 5.04 **Rights Under [^] First Mortgage Bonds and Loan Agreement.** The Issuer agrees that the Trustee in its own name or in the name of the Issuer upon notice to the Issuer may enforce all rights of the Issuer and all obligations of the Company (except with respect to the Issuer's rights to indemnity, to receive notices and consents and to reimbursement or payment of fees and expenses) under the [^] First Mortgage Bonds and the Loan Agreement for and on behalf of the Bondholders, whether or not the Issuer is then in default hereunder.

Section 5.05 **Protection of Lien.** The Issuer hereby agrees not to make or create or to agree to permit to be made or created any assignment or lien on a parity with or having priority or preference over the assignment and lien hereof upon the interests granted hereby or any part thereof except as otherwise

that the deposit of such cash or Government Securities will not cause the Bonds to become "arbitrage bonds" under Section 148 of the Code.

Also, if any Bond is to be redeemed prior to maturity, notice of redemption of such Bond must be given in accordance with Article III in order for such deposit to be deemed a payment of such Bond. If any Bond is not to be redeemed or paid within the next 60 days, the Company must give the Trustee, in form satisfactory to the Trustee, irrevocable instructions (i) to provide notice, as soon as practicable, in accordance with Article III, that the deposit required by (a)(2) above has been made with the Trustee and that such Bond is deemed to be paid under this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of such Bond, and, (ii) unless such Bond matures in 60 days or less, to give notice of redemption not less than 30 nor more than 60 days prior to the redemption date for such Bond.

When all outstanding Bonds are deemed paid under the foregoing provisions of this Section, the Trustee will upon request acknowledge the discharge of the lien of this Indenture, provided, however that the obligations under Article II in respect of the transfer, exchange, registration and replacement of Bonds shall survive the discharge of the lien of this Indenture.

No deposit will be made or accepted and no use made of any such deposit which would cause any Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code.

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Financial Guaranty Insurance Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Bondholders.

Section 6.02 Application of Trust Money. The Trustee shall hold in trust money or Government Securities deposited with it pursuant to the preceding Section and, except as otherwise provided in this Indenture, shall apply the deposited money and the money from the Government Securities in accordance with this Indenture only to the payment of principal of and interest on the Bonds.

Section 6.03 Repayment to Company. Except for moneys in the Rebate Fund, the Trustee shall promptly pay to the Company upon request any excess money or securities held by the Trustee at any time under this Article and any money held by the Trustee under any provision of this Indenture for the payment of principal or interest of Bonds that remains unclaimed for two years.

Section 6.04 Release of [^] First Mortgage Bonds. It is the intent of this Indenture that the Trustee shall at any time hold as security for the payment of principal of and interest on all outstanding Bonds a principal amount of [^] First Mortgage Bonds equal to the principal amount of Bonds then outstanding. Accordingly, the Trustee hereby agrees, for itself and the owners from time to time of the Bonds, at any time and from time to time, that (a) when and to the extent that (upon redemption, at maturity or otherwise) the principal of, and interest then due on, the Bonds shall have been paid in whole or in part or provision therefor duly made in accordance with the provisions of this Indenture, or any outstanding Bond or Bonds shall have been delivered to the Trustee for cancellation by or on behalf of the Company; (b) all compensation and expenses of the Trustee have been paid or provided for to the Trustee's satisfaction; and (c) an Event of Default by the Company under Section 7.01 shall not have occurred and be continuing, the Trustee shall, within five Business Days thereafter, deliver to the Mortgage Trustee, without charge, that principal amount of [^] First Mortgage Bonds corresponding to

as provided in **Section 8.01(e)** hereof, pursue every right granted to it as holder of the [^] First Mortgage Bonds and any available remedy by proceeding at law or in equity to collect the principal of or interest on the Bonds or to enforce the performance of any provision of the Bonds, this Indenture, the [^] First Mortgage Bonds or the Loan Agreement. In exercising such rights and the rights given the Trustee under this Article, the Trustee will take such action as, in the judgment of the Trustee applying the standards described in **Section 8.01**, would best serve the interests of the Bondholders, taking into account the provisions of the Mortgage and the remedies afforded to the Company's [^] First Mortgage Bonds under it.

The Trustee may maintain a proceeding even if it does not possess any of the Bonds or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Bondholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Section 7.04 Waiver of Past Defaults. The Bond Insurer or the holders of a majority in principal amount of the Bonds then outstanding, with the consent of the Bond Insurer, by notice to the Trustee may waive an existing Event of Default and its consequences. When an Event of Default is waived, it is cured and stops continuing, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent to it.

Section 7.05 Control by the Bond Insurer or Majority. The Bond Insurer or the holders of a majority in principal amount of the Bonds then outstanding, with the consent of the Bond Insurer, may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or, subject to **Section 8.01**, that the Trustee determines is unduly prejudicial to the rights of other Bondholders, or would involve the Trustee in personal liability.

Section 7.06 Limitation on Suits. A Bondholder may not pursue any remedy with respect to this Indenture or the Bonds unless (a) the holder gives the Trustee notice stating that an Event of Default is continuing, (b) the holders of at least 25% in principal amount of the Bonds then outstanding, with the consent of the Bond Insurer, make a written request to the Trustee to pursue the remedy, (c) such holder or holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense and (d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity.

A Bondholder may not use this Indenture to prejudice the rights of another Bondholder or to obtain a preference or priority over the other Bondholders.

Section 7.07 Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture, the right of any holder to receive payment of principal of and interest on a Bond, on or after the due dates expressed in the Bond, or to bring suit for the enforcement of any such payment on or after such dates, shall not be impaired or affected without the consent of the holder.

Section 7.08 Collection Suit by Trustee. If an Event of Default under **Section 7.01(a)** or (b) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount remaining unpaid.

Section 7.09 Trustee May File Proofs of Claim. The Trustee may 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 and the Bondholders allowed in any judicial proceedings relative to the Company, its creditors or its

Section 7.11 Undertaking for Costs. 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, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a holder pursuant to **Section 7.07** or a suit by holders of more than 25% in principal amount of the Bonds then outstanding.

Section 7.12 Rights of Bond Insurer and Consent of Bond Insurer Upon Default. For all purposes of this **Article VII**, the Bond Insurer shall be deemed to be the sole Bondholder until such time as it shall fail to comply with its payment obligations under the Financial Guaranty Insurance Policy. Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under this Indenture, including, without limitation, acceleration of the principal of the Bonds as described in this Indenture and the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of Events of Default. The Bond Insurer shall be included as a party in interest and as a party entitled to (i) notify the Trustee of the occurrence of an Event of Default and (ii) subject to the last sentence of **Section 7.05** hereof, request the Trustee to intervene in judicial proceedings that affect the Bonds or the security therefor. The Trustee shall accept notice of an Event of Default from the Bond Insurer.

ARTICLE VIII

TRUSTEE

Section 8.01 Duties of Trustee. If an Event of Default has occurred and is continuing, the Trustee shall exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default,

(1) the Trustee need perform only those duties that are specifically set forth in this Indenture and applicable laws and regulations, and no others, and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates, notices, requests or other instruments or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates, notices, requests or other instruments and opinions to determine whether they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that

(1) this paragraph does not limit the effect of paragraph (b) of this Section,

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts,

(f) All money received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law or by this Indenture. The Trustee shall be under no liability for interest on any money received by it hereunder except that received from investments authorized and directed pursuant to **Section 4.05** of this Indenture.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(h) The Trustee shall not be required to give any bond or security in respect of the execution of the said trusts and powers or otherwise in respect to the premises.

(i) The Trustee shall not be responsible for any recital herein or in the Bonds (except with respect to the Certificate of Authentication of the Trustee endorsed on the Bonds), or for the recording or re-recording, filing or refiling of this Indenture or any security agreements in connection therewith, or for insuring the Project or collecting any insurance moneys, or for the validity of the execution by the Issuer of this Indenture or of any supplemental Indentures or instruments of further assurance, or for the sufficiency of the security for the Bonds.

(j) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, with reasonable notice, shall have the right, but shall not be required, to inspect any and all of the Project, including all books, papers and records of the Issuer pertaining to the Project and the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(k) The Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property or any action whatsoever within the purview of this Indenture, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee as are deemed desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds, the withdrawal of any cash, the release of any property or the taking of any other action by the Trustee.

(l) Notwithstanding any other provision of this Indenture to the contrary, any provision intended to provide authority to act, to payment of fees and expenses, protection, immunity and indemnification to the Trustee shall be interpreted to include any action of the Trustee whether it is deemed to be in its capacity as Trustee, bond registrar or paying agent.

Section 8.03 Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Bonds and may otherwise deal with the Issuer or with the Company or its affiliates with the same rights it would have if it were not Trustee. Any paying agent may do the same with like rights.

Section 8.04 Trustee's Disclaimer. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Bonds, it shall not be accountable for the Company's use of the proceeds from the Bonds paid to the Company, and it shall not be responsible for any statement in the Bonds other than its certificate of authentication.

Section 8.05 Notice of Defaults. The Trustee shall notify the Bond Insurer immediately of any payment default under this Indenture or the Loan Agreement and shall notify the Bond Insurer and each

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer, the Company, the Bond Insurer or the holders of a majority in principal amount of the Bonds then outstanding may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If at any time the Trustee is not in compliance with the foregoing **Section 8.07**, any Bondholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

No resignation or removal of the Trustee shall become effective until a successor Trustee has been appointed and has accepted the duties of the Trustee. The Trustee shall furnish the Bond Insurer with prior written notice of the resignation or the removal of the Trustee and the appointment of any successor thereto. Notwithstanding any other provision of this Indenture, no removal, resignation or termination or the Trustee shall take effect until a successor Trustee, acceptable to the Bond Insurer shall be appointed.

Section 8.09 Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust assets to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

ARTICLE IX

AMENDMENTS OF AND SUPPLEMENTS TO INDENTURE

Section 9.01 Without Consent of Bondholders. The Issuer and the Trustee, with the prior written consent of the Bond Insurer, may amend or supplement this Indenture or the Bonds without notice to or consent of any Bondholder:

(a) to cure any ambiguity, inconsistency or formal defect or omission,

(b) to grant to the Trustee for the benefit of the Bondholders additional rights, remedies, powers or authority,

(c) to subject to this Indenture additional collateral or to add other agreements of the Issuer,

(d) to modify this Indenture or the Bonds to permit qualification under the Trust Indenture Act of 1939 or any similar Federal statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States,

(e) to evidence the succession of a new Trustee or the appointment by the Trustee or the Issuer of a co-trustee,

(f) to provide for the refunding, advance refunding or defeasance of the Bonds, or

(g) to make any change that does not materially adversely affect the rights of any Bondholder.

Section 9.02 With Consent of Bondholders. If an amendment of or supplement to this Indenture or the Bonds without any consent of Bondholders is not permitted by the preceding **Section 9.01**, the Issuer and the Trustee, with the prior written consent of the Bond Insurer, may enter into such amendment or supplement upon not more than 60 and not less than 30 days' notice to Bondholders

Indentures pursuant to [^] Section 9.02 hereof and the execution of amendments, changes or modifications to the Loan Agreement pursuant to Section 10.02 hereof, the Bond [^] Insurer acting alone, unless it is in default of its payment obligations under the [^] Bond Insurance Policy or has been determined to be insolvent, may consent to and approve such action, determination or election, and the consent of the holders of a specified percentage in aggregate principal amount of the Bonds then Outstanding shall not be required.

ARTICLE X

AMENDMENTS OF AND SUPPLEMENTS TO LOAN AGREEMENT

Section 10.01 Without Consent of Bondholders. The Issuer, with the prior written consent of the Bond Insurer, may enter into, and the Trustee may consent to, any amendment of or supplement to the Loan Agreement, without notice to or consent of any Bondholder, if the amendment or supplement is required or permitted (a) by the provisions of the Loan Agreement or this Indenture (including in connection with transactions permitted by Section 6.1 of the Loan Agreement, relating to maintenance of the Company's existence), (b) to cure any ambiguity, inconsistency or formal defect or omission, (c) in connection with any authorized amendment of or supplement to this Indenture or (d) to make any change that does not materially adversely affect the rights of any Bondholder.

Section 10.02 With Consent of Bondholders. If an amendment of or supplement to the Loan Agreement without any consent of Bondholders is not permitted by the foregoing Section, the Issuer, with the prior written consent of the Bond Insurer, may enter into, and the Trustee may consent to, such amendment or supplement upon not more than 60 and not less than 30 days' notice to Bondholders and with the consent of the holders of at least a majority in principal amount of the Bonds then outstanding. However, without the consent of each Bondholder affected, no amendment or supplement may result in anything described in the lettered clauses of Section 9.02.

Section 10.03 Consents by Trustee to Amendments or Supplements. The Trustee will consent to any amendment or supplement to the Loan Agreement authorized by this Article if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing a consent to an amendment or supplement, the Trustee shall be entitled to receive and (subject to Section 8.01) shall be fully protected in relying on an Opinion of Counsel stating that such amendment or supplement is authorized by the Act and this Indenture.

ARTICLE XI

FINANCIAL GUARANTY INSURANCE POLICY

Section 11.01 Payment Procedures Pursuant to Financial Guaranty Insurance Policy. 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 Bonds on such interest payment date. If the Trustee determines that there will be insufficient funds, the Trustee shall so notify Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the Trustee has not so notified Bond Insurer at least one (1) day prior to an interest payment date, Bond Insurer will make payments of principal or interest due on the Bonds on or before the first (1st) day next following the date on which Bond Insurer shall have received notice of nonpayment from the Trustee.

Section 11.02 **Notices to be Given the Bond Insurer.** While the Financial Guaranty Insurance Policy is in effect, the Trustee shall furnish to the Bond Insurer:

(a) a copy of any notice to be given to Bondholders, including, without limitation, notice of any redemption of or defeasance of Bonds which notice shall include the principal amount, maturities and CUSIP numbers thereof, and any certificate which may be rendered pursuant to this Indenture relating to the security for the Bonds;

(b) notice of any failure of the Company to provide relevant notices, certificates, etc.; and

(c) such additional information it may reasonably request.

Notwithstanding any other provisions of this Indenture, the Trustee shall immediately notify the Bond Insurer 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 hereunder.

Section 11.03 **Effectiveness of Rights of the Bond Insurer to Consent or Direct Actions.** All rights granted the Bond Insurer hereunder to direct or consent to actions to be taken under any provision of this Indenture (other than rights it may have by reason of its being subrogated to the rights of holders on whose account it has made payments of principal of or interest on the Bonds of such holders) shall be effective only if the Bond Insurer shall, at the time thereof, be in compliance with its payment obligations under the Financial Guaranty Insurance Policy.

Section 11.04 **Consent of Bond Insurer.** Any provision of this Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer hereunder without the prior written consent of the Bond Insurer.

Section 11.05 **Bond Insurer as Third Party Beneficiary.** To the extent that this Indenture confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of this Indenture, the Bond Insurer 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.

ARTICLE XII

MISCELLANEOUS

Section 12.01 **Notices[^].** Any notice, request, direction, designation, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by this Indenture or the Bonds must be in writing except as expressly provided otherwise in this Indenture or the Bonds.

(b) Any notice or other communication shall be sufficiently given and deemed given when delivered by hand or mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as follows: if to the Issuer, to Palm Beach County, Florida, _____, Attention: _____; if to the Trustee, to SunTrust Bank, 225 E. Robinson Street, Suite 250, Orlando, Florida 32801, Attention: Corporate Trust Department; if to the Bond Insurer, to AMBAC Assurance Corporation, One State Street Plaza, 17th Floor, New York, New York, 10004 Attention: General Counsel Office and Attention: Surveillance Department; and if to the Company, to Florida Public Utilities Company, 401 S. Dixie Highway, West Palm Beach, Florida 33401, Attention: _____. Any addressee may designate additional or different addresses for purposes of this Section. It shall be sufficient service of any notice, request, complaint, demand or other paper permitted or required by this Indenture to be given or filed with Bondholders if the same is duly mailed by first-class

thereof and the Trustee shall be required to accept notice from, and the direction of, the Bond Insurer in connection with any such exercise of rights.

Section 12.04 Credits on [^] First Mortgage Bonds. In addition to any credit, payment or satisfaction expressly provided for under the provisions of this Indenture in respect of the [^] First Mortgage Bonds, the Trustee shall apply credits against amounts otherwise payable in respect to the [^] First Mortgage Bonds in an amount corresponding to (a) the principal amount of any Bond surrendered to the Trustee by the Company or the Issuer, or purchased by the Trustee for cancellation and (b) the amount of money held by the Trustee and available and designated for the payment of principal or redemption price of, and/or interest on, the Bonds, regardless of the source of payment to the Trustee of such moneys. The Trustee shall apply an amount of credit against principal and/or interest payments due on the [^] First Mortgage Bonds on any payment date by furnishing written notice thereof to the Company and the Mortgage Trustee not more than 30 days nor less than 5 days prior to such payment date.

Section 12.05 Limitation on Transfer of [^] First Mortgage Bonds. Except as required to effect an assignment to a successor Trustee, and except to effect an exchange in connection with a bankruptcy reorganization, insolvency, or similar proceeding involving the Company, the Trustee shall not sell, assign or transfer [^] First Mortgage Bonds held by it, and the Trustee is authorized to enter into an agreement with the Company to such effect, including a consent to the issuance of stop transfer instructions to the Mortgage Trustee. No liability shall attach to the Mortgage Trustee for any action taken by it in good faith in reliance upon such instructions.

Section 12.06 Limitation of Rights. Nothing expressed or implied in this Indenture or the Bonds shall give any person other than the Trustee, Issuer, Company, the Bond Insurer and the Bondholders any right, remedy or claim under or with respect to this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Company, the Bond Insurer and the Bondholders.

Section 12.07 Severability. If any provision of this Indenture shall be determined to be unenforceable, that shall not affect any other provision of this Indenture.

Section 12.08 Payments Due on Non-Business Days. If a payment date is not a Business Day at the place of payment, then payment may be made at that place on the next Business Day, and no interest shall accrue for the intervening period.

Section 12.09 Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State.

Section 12.10 Limitation of Liability. Notwithstanding anything contained in this Indenture to the contrary, the Bonds shall be limited obligations of the Issuer and shall be payable solely from the revenues and receipts and other amounts received by or on behalf of the Issuer pursuant to the [^] First Mortgage Bonds and the Loan Agreement.

Section 12.11 Captions. The captions in this Indenture are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Indenture.

Section 12.12 No Recourse Against Issuer's Officers. No member, officer, director, agent or employee of the Issuer shall be individually or personally liable for any payment on the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds, but this Section

EXHIBIT A

FORM OF BOND

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF FLORIDA OR PALM BEACH COUNTY, FLORIDA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST OR ANY PREMIUM ON THIS BOND.

PALM BEACH COUNTY, FLORIDA

INDUSTRIAL DEVELOPMENT REVENUE BOND
(FLORIDA PUBLIC UTILITIES COMPANY PROJECT)
SERIES 2001

Maturity Date: November 1, 2031 CUSIP

Interest Rate: ____ percent per annum

Dated Date: November 1, 2001

No. R-1

Registered Owner: Cede & Co.

Principal Amount: Fourteen Million Six Hundred Thousand Dollars ($14,600,000)

PALM BEACH COUNTY, FLORIDA, a body corporate and politic and an instrumentality of the State of Florida, for value received, hereby promises to pay, solely from the sources described in this Bond, to the registered owner identified above, or registered assigns, on the Maturity Date stated above (subject to earlier redemption as described herein), the principal amount identified above and to pay interest as provided in this Bond from the date hereof on the balance of said principal sum from time to time remaining unpaid at the rate per annum shown above (computed on the basis of a 360-day year of twelve 30-day months) on the first days of May and November of each year commencing May 1, 2002 until the payment of principal. Principal of this Bond is payable by check or draft in lawful money of the United States of America at the principal office of SunTrust Bank, Orlando, Florida, as trustee or its successor (the "Trustee"); interest payments shall be made to the registered owner hereof as of the fifteenth day of the month immediately preceding each interest payment date (the "Record Date") by check or draft mailed to such registered owner at his address as it appears on the registration books of the Issuer maintained by the Trustee or at such other address as is furnished in writing by such registered owner to the Trustee on or prior to the Record Date, or, at the written election of the registered owner of $500,000 or more in aggregate principal amount of Bonds delivered to the Trustee at least fifteen days prior to the Record Date for which such election will be effective, by electronic transfer to the Registered Owner or by deposit into the account of the Registered Owner if such account is maintained by the Trustee. If any payment on the Bonds is due on a non-Business Day, it will be made on the next Business Day, and no interest will accrue as a result. Any such written instruction for electronic transfer shall be signed by such owner and shall include the name of the bank, its address, its ABA routing number and the

[REVERSE OF BOND]

1. **Indenture; Loan Agreement.** This Bond is one of a series of bonds (the "Bonds"), limited to $14,600,000 in aggregate principal amount, issued under the Indenture of Trust dated as of November 1, 2001 (the "Indenture"), between **PALM BEACH COUNTY, FLORIDA** (the "Issuer") and **SUNTRUST BANK**, Orlando, Florida, as trustee (the "Trustee") and pursuant to a resolution adopted by the Issuer on [^] November 6, 2001. The terms of the Bonds include those in the Indenture. Registered owners are referred to the Indenture for a statement of those terms. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indenture. The term "principal" shall include any premium payable thereon.

The Issuer has lent the proceeds of the Bonds to Florida Public Utilities Company a Florida corporation (the "Company"), pursuant to a Loan Agreement dated as of November 1, 2001 (the "Loan Agreement"), between the Issuer and the Company. The Company will use the proceeds of the Bonds to finance the acquisition and construction of gas system improvements including the construction of a gas line (the "Project") of the Company and located in Palm Beach County, Florida. The Company has agreed in the Loan Agreement to pay the Issuer amounts sufficient to pay all amounts coming due on the Bonds, and the Issuer has assigned its rights to such payments under the Loan Agreement to the Trustee as security for the Bonds.

The Indenture and the Loan Agreement may be amended, and references to them include any amendments.

2. **Source of Payments; [^] First Mortgage Bonds.** The Bonds are limited obligations of the Issuer and, as provided in the Indenture, are payable solely from payments to be made by the Company on the Company's [^] First Mortgage Bonds, ___% Series, Due November 1, 2031 (the [^] "First Mortgage Bonds") delivered by the Company to the Trustee and from any other moneys held by the Trustee under the Indenture for such purpose, and other than as provided in the Loan Agreement, there shall be no recourse against the Issuer or any other property now or hereafter owned by it. The [^] First Mortgage Bonds are issued under and secured by the Company's Indenture of Mortgage [^] and Deed of Trust dated as of September 1, 1942 to SunTrust Bank (as successor to Continental Illinois National Bank and Trust Co. of Chicago and First National Bank in Palm Beach), as trustee, as heretofore or hereafter supplemented or amended (the "Mortgage"). The Bonds and interest and premium, if any, thereon shall not constitute an indebtedness of the Issuer or the State of Florida and the Issuer and the State of Florida shall not be liable on the Bonds.

3. **Statement of Insurance.** Municipal Bond Insurance Policy No. _____ (the "Policy") with respect to payments due for principal of and interest on this Bond has been 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 Bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy. [^]

4. **Redemption.** The redemption price will be paid on the redemption date and will be at a redemption price of 100% of the principal amount of the Bonds being redeemed (unless a premium is required as provided below) plus interest accrued to the redemption date.

conclusively presumed to have been given whether or not actually received by the addressee. Any notice of redemption at the direction of the Company may state that the redemption is conditioned on receipt of moneys for such redemption by the Trustee on or prior to the redemption date. If such moneys are not received, the redemption of the Bonds for which notice was given shall not be made.

Effect of Notice of Redemption. When notice of redemption is given, Bonds called for redemption become due and payable on the redemption date at the applicable redemption price; in such case when funds are deposited with the Trustee sufficient for redemption, interest on the Bonds to be redeemed ceases to accrue as of the date of redemption.

5. **Redemption (or Purchase) by the Company in the Event of Death of a Beneficial Owner.** Unless the Bonds have been declared due and payable prior to their maturity by reason of an Event of Default, the Representative (as hereinafter defined) of a deceased Beneficial Owner (as hereinafter defined) has the right, after November 1, 2003, to request redemption prior to stated maturity of all or part of his interest in the Bonds, and the Company will redeem (or will cause the Issuer to redeem) the same subject to the limitations that the Company will not be obligated to redeem (or cause to be redeemed), during the period from November 2, 2003 through and including November 1, 2004 (the "Initial Period"), and during any twelve-month period which ends on and includes each November 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 Bonds which exceeds $25,000 principal amount or (ii) interests in the Bonds exceeding $290,000 in aggregate principal amount. A request for redemption may be initiated by the Representative of a deceased Beneficial Owner at any time and in any principal amount.

The Company may, at its option, redeem (or cause to be redeemed) interests of any deceased Beneficial Owner in the Bonds 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 $290,000 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 (or cause to be redeemed) interests of deceased Beneficial Owners in the Bonds, in the Initial Period or any Subsequent Period in an aggregate principal amount exceeding $290,000. Any such redemption, to the extent it exceeds the $290,000 aggregate limitation shall not reduce the $290,000 aggregate limitation for any Subsequent Period. On any determination by the Company to redeem (or cause to be redeemed) Bonds in excess of the $25,000 limitation or the $290,000 aggregate limitation, Bonds 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 Bonds may be initiated by the personal representative or other person authorized to represent the estate of the deceased Beneficial Owner or from a surviving joint tenant(s) or tenant(s) by the entirety or the trustee of a trust (each, a "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 Bonds 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, on receipt thereof, forward the same 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 $290,000 aggregate limitation.

In the case of Bonds with respect to which a Redemption Request has been filed but which have not been prepaid in accordance with such Redemption Request at the time the Company gives notice of redemption pursuant to the redemption provisions described under 4. above, such Bonds which are the subject of such pending Redemption Request shall be redeemed prior to the redemption of other Bonds which are not the subject of an outstanding Redemption Request.

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 Bonds for which Redemption Requests have been received in lieu of redeeming (or causing the redemption of) such Bonds. Any Bonds 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 Bonds 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 Bonds 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 Bond that is the subject of such request.

6. **Denominations; Transfer; Exchange.** The Bonds are in fully registered form in denominations of $5,000 or whole multiples of $5,000.

A registered owner may transfer or exchange Bonds in accordance with the Indenture. The Trustee may require a registered owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Trustee shall deliver any applicable notice of redemption when it effects a transfer or exchange of any Bond after the mailing of a notice of redemption of such Bond.

7. **Persons Deemed Owners.** The registered owner of this Bond may be treated as the owner of it for all purposes. Any action by the registered owner of this Bond shall be irrevocable and shall bind any subsequent owner of this Bond or any Bond delivered in substitution for this Bond.

8. **Unclaimed Money.** If money for the payment of principal, premium or interest remains unclaimed for two years from the date it was deposited with the Trustee for the purpose of such payment, the Trustee will pay the money to or for the account of the Company. After that, registered owners entitled to the money must look only to the Company and not to the Trustee for payment unless an abandoned property law designates another person.

9. **Discharge Before Redemption or Maturity.** If the Company at any time deposits with the Trustee money or Government Securities as described in the Indenture sufficient to pay at redemption or maturity principal of and interest on the outstanding Bonds, and if the Company also pays all other

(Form of Assignment)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto:

_____

(Please insert Social Security or other identifying number of Assignee)

_____

(Please print or typewrite name and address of Assignee)

the within Bond, and all rights thereunder and hereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____.

Signature guaranteed

_____

(Name of Eligible Guarantor Institution as defined by SEC Rule 17 Ad-15 (17 CFR 240.17 Ad-15) or any similar rule which the Trustee deems applicable)

By: _____

NOTICE:

The signature to this Assignment must correspond with the name as it appears on the face of this Bond in every particular, without alteration or any change whatsoever. When assignment is made by a guardian, trustee, executor or administrator, an officer of a corporation, or anyone in a representative capacity, proof of his authority to act must accompany this assignment.

IN WITNESS WHEREOF, the undersigned has executed this Redemption Request as of _____, ____.

EDWARD D. JONES & CO., L.P.

By:_____
Name:_____
Title:_____

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(6) Pre-refunded Municipal Obligations defined as follows: Any Obligations or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Obligations or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the Obligations or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of at least "A2/A" or higher by both Moody's and S&P.

(8) Investment agreements approved in writing by the Bond Insurer [supported by appropriate opinions of counsel]; and

(9) Other forms of investments (including repurchase agreements) approved in writing by the Bond Insurer.

C. The value of the above investments shall be determined as follows:

"Value", which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

a) For securities:

(1) the closing bid price quoted by Interactive Data Systems, Inc.; or

(2) a valuation performed by a nationally recognized and accepted pricing service acceptable to the Bond Insurer whose valuation method consists of the composite average of various bid price quotes on the valuation date; or

(3) the lower of two dealer bids on the valuation date. The dealers or their parent holding companies must be rated at least investment grade by Moody's and S&P and must be market makers in the securities being valued.

FLORIDA PUBLIC UTILITIES COMPANY

To

SUNTRUST BANK,
Trustee

FIFTEENTH SUPPLEMENTAL INDENTURE

Dated as of November 1, 2001

Providing for the issuance of ____% 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 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,

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.

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, ___% 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 Six Hundred Thousand Dollars ($14,600,000) 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 ____% 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 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:

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

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

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

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 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

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.

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)

NO. 4

PF 210.106

OFFICIAL STATEMENT

NEW ISSUE
Book-Entry Only

RATING: S&P: "AAA"
See "BOND RATING"

In the opinion of Akerman, Senterfitt & Eidson, P.A., Orlando, Florida, Bond Counsel, assuming continuing compliance with certain tax covenants, interest on the Series 2001 Bonds under existing statutes, regulations, published rulings and court decisions is excludable from gross income for federal tax income purposes. Interest on the Series 2001 Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel is further of the opinion that the Series 2001 Bonds, and income thereon, are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owed by corporations as defined in Chapter 220. For a more complete discussion of tax aspects see "OPINION OF BOND COUNSEL" herein.

$14,000,000
PALM BEACH COUNTY, FLORIDA
INDUSTRIAL DEVELOPMENT REVENUE BONDS
(FLORIDA PUBLIC UTILITIES COMPANY PROJECT)
SERIES 2001

Dated: November 1, 2001 **Due: November 1, 2031**

The Series 2001 Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2001 Bonds. Purchases of the Series 2001 Bonds will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Series 2001 Bonds purchased. So long as Cede & Co. is the registered owner of the Series 2001 Bonds, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (herein defined) of the Series 2001 Bonds. Principal of and semiannual interest on the Series 2001 Bonds will be paid from moneys available therefor under the Bond Indenture (herein defined) by SunTrust Bank, whose principal corporate trust office is located in Orlando, Florida, as Bond Trustee and Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners. Principal of the Series 2001 Bonds will be payable at maturity on November 1, 2031. Interest on the Series 2001 Bonds will be payable on each May 1 and November 1, beginning on May 1, 2002.

The Series 2001 Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

The Series 2001 Bonds are special, limited obligations of Palm Beach County, Florida (the "Issuer"), payable by the Issuer solely from revenues of the Issuer derived from certain payments under the Loan Agreement (described herein) and the Series 2001 First Mortgage Bonds (described herein) to be made to the Bond Trustee by

FLORIDA PUBLIC UTILITIES COMPANY

Payment of the principal of and interest on the Series 2001 Bonds when due will be guaranteed by a financial guaranty insurance policy to be issued simultaneously with the delivery of the Series 2001 Bonds by Ambac Assurance Corporation.

Ambac

THE SERIES 2001 BONDS AND THE INTEREST THEREON DO NOT CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE ISSUER, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY THE BOND INDENTURE BETWEEN THE ISSUER AND THE BOND TRUSTEE AS DESCRIBED HEREIN. THE SERIES 2001 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND NEITHER THE FAITH AND CREDIT NOR ANY TAXING POWER OF THE ISSUER, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2001 BONDS. THE PRINCIPAL OF AND INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2001 BONDS IS PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER THE BOND INDENTURE.

The Series 2001 Bonds are subject to certain risks. See "BONDHOLDERS' RISKS."

4.9% Bonds Due November 1, 2031
Price 100% (plus accrued interest)

The Series 2001 Bonds are being offered by the Underwriter when, as and if issued by the Issuer and accepted by the Underwriter, subject to the approval of legality thereof by Akerman, Senterfitt & Eidson, P.A., Orlando, Florida, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Issuer by Paul King, Palm Beach County Attorney's Office, West Palm Beach, Florida, for the Company by Downey & Downey, P.A., West Palm Beach, Florida, and for the Underwriter by Gilmore & Bell, P.C., St. Louis, Missouri. It is expected that the Series 2001 Bonds will be available for delivery at The Depository Trust Company in New York, New York, on or about November 14, 2001.

Edward D. Jones & Co., L.P.

The date of this Official Statement is November 6, 2001.

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Issuer, the Company or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact. The information set forth herein has been obtained from the Issuer, the Company, the Bond Insurer and other sources believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Issuer. In accordance with its responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Company or the Bond Insurer since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2001 BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2001 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2001 BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE BOND INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY ISSUER. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TABLE OF CONTENTS

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OFFICIAL STATEMENT

$14,000,000

PALM BEACH COUNTY, FLORIDA

INDUSTRIAL DEVELOPMENT REVENUE BONDS
(FLORIDA PUBLIC UTILITIES COMPANY PROJECT)
SERIES 2001

INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the Cover Page and Appendices, must be considered in its entirety. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in Appendix B hereto.

Purpose of the Official Statement

The purpose of this Official Statement, including the Cover Page hereof and the Appendices hereto, is to furnish certain information relating to (1) Palm Beach County, Florida (the "Issuer"), (2) the Issuer's Industrial Development Revenue Bonds (Florida Public Utilities Company Project) Series 2001, in the aggregate principal amount of $14,000,000 (the "Series 2001 Bonds"), (3) Florida Public Utilities Company, a Florida corporation (the "Company"), (4) the project to be financed in part with the proceeds of the Series 2001 Bonds, and (5) Ambac Assurance Corporation (the "Bond Insurer").

The Issuer

The Issuer is a political subdivision duly created and existing under and by virtue of the laws of the State of Florida (the "State"). The Issuer is authorized by the Florida Industrial Development Financing Act, Part II of Chapter 159, Florida Statutes (the "Act") to issue and secure the Series 2001 Bonds as herein described. See **"THE ISSUER."**

The Company

The Company is an operating public utility, organized under the laws of the State of Florida engaged principally in the purchase, transmission, distribution and sale of electricity and in the purchase, transmission, distribution, sale and transportation of natural gas. The Company is regulated by the Florida Public Service Commission (except for propane gas service) and provides natural and propane gas service, electric service and water service to consumers in Florida. See **"THE COMPANY"** and **"APPENDIX A: FLORIDA PUBLIC UTILITIES COMPANY."**

The Series 2001 Bonds

The Series 2001 Bonds are being issued pursuant to the Act and an Indenture of Trust dated as of November 1, 2001 (said Indenture, together with all amendments and supplements thereto, being referred to herein as the "Bond Indenture"), between the Issuer and SunTrust Bank, whose principal corporate trust office is located in Orlando, Florida, as trustee (the "Bond Trustee"), for the purpose of providing funds to make a loan to the Company, pursuant to a Loan Agreement dated as of November 1, 2001 (said Loan Agreement,

together with all amendments and supplements thereto, being referred to herein as the "Loan Agreement"), between the Issuer and the Company, to be used to (1) provide funds for the payment of a portion of the costs of the acquisition, construction and installation of certain gas distribution facilities which constitute a part of the Company's West Palm Beach Division (the "Project"), and (2) pay the premium for the bond insurance and certain other costs of issuance of the Series 2001 Bonds. A description of the Series 2001 Bonds is contained in this Official Statement under **"THE SERIES 2001 BONDS."** All references to the Series 2001 Bonds are qualified in their entirety by the definitive forms thereof and the provisions with respect thereto included in the Bond Indenture and the Loan Agreement. A description of the Project and the estimated sources and uses of funds are contained in this Official Statement under **"PLAN OF FINANCING."**

The total principal amount of bonds that may be issued and outstanding under the Bond Indenture may not exceed $14,000,000, except as provided in the Bond Indenture with respect to replacement of mutilated, lost, stolen or destroyed bonds.

Security for the Series 2001 Bonds

The Series 2001 Bonds and the interest thereon are special, limited obligations of the Issuer, payable by the Issuer solely from certain payments to be made by the Company under the Loan Agreement and the Series 2001 First Mortgage Bonds described herein and certain other funds held by the Bond Trustee under the Bond Indenture and not from any other fund or source of the Issuer. The Series 2001 Bonds are secured by the Bond Indenture, the Loan Agreement and the First Mortgage Indenture as described herein. The Company's obligation to repay the loan made to it under the Loan Agreement is secured by the Series 2001 First Mortgage Bonds issued by the Company under the First Mortgage Indenture described herein and delivered by the Company to the Bond Trustee. Payments under the Loan Agreement and the Series 2001 First Mortgage Bonds are designed to be sufficient, together with other funds available for such purpose, to pay when due the principal of, premium, if any, and interest on the Series 2001 Bonds. The revenues of the Company that will be used to make payments under the Loan Agreement and the Series 2001 First Mortgage Bonds will be derived from rates and charges received by the Company from its various customers. The rates and charges currently in effect (except for propane gas service which is not regulated) have been approved by the Florida Public Service Commission. Pursuant to the Bond Indenture, the Issuer will assign to the Bond Trustee, for the benefit and security of the registered owners of the Series 2001 Bonds, substantially all of the rights of the Issuer in the Loan Agreement, including all loan payments payable thereunder, and the Series 2001 First Mortgage Bonds.

THE SERIES 2001 BONDS AND THE INTEREST THEREON DO NOT CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE ISSUER, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY THE BOND INDENTURE BETWEEN THE ISSUER AND THE BOND TRUSTEE AS DESCRIBED HEREIN. THE SERIES 2001 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND NEITHER THE FAITH AND CREDIT NOR ANY TAXING POWER OF THE ISSUER, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2001 BONDS. THE PRINCIPAL OF AND INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2001 BONDS IS PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER THE BOND INDENTURE. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2001 BONDS."

The First Mortgage Indenture

The Company has entered into an Indenture of Mortgage dated as of September 1, 1942, and fourteen supplemental indentures thereto, each between the Company and SunTrust Bank, as trustee (the "Mortgage Trustee") (said Indenture of Mortgage, and all amendments and supplements thereto, being referred to herein collectively as the "First Mortgage Indenture"). The First Mortgage Indenture expresses the general covenants

relating to and provides the terms and conditions upon which the Company may issue first mortgage bonds thereunder. There are presently issued and outstanding under the First Mortgage Indenture $38,500,000 aggregate principal amount of first mortgage bonds. At the time of issuance of the Series 2001 Bonds, the Company will execute and deliver to the Mortgage Trustees a Fifteenth Supplemental Indenture dated as of November 1, 2001, which supplements the First Mortgage Indenture, under which the Company will issue its First Mortgage Bonds, Series 2001, dated November 1, 2001 (the "Series 2001 First Mortgage Bonds"), payable to the Issuer, in the aggregate principal amount of $14,000,000, to evidence and secure the Company's obligations with respect to the Series 2001 Bonds, including the obligation to make loan payments under the Loan Agreement sufficient to pay the principal of, redemption premium, if any, and interest on the Series 2001 Bonds. Additional first mortgage bonds may be issued under the First Mortgage Indenture without limit as to aggregate principal amount, upon compliance with and subject to the limitations set forth in **Section 2.03** of the First Mortgage Indenture and after obtaining the approval of the Florida Public Service Commission. The principal provisions for the issuance of additional first mortgage bonds are summarized under the caption "Issuance of Additional First Mortgage Bonds" set forth in the description of the "Summary of the First Mortgage Indenture" in *Appendix B*. The Series 2001 First Mortgage Bonds, the First Mortgage Bonds outstanding as of the date hereof, and any additional First Mortgage Bonds issued in the future, will be secured equally and ratably (except insofar as any sinking fund or other exclusive benefit covenant appurtenant to a particular series of First Mortgage Bonds may afford additional security for such series) by the First Mortgage Indenture which constitutes a lien (subject to the "permitted liens" as defined in the First Mortgage Indenture) on substantially all of the property and franchises now owned or hereafter acquired (other than certain excepted property). See **"SUMMARY OF THE FIRST MORTGAGE INDENTURE"** in *Appendix B*.

(1)

Bond Insurance

Ambac Assurance Corporation ("Ambac Assurance" or the "Bond Insurer") has committed to issue, effective on the date of initial delivery of the Series 2001 Bonds, its financial guaranty insurance policy (the "Financial Guaranty Insurance Policy" or the "Insurance Policy") which will insure, when due, the payment of the principal of and interest on the Series 2001 Bonds at the stated maturity thereof. The Insurance Policy extends for the term of the Series 2001 Bonds and cannot be canceled by the Bond Insurer. Payment under the Insurance Policy is subject to the conditions described under **"BOND INSURANCE."** No representation is made by the Issuer, the Company or the Underwriter as to the accuracy, completeness or adequacy of the information respecting the Bond Insurer or its policy contained herein or as to the absence of material adverse changes in such information or in the condition of the Bond Insurer subsequent to the date hereof. In connection with the issuance of the Insurance Policy, the Company and the Bond Insurer have entered into an Insurance Agreement dated as of November 1, 2001 (the "Insurance Agreement"). The Company's failure to comply with the provisions of the Insurance Agreement will constitute an Event of Default under the Loan Agreement. See information under the caption "BOND INSURANCE - The Insurance Agreement" and in **Appendix B** - "SUMMARY OF THE LOAN AGREEMENT - Remedies on Default."

Bondholders' Risks

Payment of the principal of and interest on the Series 2001 Bonds is dependent upon revenues to be derived from the operations of the Company. Certain risks are inherent in the production of such revenues. See **"BONDHOLDERS' RISKS"** for a discussion of certain risks.

Continuing Disclosure

The Company will undertake, pursuant to the Loan Agreement and a Continuing Disclosure Agreement, to provide certain annual financial information and notices of the occurrence of certain material events. A description of this undertaking is set forth in this Official Statement under **"CONTINUING DISCLOSURE."**

(1) Per PF 210.1 p46, §2.03 relates to establishment of new series of Bonds.

Definitions and Summaries of Legal Documents

Definitions of certain words and terms used in this Official Statement are set forth in *Appendix B* of this Official Statement. Summaries of the Bond Indenture, the Loan Agreement and the First Mortgage Indenture are included in this Official Statement in *Appendix B* hereto. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to the specified documents are qualified in their entirety by reference to the definitive forms of such documents, copies of which may be viewed at the office of Edward D. Jones & Co., L.P., at 12555 Manchester Road, St. Louis, Missouri 63131, (314) 515-2676, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

THE ISSUER

The Issuer is a political subdivision duly created and existing under and by virtue of the laws of the State of Florida. The Issuer is authorized by the Florida Industrial Development Financing Act, Part II of Chapter 159, Florida Statutes (the "Act") (i) to enter into agreements providing for the construction, furnishing, equipping and financing of projects, including distribution facilities, (ii) to issue revenue bonds payable solely from the revenues and receipts derived by the Issuer from the financing of the Project, and (iii) to secure such bonds by a pledge and assignment of such revenues and receipts and its interest in and rights under the loan agreement relating to such facilities, and additionally, by a mortgage or deed of trust on and pledge of the land, buildings, improvements, furnishings and equipment so financed or otherwise pledged.

Limited Obligations

THE SERIES 2001 BONDS AND THE INTEREST THEREON DO NOT CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE ISSUER, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY THE BOND INDENTURE BETWEEN THE ISSUER AND THE BOND TRUSTEE AS DESCRIBED HEREIN. THE SERIES 2001 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND NEITHER THE FAITH AND CREDIT NOR ANY TAXING POWER OF THE ISSUER, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2001 BONDS. THE PRINCIPAL OF AND INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2001 BONDS IS PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER THE BOND INDENTURE.

Pursuant to Section 517.051(1), Florida Statutes, the Issuer is required to provide full and fair disclosure of all defaults by the Issuer as to principal or interest of securities since December 31, 1975, as provided by rule of the Florida Department of Banking and Finance (the "Department"). Pursuant to Rule 3E-400.003, Florida Administrative Code, the Department has required that such disclosure include information concerning the dates, amounts and types of defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the Issuer, and certain additional financial information, unless the Issuer believes in good faith that such information would not be considered material by a reasonable investor.

To the best knowledge of the Issuer, no obligation issued by the Issuer has been in default as to a payment of principal or interest since December 31, 1975, except the Issuer has been notified that a default in the payment of debt service has occurred on its Palm Beach County, Florida Industrial Development Revenue Refunding Bonds (Glenbeigh Hospital of Palm Beach Project, Series 1989).

The Issuer in good faith believes that the preceding disclosure, and any other disclosure concerning obligations issued by the Issuer other than the Series 2001 Bonds, would not be considered material by a reasonable investor, because the Series 2001 Bonds are industrial development revenue bonds payable solely from payments payable by the Company to the Issuer and assigned by the Issuer to the Trustee, as well as amounts payable under the Loan Agreement and the Series 2001 First Mortgage Bonds. None of the assets or revenues of the Issuer are pledged to the payment of the Series 2001 Bonds, and under the Constitution and Laws of the State of Florida, the Issuer may not legally pledge any of its revenues or assets to the payment thereof. The Issuer is in no way obligated to make payments with respect to the Series 2001 Bonds, except to the extent it receives payments therefor from the Company. Accordingly, a default of the Issuer under any other obligation in no way affects the security for the Series 2001 Bonds, nor does it evidence the relative risk of an investment in the Series 2001 Bonds.

THE COMPANY

The Company is a public utility incorporated in 1924 as a Florida corporation. The Company is regulated by the Florida Public Service Commission (except for propane gas service), and provides natural and propane gas service, electric service and water service to consumers in Florida through the following four divisions:

- West Palm Beach Division, located in southeast Florida, which serves 29,308 natural gas customers and 5,530 propane gas customers;
- Central Florida Division, located in central Florida, which serves 10,785 natural gas customers and 2,278 propane customers;
- Marianna Division, located in the Florida panhandle, which serves 12,112 electric customers; and
- Fernandina Beach Division, located in extreme northeast Florida, which serves 13,405 electric customers, 6,866 water customers and 34 propane customers.

See **"APPENDIX A: FLORIDA PUBLIC UTILITIES COMPANY."**

PLAN OF FINANCING

The Series 2001 Bonds

At the request of the Company, the Issuer will issue and sell for cash to the Underwriter named herein, $14,000,000 aggregate principal amount of Series 2001 Bonds to finance a portion of the costs of the Project. The Issuer will loan the proceeds of the Series 2001 Bonds to the Company pursuant to the Loan Agreement. The Company will use such proceeds, together with certain other funds of the Company, to (1) finance the costs of the Project, and (2) pay the premium for the bond insurance and certain other costs of issuance of the Series 2001 Bonds. Concurrently with the issuance and sale of the Series 2001 Bonds, the Company will issue and deliver to the Bond Trustee under the First Mortgage Indenture $14,000,000 aggregate principal amount of its Series 2001 First Mortgage Bonds, which will bear interest at a rate and contain other payment terms and conditions equivalent to those contained in the Series 2001 Bonds. It is intended that the Company's payments required for interest, principal and redemption of the Series 2001 First Mortgage Bonds and under the Loan Agreement will be sufficient to pay the interest on and to redeem or pay at maturity the Series 2001 Bonds. The Issuer's right, title and interest in the Series 2001 First Mortgage Bonds and the Loan Agreement will be pledged and assigned to the Bond Trustee under the Bond Indenture pursuant to which the Series 2001 Bonds will be issued. The Issuer's right, title and interest in the Series 2001 First Mortgage Bonds and the Loan

Agreement so assigned shall constitute security for the payment of the Series 2001 Bonds and the interest and the redemption premium, if any, thereon. All payments by the Company on the Series 2001 First Mortgage Bonds of principal, interest and the premium, if any, will be made prior to or on the dates when the corresponding payments are required to be made on the Series 2001 Bonds.

The Project

The Project consists of the acquisition and construction of gas distribution facilities throughout the service area of the West Palm Beach Division of the Company including one gas line to serve Lake Worth Generation's new electric power plant. The service area and facilities for the West Palm Beach Division are located entirely within Palm Beach County, Florida.

Sources and Uses of Funds

The following is a summary of the estimated sources of funds, including the proceeds of the Series 2001 Bonds, and the uses of such funds in connection with the plan of financing:

Sources of Funds:

Principal amount of the Series 2001 Bonds	$14,000,000
Total sources of funds	$14,000,000

Uses of Funds:

Payment of Project Costs	$13,370,574
Costs of issuance payable from Bond Proceeds [(1)(2)]	629,426
Total uses of funds	$14,000,000

(1) Includes the bond insurance premium.
(2) All additional costs of issuance will be paid from the general funds of the Company.

First Mortgage Bonds

The Company currently has outstanding under the First Mortgage Indenture $38,500,000 aggregate principal amount of First Mortgage Bonds. The Series 2001 First Mortgage Bonds will be issued under and secured by a Fifteenth Supplemental Indenture dated as of November 1, 2001, to the First Mortgage Indenture between the Company and the Mortgage Trustees.

THE SERIES 2001 BONDS

The following is a summary of certain terms and provisions of the Series 2001 Bonds. Reference is hereby made to the Series 2001 Bonds and the provisions with respect thereto in the Bond Indenture and the Loan Agreement for the detailed terms and provisions thereof.

General Terms

The Series 2001 Bonds are being issued in the aggregate principal amount of $14,000,000, are dated November 1, 2001, will bear interest from the date thereof or from the most recent interest payment date to which interest has been paid at the rate of 4.9% per annum, payable semiannually on May 1 and November 1 of each year, beginning on May 1, 2002, and will mature on November 1, 2031. The Series 2001 Bonds are

being issued as fully registered bonds in the denominations of $5,000 and any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchases of beneficial interests in the Series 2001 Bonds will be made in book-entry only form (as described below under **"Book-Entry-Only System"**), in the denomination of $5,000 or any integral multiple thereof. Purchasers of the Series 2001 Bonds will not receive certificates representing their interests in the Series 2001 Bonds purchased.

The principal of and redemption premium, if any, on the Series 2001 Bonds are payable at the principal corporate trust office of the Bond Trustee. The interest on the Series 2001 Bonds is payable (a) by check or draft mailed by the Bond Trustee to the persons who are the registered owners of the Series 2001 Bonds as of the close of business on the 15th day of the month preceding the respective interest payment dates, as shown on the bond registration books maintained by the Bond Trustee, or (b) at the expense of the registered owner, by wire transfer of immediately available funds at the written request of any registered owner of $500,000 or more in aggregate principal amount of Series 2001 Bonds, if such written notice specifying the wire transfer instructions is provided to the Bond Trustee not less than 15 days prior to the Record Date. If the specified date for any payment on the Series 2001 Bonds is a date other than a business day, such payment may be made on the next business day without additional interest and with the same force and effect as if made on the specified date for such payments.

So long as any of the Series 2001 Bonds are in book-entry form, the principal, redemption premium, if any, and interest on such Series 2001 Bonds are payable by check or draft mailed, or wire transfer, to Cede & Co. as registered owner thereof and will be redistributed by DTC and the Participants as described below under **"Book-Entry-Only System."**

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2001 Bonds. The Series 2001 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered bond certificate will be issued for the Series 2001 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC or its agent.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2001 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the bonds on DTC's records. The ownership interest of each actual purchaser of each bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner

entered into the transaction. Transfers of ownership interests in the Series 2001 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2001 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2001 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2001 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2001 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to Cede & Co. If less than all of the bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 2001 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2001 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2001 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Bond Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2001 Bonds at any time by giving reasonable notice to the Issuer or the Bond Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered. In that event, bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer, the Company and the Underwriter believe to be reliable, but the Issuer, the Company and the Underwriter take no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Redemption Prior to Maturity

The Series 2001 Bonds are subject to optional and mandatory redemption prior to maturity as follows:

Optional Redemption. The Series 2001 Bonds are subject to redemption and payment prior to maturity, at the option of the Company, on and after November 1, 2008, in whole at any time or in part on any interest payment date at the respective redemption prices set out below, plus accrued interest thereon to the redemption date:

Redemption Dates	Redemption Prices
On or after November 1, 2008 but prior to October 31, 2009	102%
On or after November 1, 2009 but prior to October 31, 2010	101%
On or after November 1, 2010	100%

Mandatory Redemption on Determination of Taxability. The Series 2001 Bonds will be redeemed in whole (or in part as provided below) at a redemption price of **100%** of the principal amount of the bonds being redeemed, plus accrued interest to the redemption date, on any day within **120** days after the Company receives written notice from a registered owner or former registered owner or the Bond 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 Bond Indenture, the interest paid or to be paid on any Series 2001 Bonds is or was includable in the gross income of the Series 2001 Bondowner 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, the Bond Trustee and the Mortgage Trustees prompt written notice of the commencement of the proceeding resulting in the determination and offers the Company, subject to the Company's agreeing to pay all expenses of the proceeding and to indemnify the 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 the 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 proceeding. Fewer than all the Series 2001 Bonds may be redeemed if redemption of fewer than all would result in the interest payable on the Series 2001 Bonds remaining outstanding being not includable in the gross income for Federal income tax purposes of any owner other than a "substantial user" or "related person." If fewer than all of the Series 2001 Bonds are redeemed, the Bond Trustee will select the Series 2001 Bonds to be redeemed by lot as provided in the Bond Indenture or by such other method acceptable to the Bond Trustee as may be specified in an Opinion of Tax Counsel. If this redemption occurs in accordance with the terms of the Bond 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 Bond Indenture shall not in and of itself constitute an event of default under the Bond Indenture, the First Mortgage Bonds or the Mortgage.

Notice of Redemption; Selection of Bonds to be Redeemed. At least **30** days before each redemption date, the Bond Trustee will mail a notice of redemption by first-class mail to the Bond Insurer and to each registered owner of Series 2001 Bonds so to be redeemed at the registered owner's registered address. Notice shall also be sent to principal bond depositories, information services and rating agencies then maintaining a rating on the Series 2001 Bonds. Failure to give any notice of redemption as to any particular Series 2001 Bonds will not affect the validity of the call for redemption of any Series 2001 Bonds in respect of which no failure occurs. Any notice mailed as provided in this paragraph will be conclusively presumed to have been given whether or not actually received by the addressee. Any notice of redemption at the direction of the Company may state that the redemption is conditioned on receipt of moneys for such redemption by the Bond Trustee on or prior to the redemption date. If such moneys are not received, the redemption of the Series 2001

Bonds for which notice was given shall not be made. When notice of redemption is given, Series 2001 Bonds called for redemption become due and payable on the redemption date at the applicable redemption price. In such case, when funds are deposited with the Bond Trustee sufficient for redemption, interest on the Series 2001 Bonds to be redeemed ceases to accrue as of the date of redemption.

Except as provided above, if fewer than all of the Series 2001 Bonds are to be redeemed, the Bond Trustee will select the Series 2001 Bonds to be redeemed by such method it deems fair and appropriate. The Bond Trustee will make the selection from Series 2001 Bonds not previously called for redemption. For this purpose, the Bond Trustee will consider each Series 2001 Bond in a denomination larger than the minimum denomination permitted by the Series 2001 Bonds at the time to be separate Series 2001 Bonds each in the minimum denomination.

So long as DTC is effecting book-entry transfers of the Series 2001 Bonds, the Bond Trustee shall provide the notices specified above to DTC. It is expected that DTC will, in turn, notify the DTC Participants and that the DTC Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC or a DTC Participant, or failure on the part of a nominee of a Beneficial Owner of a Series 2001 Bond (having been mailed notice from the Bond Trustee, a DTC Participant or otherwise) to notify the Beneficial Owner of the Series 2001 Bond so affected, shall not affect the validity of the redemption of such Series 2001 Bond.

Redemption (or Purchase) by the Company in the Event of Death of a Beneficial Owner (Estate Purchase)

Unless the Series 2001 Bonds have been declared due and payable prior to their maturity by reason of an Event of Default, the Representative (as hereinafter defined) of a deceased Beneficial Owner (as hereinafter defined) has the right, after November 1, 2003, to request redemption prior to stated maturity of all or part of his interest in the Series 2001 Bonds, and the Company will redeem (or will cause the Issuer to redeem) the same subject to the limitations that the Company will not be obligated to redeem (or cause to be redeemed), during the period from the November 2, 2003 through and including November 1, 2004 (the "Initial Period"), and during any twelve-month period which ends on and includes each November 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 Series 2001 Bonds which exceeds $25,000 principal amount or (ii) interests in the Series 2001 Bonds exceeding in aggregate principal amount $280,000 (the "Annual Limit"). A request for redemption may be initiated by the Representative of a deceased Beneficial Owner at any time and in any principal amount.

The Company may, at its option, redeem (or cause to be redeemed) interests of any deceased Beneficial Owner in the Series 2001 Bonds 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 Annual Limit 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 (or cause to be redeemed) interests of deceased Beneficial Owners in the Series 2001 Bonds, in the Initial Period or any Subsequent Period in an aggregate principal amount exceeding the Annual Limit. Any such redemption, to the extent it exceeds the Annual Limit shall not reduce the Annual Limit for any Subsequent Period. On any determination by the Company to redeem (or cause to be redeemed) Series 2001 Bonds in excess of the $25,000 limitation or the Annual Limit, Bonds 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 Series 2001 Bonds may be initiated by the personal representative or other person authorized to represent the estate of the deceased Beneficial Owner or from a surviving joint tenant(s) or tenant(s) by the entirety or the trustee of a trust (each, a "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 Series 2001 Bonds to be redeemed. The Participant shall thereupon deliver to the Depositary a request for redemption (a "Redemption Request"). The Depositary will, on receipt thereof, forward the same to the Trustee.

Subject to the $25,000 limitation and the Annual Limit, the Company will, after the death of any Beneficial Owner, redeem (or cause to be redeemed) the interest of such Beneficial Owner in the Series 2001 Bonds within 60 days following receipt by the Company of a Redemption Request from the Trustee. If Redemption Requests exceed the Annual Limit of interests in Series 2001 Bonds 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 (or cause to be redeemed), on a date not less than 30 nor more than 60 days thereafter, all or any such lesser amount of Series 2001 Bonds for which Redemption Requests have been received but which are not then eligible for redemption by reason of the $25,000 limitation or the Annual Limit. Any Series 2001 Bonds 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 Series 2001 Bonds 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.

For purposes of this provision, a "Beneficial Owner" means the Person who has the right to sell, transfer or otherwise dispose of an interest in a Series 2001 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 Series 2001 Bonds 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 provision, an interest in a Series 2001 Bond 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 Series 2001 Bonds 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 Series 2001 Bonds with respect to which a Redemption Request has been filed but which have not been prepaid in accordance with such Redemption Request at the time the Company gives notice of redemption pursuant to the redemption provisions described above under the caption "Redemption Prior to Maturity", such Series 2001 Bonds which are the subject of such pending Redemption Request shall be redeemed prior to the redemption of other Series 2001 Bonds which are not the subject of an outstanding Redemption Request.

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 Series 2001 Bonds for which Redemption Requests have been received in lieu of redeeming (or causing the redemption of) such Series 2001 Bonds. Any Series 2001 Bonds 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 Series 2001 Bonds are not represented by a global security and are issued in definitive form, all references to Participants and the Depositary, including the Depositary's governing rules, regulations and procedures shall be deemed deleted, all determinations which 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 Series 2001 Bonds 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, in addition to all documents that are otherwise required to accompany a Redemption Request, shall be accompanied by the Series 2001 Bond that is the subject of such request.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2001 BONDS

General

The Series 2001 Bonds will be issued under and will be equally and ratably secured under the Bond Indenture, which will assign and pledge to the Bond Trustee (1) the Series 2001 First Mortgage Bonds, (2) certain rights of the Issuer under the Loan Agreement, (3) all revenues and receipts receivable by the Issuer therefrom and from the security therefor, and (4) the funds and accounts (except the Rebate Fund), including the money and investments in them, which the Bond Trustee holds under the terms of the Bond Indenture.

Special, Limited Obligations

The Series 2001 Bonds and the interest thereon are special, limited obligations of the Issuer, payable solely from certain payments to be made by the Company under the Loan Agreement and the Series 2001 First Mortgage Bonds and certain other funds held by the Bond Trustee under the Bond Indenture and not from any other fund or source of the Issuer, and are secured under the Bond Indenture, the Loan Agreement and the First Mortgage Indenture as described herein.

THE SERIES 2001 BONDS AND THE INTEREST THEREON DO NOT CONSTITUTE A DEBT, LIABILITY, OR OBLIGATION OF THE ISSUER, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY THE BOND INDENTURE BETWEEN THE ISSUER AND THE BOND TRUSTEE AS DESCRIBED HEREIN. THE SERIES 2001 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND NEITHER THE FAITH AND CREDIT NOR ANY TAXING POWER OF THE ISSUER, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2001 BONDS. THE PRINCIPAL OF AND INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2001 BONDS IS PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER THE BOND INDENTURE.

The Bond Indenture

Pledge and Assignment under the Bond Indenture. Under the Bond Indenture, the Issuer will pledge and assign to the Bond Trustee, for the benefit of the Bondholders, all of its rights under the Loan Agreement and the Series 2001 First Mortgage Bonds, including all loan payments and other amounts payable under the Loan Agreement (except for certain fees, expenses and advances and any indemnity payments payable to the

Issuer and any rebate payments payable to the United States Government) as security for the payment of the principal of and interest on the Series 2001 Bonds. See **"SUMMARY OF THE BOND INDENTURE"** in *Appendix B*.

The Loan Agreement

Loan Payments and Other Payments. Under the Loan Agreement, the Company is required to make loan payments to the Bond Trustee for deposit into the Debt Service Fund in amounts sufficient to pay the principal of and interest on the Series 2001 Bonds when due, and to make certain other payments. The Company's obligations to make loan payments and to pay other amounts under the Loan Agreement are absolute and unconditional without any abatement or diminution thereof. See **"SUMMARY OF THE LOAN AGREEMENT"** in *Appendix B*.

The First Mortgage Indenture

Series 2001 First Mortgage Bonds. To secure the payment of the loan payments required to be made under the Loan Agreement, the Company will issue the Series 2001 First Mortgage Bonds under the First Mortgage Indenture, payable to the Issuer, which Series 2001 First Mortgage Bonds will be pledged and assigned by the Issuer to the Bond Trustee to secure the payment of the Series 2001 Bonds. The Series 2001 First Mortgage Bonds will be secured equally and ratably with all other First Mortgage Bonds outstanding or hereafter issued under the First Mortgage Indenture (except insofar as any sinking fund or other exclusive benefit covenant appurtenant to a particular series of First Mortgage Bonds may afford additional security for such series) by the lien of the First Mortgage Indenture which constitutes a lien on substantially all of the properties owned by the Company (with certain exceptions as set forth in the First Mortgage Indenture). The lien of the First Mortgage Indenture is subject to and therefore junior to "permitted liens" (as specified in the First Mortgage Indenture).

THE PROJECT WILL NOT CONSTITUTE ANY PART OF THE SECURITY FOR THE SERIES 2001 BONDS, OTHER THAN AS A PART OF THE COMPANY'S PROPERTY IN WHICH A GENERAL SECURITY INTEREST IS HELD BY THE MORTGAGE TRUSTEES FOR THE BENEFIT OF ALL HOLDERS OF FIRST MORTGAGE BONDS.

Issuance of Additional First Mortgage Bonds. Subject to certain conditions and restrictions, additional First Mortgage Bonds of one or more other series ranking equally with the Series 2001 First Mortgage Bonds and all other First Mortgage Bonds then outstanding, may be issued under the First Mortgage Indenture.

See **"SUMMARY OF THE FIRST MORTGAGE INDENTURE"** in *Appendix B*.

Enforceability

The enforceability of and remedies available upon an event of default under the Loan Agreement, the Bond Indenture or the First Mortgage Indenture are subject to various legal uncertainties and, in many respects, may be dependent upon judicial actions which are often subject to discretion and delay. See the caption **"BONDHOLDERS' RISKS - Factors Relating to Security for the Series 2001 Bonds - Enforcement of Remedies."**

BOND INSURANCE

The following information has been furnished by Ambac Assurance Corporation for use in this Official Statement. No representation is made by the Issuer, the Company or the Underwriter as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes with

respect thereto. See **"BONDOWNERS' RISKS – Bond Insurance"** herein. Reference is made to *Appendix C* for a specimen of the Bond Insurer's policy.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance Corporation ("Ambac Assurance" or the "Bond Insurer") has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy" or the "Insurance Policy") relating to the Series 2001 Bonds effective as of the date of execution and delivery of the Series 2001 Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 2001 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 2001 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates, in the case of principal, and on stated dates for payment, in the case of interest, and by endorsement the payment of principal and interest on any date on which Series 2001 Bonds have been called for special mandatory redemption as a result of interest on the Bonds being included in federal gross income as described under the caption **"THE SERIES 2001 BONDS - Redemption Prior to Maturity - *Mandatory Redemption on Determination of Taxability.*"** If the Series 2001 Bonds become subject to mandatory prepayment and insufficient funds are available for prepayment of all outstanding Series 2001 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 2001 Bonds on the originally scheduled interest and principal payment dates. In the event of any acceleration of the principal of the Series 2001 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Series 2001 Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for prepayment (other than the special mandatory redemption described above) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Series 2001 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

The insurance provided by the Financial Guaranty Insurance Policy is not covered by the Florida Insurance Guaranty Association.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2001 Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Certificate and will be fully subrogated to the surrendering Holder's rights to payment.

The Insurance Agreement

In connection with the issuance of the Insurance Policy, the Company and the Bond Insurer have entered into the Insurance Agreement. Under the Insurance Agreement the Company is obligated to reimburse the Bond Insurer for any amounts advanced by the Bond Insurer under the Insurance Policy and to pay the Bond Insurer certain fees and expenses. Failure of the Company to comply with the provisions of the Insurance Agreement will constitute an Event of Default under the Loan Agreement. See **Appendix A** - "SUMMARY OF THE LOAN AGREEMENT - Remedies on Default".

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately $4,830,000,000 (unaudited) and statutory capital of approximately $2,870,000,000 (unaudited) as of June 30, 2001. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Series 2001 Bonds.

Ambac Assurance makes no representation regarding the Series 2001 Bonds or the advisability of investing in the Series 2001 Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading **"BOND INSURANCE."**

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. ("Ambac Financial Group"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. Ambac Financial Group's Common Stock is listed on the NYSE.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by Ambac Financial Group with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

1. Ambac Financial Group's Current Report on Form 8-K dated January 24, 2001 and filed on January 24, 2001;

2. Ambac Financial Group's Current Report on Form 8-K dated March 19, 2001 and filed on March 19, 2001;

3. Ambac Financial Group's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and filed on March 28, 2001;

4. Ambac Financial Group's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2001 and filed on May 15, 2001;

5. Ambac Financial Group's Current Report on Form 8-K dated July 18, 2001 and filed on July 23, 2001; and

6. Ambac Financial Group's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2001 and filed on August 10, 2001.

All documents subsequently filed by Ambac Financial Group pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

BONDHOLDERS' RISKS

The following is a discussion of certain risks that could affect payments to be made by the Company with respect to the Series 2001 Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2001 Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein and in Appendix B, copies of which are available as described herein.

General

The Series 2001 Bonds are limited obligations of the Issuer payable by the Issuer solely from payments to be made by the Company pursuant to the Loan Agreement and payments to be made by the Company under the Series 2001 First Mortgage Bonds and from certain other funds held by the Bond Trustee under the Bond Indenture. No representation or assurance can be given that the Company will realize revenues in amounts sufficient to make such payments under the Loan Agreement and the Series 2001 First Mortgage Bonds with respect to the Series 2001 Bonds. The realization of future revenues is dependent upon, among other things, government regulations, the capabilities of the management of the Company and future changes in economic and other conditions that are unpredictable and cannot be determined at this time. The risk factors discussed below should be considered in evaluating the ability of the Company to make such payments.

Bond Insurance

In the event the Issuer fails to make payment of the principal of and interest on the Series 2001 Bonds when the same become due, any owner of Series 2001 Bonds shall have recourse against the Bond Insurer for such payments. The Insurance Policy does not, however, insure payment of the principal of or interest on the Series 2001 Bonds coming due by reason of acceleration or redemption (other than mandatory sinking fund redemption or acceleration upon the occurrence of a determination of taxability), nor does it insure the payment of any redemption premium payable upon the redemption of the Series 2001 Bonds. Under no other circumstances can the maturity of the Series 2001 Bonds be accelerated except with the consent of the Bond Insurer. Furthermore, so long as the Bond Insurer performs its obligations under the Insurance Policy, the Bond Insurer may direct, and its consent must be obtained before the exercise of, any remedies to be undertaken by the Bond Trustee under the Bond Indenture. Additionally, so long as the Bond Insurer performs its obligations under the Insurance Policy and is not insolvent, the Bond Insurer will be deemed to be the owner of the Series 2001 Bonds for purposes of giving consents under the Bond Indenture. In the event that the Bond Insurer is unable to make payments of principal and interest on the Series 2001 Bonds as such payments become due, the Series 2001 Bonds are payable solely from moneys received by the Bond Trustee pursuant to the Loan Agreement, the Series 2001 First Mortgage Bonds, and the Bond Indenture. See **"BOND INSURANCE"** for further information concerning the Bond Insurer and the Insurance Policy.

Factors Affecting the Business Operations of the Company

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the Company's operations and financial performance to an extent that cannot be determined at this time:

1. *Changes in Management.* Changes in key management personnel could affect the capability of management of the Company.

2. *Future Economic Conditions.* Increased unemployment or other adverse economic conditions or changes in demographics in the service area of the Company; cost and availability of energy; an inability to control expenses in periods of inflation and difficulties in increasing rates and charges.

3. *Environmental Regulation.* Water, gas and electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of these utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that facilities in operation will remain subject to the regulations currently in effect, will always be in compliance with further regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of facilities not in compliance. Legislative, regulatory, administrative or enforcement action involving environmental controls could adversely affect the operation of the facilities of the Company.

4. *Rate Regulation.* Except with respect to its propane gas business, the rates and charges imposed for services provided by the Company are subject to regulation by the Florida Public Service Commission. The current rate schedules of the Company have been approved by the Florida Public Service Commission. Changes in the cost of operation may require modification of the rate schedules which would have to be approved by the Florida Public Service Commission. There can be no assurance that a change in a particular rate schedule would be approved. A failure to approve a requested rate change (or approval of an increase of less than requested) might adversely affect the □ability of the Company to pay debt service on the Series 2001 Bonds and recover the cost of

operation of the facilities financed or refinanced with proceeds from the Series 2001 Bonds or its other facilities.

5. *Insurance Claims.* Increases in the cost of general liability insurance coverage and the amounts paid in settlement of liability claims not covered by insurance.

6. *Organized Labor Efforts.* As of December 31, 2000, approximately 32% of the Company's 315 employees were represented by collective bargaining units. There can be no assurance that there will not be efforts to organize additional Company employees or to use strikes or other organized labor techniques to obtain higher wages or greater benefits for the employees represented by the unions. There can be no assurance that the Company will be successful in negotiating satisfactory extensions of existing contracts or at wage increases that are consistent with the Company's current wage assumptions.

7. *Natural Disasters.* The occurrence of natural disasters, such as floods, droughts, fires or explosions could damage the facilities of the Company, affect the supply of water, gas or electricity, interrupt services or otherwise impair operations and the ability of the Company to produce revenues.

8. *Miscellaneous Factors.* The water, gas and electric utility industries in general have experienced, or may in the future experience, problems including (a) the effects of inflation upon the costs of operation of facilities, (b) uncertainties in predicting future demand requirements, (c) increased financing requirements coupled with the increased cost and uncertain availability of capital, and (d) compliance with rapidly changing environmental, safety, rate, licensing and competition regulations and requirements.

9. *Additional Debt.* The First Mortgage Indenture permits the issuance of additional First Mortgage Bonds on a parity with the Company's obligation under the Series 2001 First Mortgage Bonds and also permits incurrence of other types of indebtedness by the Company. The issuance of additional First Mortgage Bonds or the incurrence of such additional indebtedness could increase the debt service requirements of the Company and could adversely affect debt service coverage on the Series 2001 Bonds.

Tax-Exempt Status of the Series 2001 Bonds

The failure by the Company to comply with certain legal requirements could cause the inclusion of interest on the Series 2001 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2001 Bonds. (See **"OPINION OF BOND COUNSEL"**). In such event, the Series 2001 Bonds may be redeemed in whole or in part without premium under the circumstances described herein under the caption **"THE SERIES 2001 BONDS - Redemption Prior to Maturity - *Mandatory Redemption on Determination of Taxability*." The Bond Indenture does not provide for the payment of any additional interest or penalty in the event that the interest on the Series 2001 Bonds becomes includable in gross income for federal income tax purposes.**

Factors Relating to Security for the Series 2001 Bonds

Enforcement of Remedies. Enforcement of the remedies under the Loan Agreement, the Bond Indenture and the First Mortgage Indenture may be limited or restricted by federal and state laws relating to bankruptcy, fraudulent conveyances, and rights of creditors and by application of general principles of equity affecting the enforcement of creditors' rights and liens securing such rights, and by the exercise of judicial Issuer by state or federal courts, and may be subject to discretion and delay in the event of litigation or statutory remedy procedures, and may be substantially delayed in the event of litigation or statutory remedy procedures. The various legal opinions to be delivered concurrently with the delivery of the Series 2001

Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies, and by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors.

Limited Value of Facilities Subject to the First Mortgage Indenture. The Company has granted the Mortgage Trustees a lien on substantially all of its properties (exclusive of certain excepted properties). Upon the occurrence of an Event of Default under the First Mortgage Indenture, the Mortgage Trustees may exercise certain rights, including the right to foreclose on and sell such property. There is no assurance that the revenues generated by such foreclosure remedy would be adequate for payment of the principal of, premium, if any, and interest on the Series 2001 First Mortgage Bonds and any other First Mortgage Bonds then outstanding. The facilities of the Company are not general purpose facilities and would be of limited utility for purposes other than those for which they are intended. As a result, in the event of a default by the Company under the First Mortgage Indenture and foreclosure on such facilities, the Mortgage Trustees' remedies and the number of entities which might purchase or lease such facilities would be limited, and the sale price or rentals generated by such facilities might be of less than full value and might not be sufficient to repay the outstanding Series 2001 First Mortgage Bonds and any other First Mortgage Bonds then outstanding.

LITIGATION

The Issuer

To the knowledge of the Issuer there is no legal action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body for which the Issuer has been served with process or official notice or threatened against or affecting the Issuer or any reasonable basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by this Official Statement or the validity of the Series 2001 Bonds, the Bond Indenture, the Loan Agreement or any agreement or instrument to which the Issuer is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement, and no member, employee or agent of the Issuer has been served with any legal process regarding such legal action, litigation or other proceeding.

The Company

No litigation, proceedings or investigations are pending or, to the knowledge of the Company, threatened against the Company or its officers or property except litigation, proceedings or investigations being defended by or on behalf of the Company in which the probable ultimate recoveries and the estimated costs and expenses of defense, in the opinion of management of the Company and counsel of the Company responsible therefor, will be entirely within the Company's applicable self-insurance and insurance policy limits (including primary and excess insurance policies and subject to applicable deductibles and self-insured retentions), or will not have a material adverse effect on the operations or condition, financial or otherwise, of the Company. No litigation, investigations or proceedings are now pending or, to the Company's knowledge, threatened against the Company which would in any manner challenge or adversely affect the Series 2001 Bonds, the Bond Indenture, the Loan Agreement or any agreement or instrument to which the Company is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement, or the corporate existence or powers of the Company to enter into and carry out the transactions described in or contemplated by, or the execution, delivery, validity or performance by the Company of, the Loan Agreement, the First Mortgage Indenture or the Series 2001 First Mortgage Bonds.

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Series 2001 Bonds by the Issuer are subject to the approval of Akerman, Senterfitt & Eidson, P.A., Orlando, Florida, Bond Counsel, whose

approving opinion will be delivered with the Series 2001 Bonds. The form of bond counsel opinion is set forth in *Appendix D* to this Official Statement. Certain legal matters will be passed upon for the Issuer by its counsel, Paul King, Palm Beach County Attorney, West Palm Beach, Florida. Certain legal matters will be passed upon for the Company by Downey & Downey, P.A., West Palm Beach, Florida. Certain legal matters will be passed upon for the Underwriter by its counsel, Gilmore & Bell, P.C., St. Louis, Missouri.

OPINION OF BOND COUNSEL

On the date of issuance and delivery of the Series 2001 Bonds, Akerman, Senterfitt & Eidson, P.A., Orlando, Florida, Bond Counsel, will deliver an opinion to the effect that the interest on the Series 2001 Bonds, under existing statutes, regulations and judicial decisions, is excluded from the gross income of the owners of the Series 2001 Bonds for federal income tax purposes. In addition, in the opinion of Bond Counsel, interest on the Series 2001 Bonds will be treated as an item of tax preference for purposes of calculating the federal alternative minimum tax. No opinion will be expressed with respect to any other federal tax consequences of the receipt or accrual of interest on the Series 2001 Bonds. The opinion of Bond Counsel will state that it assumes the accuracy of the representations and certifications of the Issuer, the Company and the Trustee, and the continued compliance with the covenants related to the exclusion of interest on the Series 2001 Bonds from gross income.

Bond Counsel is further of the opinion that, under existing laws, the Series 2001 Bonds and income thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined in Chapter 220. Interest on the Series 2001 Bonds, however, may or may not be subject to state or local income taxation in other jurisdictions under applicable state or local tax laws. Each purchaser of the Series 2001 Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2001 Bonds in a particular state or local jurisdiction.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met concurrently with, and subsequent to, the issuance of the Series 2001 Bonds, in order that the interest on the Series 2001 Bonds be and remain excluded from the gross income of the recipients thereof for federal income tax purposes. At the time of issuance and delivery of the Series 2001 Bonds, the Issuer, the Company and the Trustee will make certain representations, certifications and covenants which are intended to assure compliance with such requirements. In the event of the inaccuracy of such representations and certifications, or the non-compliance with such covenants, interest on the Series 2001 Bonds may be required to be included in the gross income of the recipients thereof, retroactively to the date of issuance of the Series 2001 Bonds under certain circumstances. The opinion of Bond Counsel assumes compliance with these covenants and Bond Counsel has not undertaken to determine (or to inform any persons) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2001 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2001 Bonds. Further no assurance can be given that pending or future legislation or amendments to the Code will not adversely affect the value of, or the tax status of interest on, the Series 2001 Bonds.

A copy of the proposed form of opinion of Bond Counsel is set forth in *Appendix* D hereto.

CERTAIN TAX CONSEQUENCES

Prospective purchasers of the Series 2001 Bonds should be aware that there may be tax consequences of purchasing the Series 2001 Bonds other than those discussed under the caption **"Opinion of Bond Counsel,"** including the following:

(1) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2001 Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code);

(2) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2001 Bonds;

(3) interest on the Series 2001 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code;

(4) passive investment income, including interest on the Series 2001 Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year, if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; and

(5) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2001 Bonds.

Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2001 Bonds should consult their own tax advisors as to the applicability of these tax consequences.

INDEPENDENT AUDITORS

The consolidated financial statements incorporated in **Appendix A** to this Official Statement by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2000 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference.

CONTINUING DISCLOSURE

The Company and SunTrust Bank, as dissemination agent (the "Dissemination Agent"), are entering into the Continuing Disclosure Agreement for the benefit of the registered owners and Beneficial Owners of the Series 2001 Bonds and in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). The Company is the only "obligated person" with responsibility for continuing disclosure, and the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under the Continuing Disclosure Agreement, and has no liability to any person, including any registered owner or Beneficial Owner of the Series 2001 Bonds, with respect to the Rule.

Pursuant to the Continuing Disclosure Agreement, the Company shall, or shall cause the Dissemination Agent to, not later than six (6) months after the end of the Company's fiscal year, beginning with the year ended December 31, 2001, provide to each Nationally Recognized Municipal Securities Information Repository and the State Information Depository, if any, an Annual Report which shall contain or include (which inclusion may be by incorporation by reference of documents previously provided to each Repository or filed with the Securities and Exchange Commission) in addition to its audited financial statements for such Fiscal Year (unless included in 1 below), an annual update of information set forth in *Appendix A*, as follows:

1. The Company's annual report on Form 10-K for such Fiscal Year

2. The Company's quarterly reports on Form 10-Q filed since the close of such Fiscal Year

3. The Company's current reports on Form 8-K filed since the close of such Fiscal Year

4. Information under the subcaption "Business Segments" set forth on page A-4 of *Appendix A*

5. Information set forth under the caption "Capitalization" set forth on page A-4 of *Appendix A*

6. Information set forth under the caption "Selected Consolidated Financial Information" set forth on page A-5 of *Appendix A*

Pursuant to the Continuing Disclosure Agreement, the Company also shall give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Series 2001 Bonds, if material ("Material Events"):

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) modifications to rights of Bondholders;

(4) optional, contingent or unscheduled bond calls;

(5) defeasances;

(6) rating changes;

(7) adverse tax opinions or events affecting the tax-exempt status of the Series 2001 Bonds;

(8) unscheduled draws on debt service reserves reflecting financial difficulties;

(9) unscheduled draws on credit enhancements reflecting financial difficulties;

(10) substitution of credit or liquidity providers, or their failure to perform; or

(11) release, substitution or sale of property securing repayment of the Series 2001 Bonds.

The Company shall also provide to the State Information Depository, if any, and to each Nationally, Recognized Municipal Securities Information Repository or to the Municipal Securities Rulemaking Board, as promptly as practicable notice of any failure of the Company to provide to such repositories the Annual Report data required by the preceding paragraph on or before the date specified.

If the Dissemination Agent has been instructed by the Company to report the occurrence of a Material Event, the Dissemination Agent shall promptly file a notice of such occurrence with each Nationally Recognized Municipal Securities Information Repository or the Municipal Securities Rulemaking Board and the State Information Depository, if any, with a copy to the Company.

The Company may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any

manner for the content of any notice or report prepared by the Company pursuant to the Continuing Disclosure Agreement. The initial Dissemination Agent shall be the Bond Trustee.

Notwithstanding any other provision of the Continuing Disclosure Agreement, the Company and the Dissemination Agent may amend the Continuing Disclosure Agreement (and the execution of such amendment by the Dissemination Agent so requested by the Company shall not be unreasonably withheld) and any provision of the Continuing Disclosure Agreement may be waived, provided Bond Counsel or other counsel experienced in federal securities law matters provides the Company and the Dissemination Agent with its opinion that the undertaking of the Company contained in the Continuing Disclosure Agreement, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to the Continuing Disclosure Agreement.

In the event of a failure of the Company or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Bond Trustee may (and, at the request of the Underwriter or the owners of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any owner or Beneficial Owner of the Series 2001 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Company or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an event of default under the Bond Indenture or the Loan Agreement, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Company or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

BOND RATING

Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies ("Standard & Poor's) has assigned its municipal bond rating to the Series 2001 Bonds as shown on the Cover Page hereof based upon the assumption that the Insurance Policy will be issued by the Bond Insurer upon delivery of the Series 2001 Bonds. Such rating reflects only the views of such organization at the time such rating is given, and the Issuer, the Underwriter and the Company make no representation as to the appropriateness of such rating. An explanation of the significance of such rating may be obtained only from such rating agency. The Company and the Bond Insurer furnished such rating agency with certain information and materials relating to the Series 2001 Bonds, the Company and the Bond Insurer that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing such rating, circumstances so warrant. Neither the Issuer, the Underwriter, the Company nor the Bond Insurer has undertaken any responsibility to bring to the attention of the holders of the Series 2001 Bonds any proposed revision or withdrawal of a rating of the Series 2001 Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of such a rating could have an adverse effect on the market price and marketability of the Series 2001 Bonds.

At present, Standard & Poor's maintains four categories of investment grade ratings. They are: AAA, AA, A and BBB. Standard & Poor's defines "AAA" as the highest rating assigned to a debt obligation. The capacity to pay interest and repay principal is extremely strong.

UNDERWRITING

The Series 2001 Bonds are being purchased for reoffering by Edward D. Jones & Co., L.P. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2001 Bonds at an aggregate purchase price of 100% of the principal amount thereof, plus accrued interest to the date of

delivery. As a condition to such purchase, the Company will pay the Underwriter a fee of $420,000 (3% of the principal amount of the Series 2001 Bonds). The Bond Purchase Agreement with respect to the Series 2001 Bonds provides that the Underwriter will purchase all of the Series 2001 Bonds if any are purchased.

The Underwriter intends to offer the Series 2001 Bonds to the public initially at the offering price set forth on the Cover Page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2001 Bonds to the public. The Underwriter may offer and sell Series 2001 Bonds to certain dealers (including dealers depositing Series 2001 Bonds into investment trusts) at prices lower than the public offering price. In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Series 2001 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Company has agreed to indemnify the Underwriter and the Issuer against certain civil liabilities, including certain liabilities under the federal securities laws.

MISCELLANEOUS

The references herein to the Act, the Bond Indenture, the Loan Agreement and the First Mortgage Indenture are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of the provisions thereof, reference is made to the Act, the Bond Indenture, the Loan Agreement and the First Mortgage Indenture. Copies of such documents are on file at the offices of the Underwriter and following delivery of the Series 2001 Bonds will be on file at the office of the Bond Trustee.

The agreement of the Issuer with the owners of the Series 2001 Bonds is fully set forth in the Bond Indenture, and neither any advertisement of the Series 2001 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2001 Bonds. Statements made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact.

The Cover Page hereof and the Appendices hereto are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The Company has supplied and reviewed the information contained herein which relates to its property and operations and has approved all such information for use within this Official Statement.

The execution and delivery of this Official Statement has been duly authorized by the Company, and its use has been approved by the Issuer.

PALM BEACH COUNTY, FLORIDA

By: /s/ Warren H. Newell
Title: Chairman, Board of
County Commissioners

FLORIDA PUBLIC UTILITIES COMPANY

By: /s/ Jack Brown
Title: Vice President and Secretary

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APPENDIX A

FLORIDA PUBLIC UTILITIES COMPANY

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FLORIDA PUBLIC UTILITIES COMPANY

AVAILABLE INFORMATION

FLORIDA PUBLIC UTILITIES COMPANY (the "Company") is subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information can be inspected and copied at the public reference room of the Commission at Room 1024, 450 Fifth Street NW, Washington, D.C. and the public reference facilities in the Chicago Regional Office, 500 West Madison Street, Suite 1400, Chicago, Illinois. Copies of such material can be obtained at prescribed rates by writing to the Securities and Exchange Commission, Public Reference Section, Washington, D.C. 20549.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by the Company with the Commission are incorporated by reference in this *Appendix A* to this Official Statement:

1. The Company's annual report on Form 10-K for the year ended December 31, 2000.

2. Amendment to the Company's annual report on Form 10-K for the year ended December 31, 2000.

3. The Company's quarterly report on Form 10-Q for the quarter ended March 31, 2001.

4. The Company's quarterly report on Form 10-Q for the quarter ended June 30, 2001.

5. Proxy Statement of the Company for Annual Meeting of Stockholders held on April 17, 2001.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statements and prior to the termination of the offering of the Series 2001 Bonds shall be deemed to be incorporated by reference in the Official Statement.

The Company hereby undertakes to provide without charge to each person to whom a copy of this Official Statement has been delivered, on the written or oral request of any such person, a copy of any or all the documents referred to above which have been or may be incorporated by this Official Statement by reference, other than exhibits to such documents which are not specifically incorporated by reference in the information that this Official Statement incorporates. Requests should be directed to Florida Public Utilities Company, 401 South Dixie Highway, West Palm Beach, Florida 33401, Attention: Treasurer (Telephone: (561) 832-2461).

SELECTED INFORMATION

The following selected information is qualified in its entirety by the detailed information and consolidated financial statements appearing elsewhere in the Official Statement or in the documents incorporated in the Official Statement by reference.

The Company is a public utility incorporated in 1924 as a Florida corporation. The Company is regulated by the Florida Public Service Commission (except for propane gas service), and provides natural and propane gas service, electric service and water service to consumers in Florida through the following four divisions:

- West Palm Beach Division, located in southeast Florida, which serves 29,308 natural gas customers and 5,530 propane gas customers;
- Central Florida Division, located in central Florida, which serves 10,785 natural gas customers and 2,278 propane customers;
- Marianna Division, located in the Florida panhandle, which serves 12,112 electric customers; and
- Fernandina Beach Division, located in extreme northeast Florida, which serves 13,405 electric customers, 6,866 water customers and 34 propane customers.

The Company is seeking to expand its operations through the acquisition of other natural or propane gas distribution operations, and occasionally enters into negotiations for such acquisitions. No assurance can be given that any such negotiations will result in a definitive agreement or that any such agreement will be finally consummated.

The economies of Palm Beach County and the Central Florida Division rely somewhat on the migration of seasonal residents and tourists during the winter season. Agriculture and citrus processing, together with light industry, provide year-round stability. Marianna's economy is predominantly agricultural including peanuts, soy beans, corn, pork and beef. The area has many small industries. Fernandina's economy is centered around two large paper mills; ITT Rayonier, Inc. and Jefferson Smurfit Corp. In Fernandina Beach, these two large paper mills accounted for 15.7% of total 2000 electric division operating revenues and 7.3% of total operating revenues. However, such mills accounted for 5.9% of total 2000 electric division operating margin and 2.0% of total operating margin.

Sources of Supply

Natural Gas

The Company receives its total supply of natural gas at eleven city gate stations connected to Florida Gas Transmission Company's (FGT) pipeline system and has the adequate redundancy of gate stations in each distribution system to assure high levels of continuous service to customers.

FGT is the sole natural gas pipeline serving peninsular Florida and is under the jurisdiction of the Federal Energy Regulatory Commission (FERC). FGT is used solely by the Company as a carrier of natural gas. All gas supplies for traditional sales markets are independently procured using gas marketers and producers. The Company's transportation customers are responsible for obtaining their own gas supplies and arranging for pipeline transportation.

The Company is in full compliance with the Gas Industry Standards Board's (GISB) standards. The GISB was formed to develop a uniform nationwide network of natural gas producers, marketers, gathering systems, pipelines, distribution companies and customers. The GISB's standards place all participants on the same time schedules for procurement, capacity transactions and invoicing. It caused the network to be fully available twenty-four hours per day, 365 days per year.

The Company has gained substantial experience directly contracting for gas supplies with marketers and producers while contracting for transportation services from FGT. This experience enables the Company to operate effectively within a deregulated environment and it has been able to lower fuel cost substantially in recent years by directly purchasing gas supplies from sources other than FGT. All fuel costs and associated savings are passed along to traditional sales customers. The Company has actively reduced demand charges paid for the pipeline capacity by "subletting" unused capacity, for short terms, to other shippers on FGT's system.

Electricity

The Company purchases most of its electrical power supply at wholesale rates from two generating utilities. Less than 1% of its power supply is purchased on an as available basis from a self-generating paper mill.

Deregulation of the wholesale power market has enabled the Company to negotiate long term power supply agreements which reduced the cost of purchased power. Cost savings from these lower power supply costs are passed on to customers. The Company's residential and commercial electric rates are lower than most of Florida's other electric utilities.

The Company has power supply agreements which expire in 2007, to supply power to the Marianna and Fernandina Beach Divisions.

Propane Gas

The Company obtains its propane supply from one primary supplier, Dynegy Gas Liquids, and two secondary suppliers, Propane Resources and Sea 3 of Florida. Contracts are negotiated yearly and each year the Company pre-buys 40% to 60% of its winter heating season needs to ensure price stability and ample supply during those peak demand months.

Water Supply

The source of supply for the Fernandina Beach water system is derived from six wells penetrating the Floridan aquifer. All of the wells draw water from the Ocala and Avon Park limestone formations. Two wells are located at each of the Company's three water plants which are interconnected by a distribution system with ample redundancy. The capacity of the six wells is adequate to provide estimated customer water demands for the next ten years. The Floridan aquifer is the major source of water supply for municipal, domestic, and industrial water supply in Nassau County. The majority of water withdrawn from the aquifer is used by the pulp and paper industry.

The Company is required to test quarterly for chloride to measure for possible salt water intrusion into the aquifer. This testing indicates that salt water intrusion should not be a problem for the near future. However, this condition could change if two nearby paper mills are permitted by government agencies to significantly increase their withdrawal from the aquifer. Salt water intrusion would require a change in water treatment method, resulting in a sizeable investment in treatment facilities. The Company believes that these investments, if necessary in the future, would be allowed in rate base by the Florida Public Service Commission.

Business Segments

The following table sets forth the revenues, operating profit and identifiable assets of each of the Company's business segments. (See "Segment Information" in the Notes to Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)

	Years Ended December 31,		
	2000	1999	1998
		(dollars in thousands)	
Revenues			
Natural gas	$38,270	$30,287	$29,734
Electric	$39,304	$37,544	$40,254
Water	$ 2,805	$ 2,401	$ 2,161
Propane gas	$ 4,380	$ 3,866	$ 4,043
Operating profit			
Natural gas	$ 3,789	$ 3,493	$ 3,444
Electric	$ 3,016	$ 3,173	$ 3,213
Water	$ 932	$ 739	$ 599
Propane gas	$ 264	$ 393	$ 207

	December 31,		
	2000	1999	1998
		(dollars in thousands)	
Identifiable assets			
Natural gas	$42,564	$38,355	$36,870
Electric	$36,911	$35,384	$34,605
Water	$ 9,038	$ 7,199	$ 5,941
Propane gas	$ 5,648	$ 4,999	$ 5,134

CAPITALIZATION

The following table sets forth the capitalization of the Company at June 30, 2001, and as adjusted to reflect the issuance of $15,000,000 in long term notes on September 26, 2001 and the Series 2001 Bonds and the anticipated use of estimated net proceeds therefrom. The following data are qualified in their entirety by reference to, and should be read together with, the detailed information and financial statements appearing in the documents incorporated in the Official Statement by reference.

	At June 30, 2001	
	Actual	As Adjusted (1)
	(dollars in thousands)	
Long-Term Debt	$23,500	$52,500
Common Equity	28,653	28,653
Preferred Stock	600	600
Total Capitalization	$52,753	$81,753
Short-Term Debt (including current maturities of long-term debt) (2)	$21,735	$-0-

(1) Adjusted for the issuance of the long term notes and Series 2001 Bonds at par.
(2) Current maturities of long-term debt at June 30, 2001 were zero.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected consolidated financial information for the Company on a historical basis. The information was derived from financial statements of the Company, which are incorporated by reference in the Official Statement.

The selected consolidated financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included with the financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and the Form 10-Q for the six-month period ended June 30, 2001, both incorporated by reference in the Official Statement.

	Six Months Ended June 30,		Years Ended December 31,				
	2001	2000	2000	1999	1998	1997	1996
			(dollars in thousands)				
Summary of Operations:							
Operating revenues	$53,596	$41,007	$84,759	$74,098	$76,192	$78,134	$78,81
Gross profit	$17,033	$15,922	$31,143	$29,342	$28,491	$26,679	$26,93
Gain on sale of property, net of income taxes	$ -	$ -	$ -	$ 83	$ -	$ 522	$ -
Net income	$ 1,983	$ 1,952	$ 3,288	$ 3,529	$ 3,068	$ 3,191	$ 2,75

	June 30,	December 31,				
	2001	2000	1999	1998	1997	1996
			(dollars in thousands)			
Balance Sheet Data:						
Utility Plant – net	$ 88,563	$ 84,200	$78,272	$75,227	$72,724	$69,87
Total Assets	$109,916	$108,588	$96,543	$92,406	$89,050	$88,16
Common Shareholders' Equity	$ 28,653	$ 27,510	$25,866	$27,622	$26,189	$24,51
Preferred Stock	$ 600	$ 600	$ 600	$ 600	$ 600	$ 60
Long-term Debt	$ 23,500	$ 23,500	$23,500	$23,500	$23,500	$23,50
Short-term Debt	$ 21,735	$ 17,900	$13,000	$ 8,200	$ 7,600	$ 7,90

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APPENDIX B

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

DEFINITIONS OF WORDS AND TERMS

In addition to the words and terms defined elsewhere in this Official Statement, the following are definitions of certain words and terms used in the Bond Indenture, the Loan Agreement, the First Mortgage Indenture and this Official Statement. Reference is hereby made to the Bond Indenture, the Loan Agreement and the First Mortgage Indenture for complete definitions of all terms.

"Bond Insurer" shall mean Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin, or any successor thereto.

"Bonds" or "Bond" or "Series 2001 Bond" or "Series 2001 Bonds" shall mean one or more of the Bonds issued pursuant to the Bond Indenture.

"Company" shall mean Florida Public Utilities Company, a Florida corporation, and its successors and assigns, and any surviving, resulting or transferee entity as provided in the Loan Agreement.

"Continuing Disclosure Agreement" shall mean that certain Continuing Disclosure Agreement between the Company and the Dissemination Agent dated November 1, 2001, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Dissemination Agent" shall mean, initially, SunTrust Bank, and its successors and assigns pursuant to the Continuing Disclosure Agreement.

"Favorable Opinion of Tax Counsel" shall mean an Opinion of Tax Counsel addressed to the Issuer and the Trustee to the effect that the action proposed to be taken is not prohibited by the laws of the State of Florida and the Bond Indenture and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds (to the extent that, such interest on the Bonds of that series was excludable when such Bonds were issued).

"Financial Guaranty Insurance Policy" shall mean the financial guaranty insurance policy issued by the Bond Insurer that guarantees the payment of the principal of and interest on the Bonds as provided therein.

"First Mortgage Bonds" shall mean any of the $14,000,000 First Mortgage Bonds, 4.9% Series, Due November 1, 2031 of the Company delivered to the Trustee pursuant to the Bond Indenture.

"Government Securities" shall mean direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of Treasury and CATS and TIGRS), or obligations the principal and interest on which are unconditionally guaranteed by the United States of America.

"Issuer" shall mean Palm Beach County, Florida, a political subdivision of the State of Florida.

"Mortgage Trustee" shall mean the trustee or trustees at the time acting as such under the First Mortgage Indenture.

"Non-Arbitrage and Rebate Certificate" shall mean the Non-Arbitrage and Rebate Certificate of the Issuer and all certificates of other parties attached as exhibits thereto.

"Opinion of Counsel" shall mean a written opinion of counsel who is acceptable to the Trustee. Such counsel may be an employee of or counsel to the Issuer, the Trustee or the Company.

"Opinion of Tax Counsel" shall mean an Opinion of Counsel experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions.

"Permitted Investments" shall mean those investments listed in the Bond Indenture, provided that any investment or deposit therein described is not prohibited by applicable law or the Rebate and Investment Instructions. All such securities so purchased shall mature or be redeemable at the option of the owner on a date or dates prior to the time when, in the judgment of the Company, the funds so invested will be required for expenditure. The express judgment of the Company as to the time when any funds will be required for expenditure or be redeemable shall be final and conclusive.

"Rebate and Investment Instructions" shall mean the instructions agreed to by the Trustee, the Issuer and the Company, relating to Section 148 of the Internal Revenue Code.

"Responsible Officer" shall mean the President, any Vice President or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Tax Certificate" shall mean the Company Tax Certificate of the Company executed in connection with the issuance of the Bonds.

"Trustee" or "Bond Trustee" shall mean the entity identified as such in the heading of the Bond Indenture and its successors under the Bond Indenture.

* * *

SUMMARY OF THE BOND INDENTURE

The following is a summary of certain provisions of the Bond Indenture and is qualified in its entirety by reference to the Bond Indenture.

Pledge and Assignment

To evidence the obligation of the Company to repay the loan and to secure the payment of the Bonds, the Issuer has caused the Company to deliver its $14,000,000 First Mortgage Bonds, 4.9% Series, Due November 1, 2031 (the "First Mortgage Bonds") to the Trustee (registered in the name of and made payable to the Trustee) and assigns to the Trustee and grants to the Trustee a security interest in all right, title and interest of the Issuer in and to (a) the First Mortgage Bonds and the Loan Agreement, including the current and continuing right to claim, collect, receive and give receipts for all amounts payable by or receivable from the Company under the First Mortgage Bonds and the Loan Agreement (excluding, however, any amounts payable to meet the rebate requirements of Section 148(f) of the Internal Revenue Code, to bring actions and proceedings under the First Mortgage Bonds and the Loan Agreement or for the enforcement of the First Mortgage Bonds and the Loan Agreement and to do all things that the Issuer is entitled to do under the First Mortgage Bonds and the Loan Agreement, but excluding the Unassigned Rights (as hereinafter defined), (b) all moneys and securities held from time to time by the Trustee under the Bond Indenture as provided in the Bond Indenture, except the Rebate Fund and as otherwise provided in the Bond Indenture, and (c) all proceeds of the foregoing, all for the equal and proportionate benefit of all holders of the Bonds without priority or distinction as to lien or otherwise of any Bonds over any other Bonds.

Creation of Funds

Upon the issuance of the Bonds, the Trustee shall create the following funds to be held in trust:

(a) The Bond Fund.
(b) The Construction Fund.
(c) The Expense Fund.

Bond Proceeds

The Issuer will cause the proceeds of the initial sale of the Bonds to be deposited with the Trustee and applied as provided in the Bond Indenture.

Expense Fund

The Trustee shall disburse moneys from the Expense Fund to the Company, or its designees to pay, or to reimburse the Company for, any and all costs and expenses relating to the issuance, sale and delivery of the Bonds, including, but not limited to, all fees and expenses of legal counsel, financial consultants, underwriters and accountants, trustees and the preparation and printing of the Loan Agreement, the Bond Indenture, the Official Statement relating to the Bonds and the Bonds, and the fees and expenses of the Issuer.

Construction Fund

The moneys on deposit in the Construction Fund shall be paid out by the Trustee for the purpose of paying the Costs of the Project, but only upon receipt of a Written Request for payment signed by the Company Representative and stating with respect to each such payment (i) the amount requested to be paid, (ii) the name and address of the Person, firm or corporation to whom such payment is or has been made, (iii) a description, in

reasonable detail, of the particular Costs for which payment is being requested, (iv) that such Costs are valid costs of "utilities" and/or "distribution" facilities as described or defined in the Act, and the purpose for which such payment is to be made is one for which moneys are authorized under the Loan Agreement and the Tax Certificate to be expended for the acquisition or construction of such facilities of the Company, and (v) that no part of such Costs was included in any other Written Request previously filed with the Trustee under the provisions hereof or reimbursed to the Company from proceeds of the Bonds.

Payment of Bonds

The Trustee will make payments of principal of and interest on the Bonds from moneys deposited in the Bond Fund. The Trustee will deposit in the Bond Fund all moneys paid on the First Mortgage Bonds or by the Company pursuant to the Loan Agreement or under any provisions of the Bond Indenture or the Bonds and from any other moneys available to the Trustee for that purpose.

Investment of Moneys Held by the Trustee

Moneys in all funds and accounts held by the Trustee under the Bond Indenture shall be invested by the Trustee, as soon as possible upon receipt of immediately available funds at its principal corporate trust office solely in Permitted Investments as provided in the Bond Indenture. Interest income and gain received, or loss realized, from investments of moneys in any fund or account shall be credited or charged, as the case may be, to such respective fund or account. Investment income and gain credited to the Bond Fund shall be a credit against the next forthcoming payment made on the First Mortgage Bonds or pursuant to the Loan Agreement to be deposited to such Fund.

Bonds Deemed Paid; Discharge of Bond Indenture

Any Bond will be deemed paid for all purposes of the Bond Indenture when (a) payment of the principal of and interest on the Bond to the due date of such principal and interest (whether at maturity, upon redemption or otherwise) either (1) has been made in accordance with the terms of the Bond, or (2) has been provided for by depositing with the Trustee (A) moneys sufficient to make such payment, or (B) Government Securities (or such other securities as the Bond Insurer shall approve), maturing as to principal and interest in such amounts and at such times as will insure, without reinvestment, the availability of sufficient moneys to make such payment (which shall be evidenced by a certificate, in form satisfactory to the Trustee, of a firm of independent certified public accountants acceptable to the Trustee), and (b) all compensation and expenses of the Trustee pertaining to each Bond in respect of which such deposit is made have been paid or provided for to the Trustee's satisfaction. When a Bond is deemed paid, it will no longer be secured by or entitled to the benefits of the Bond Indenture or the related First Mortgage Bonds or be an obligation of the Issuer, except for payment from moneys or Government Securities under (a)(2) above and except that it may be transferred, exchanged, registered or replaced as provided in the Bond Indenture. When a Bond is deemed paid, the Trustee shall return a proportionate aggregate principal amount of the First Mortgage Bonds relating to such Bond to the Mortgage Trustee for cancellation.

Notwithstanding the foregoing, no deposit under clause (a)(2) of the preceding paragraph shall be made until the Company has furnished the Trustee an Opinion of Tax Counsel stating that the deposit of such cash or Government Securities will not cause the Bonds to become "arbitrage bonds" under Section 148 of the Internal Revenue Code.

Also, if any Bond is to be redeemed prior to maturity, notice of redemption of such Bond must be given in accordance with the provisions of the Bond Indenture in order for such deposit to be deemed a payment of such Bond. If any Bond is not to be redeemed or paid within the next 60 days, the Company must give the Trustee, in form satisfactory to the Trustee, irrevocable instructions (i) to provide notice, as soon as practicable, in accordance with the Bond Indenture, that the deposit required by (a)(2) above has been made with the Trustee and that such

Bond is deemed to be paid under the Bond Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of such Bond, and, (ii) unless such Bond matures in 60 days or less, to give notice of redemption not less than 30 nor more than 60 days prior to the redemption date for such Bond.

In the event that the principal or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Financial Guaranty Insurance Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Bondholders.

Release of First Mortgage Bonds

It is the intent of the Bond Indenture that the Trustee shall at any time hold as security for the payment of principal of and interest on all outstanding Bonds a principal amount of First Mortgage Bonds equal to the principal amount of Bonds then outstanding. Accordingly, the Trustee agrees, for itself and the owners from time to time of the Bonds, at any time and from time to time, that (a) when and to the extent that (upon redemption, at maturity or otherwise) the principal of, and interest then due on, the Bonds shall have been paid in whole or in part or provision therefor duly made in accordance with the provisions of the Bond Indenture, or any outstanding Bond or Bonds shall have been delivered to the Trustee for cancellation by or on behalf of the Company; (b) all compensation and expenses of the Trustee have been paid or provided for to the Trustee's satisfaction; and (c) an Event of Default by the Company shall not have occurred and be continuing, the Trustee shall, within five business days thereafter, deliver to the Mortgage Trustee, without charge, that principal amount of First Mortgage Bonds corresponding to the principal amount of Bonds so paid in whole or in part or duly provided for or delivered, together with such appropriate instruments of release as may be required.

Events of Default

An "Event of Default" is any of the following:

(a) There is a failure to make due and punctual payment of any interest on any Bond continued for 10 days.

(b) There is a failure to make payment of principal on any Bond when due, at maturity, upon acceleration or redemption or otherwise.

(c) An "event of default" as defined in the First Mortgage Indenture shall have occurred.

(d) failure on the part of the Company to perform any of its obligations under its agreement with the Bond Insurer and continuance of such failure for a period of more than 30 days after receipt by the Company of written notice of such event;

(e) 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

(f) 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.

Acceleration

If any Event of Default under (a) or (b) above occurs and is continuing or if an Event of Default under (c)-(f) above occurs and is continuing and, as a result thereof payment of the First Mortgage Bonds shall have been accelerated under the First Mortgage Indenture, the Trustee may, with the consent of the Bond Insurer, and shall, at the direction of the Bond Insurer or the holders of at least 25% in principal amount of the Bonds then outstanding, with the consent of the Bond Insurer, by written notice to the Issuer, the Company and the Bond Insurer, declare the principal of and accrued interest on the Bonds to be due and payable immediately and such principal and interest shall thereupon become and be immediately due and payable. The Trustee shall promptly give notice of acceleration to the Bondholders. Upon any declaration of acceleration, the Trustee shall promptly exercise such rights as it may have as the holder of the First Mortgage Bonds and under the Loan Agreement, including the right to demand redemption of the First Mortgage Bonds held by it.

Other Remedies

If an Event of Default occurs and is continuing, the Trustee, before or after declaring the principal of and interest on the Bonds to be immediately due and payable, may, and upon request of the Bond Insurer or the holders of at least 25% in principal amount of the Bonds then outstanding, with the consent of the Bond Insurer, shall, upon receipt of indemnification as provided in the Bond Indenture, pursue every right granted to it as holder of the First Mortgage Bonds and any available remedy by proceeding at law or in equity to collect the principal of or interest on the Bonds or to enforce the performance of any provision of the Bonds, the Bond Indenture, the First Mortgage Bonds or the Loan Agreement. In exercising such rights and the rights given the Trustee under this provision, the Trustee will take such action as, in the judgment of the Trustee applying the standards described in the Bond Indenture, would best serve the interests of the Bondholders, taking into account the provisions of the First Mortgage Indenture and the remedies afforded to the Company's First Mortgage Bonds under it.

Control by the Bond Insurer or Majority

The Bond Insurer or the holders of a majority in principal amount of the Bonds then outstanding, with the consent of the Bond Insurer, may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or the Bond Indenture or, subject to the Bond Indenture, that the Trustee determines is unduly prejudicial to the rights of other Bondholders, or would involve the Trustee in personal liability.

Priorities

If the Trustee collects any money pursuant to the default provisions of the Bond Indenture, it shall pay out the money in the following order:

FIRST: To the Rebate Fund for amounts, if any, to be paid pursuant to the Bond Indenture and the Rebate and Investment Instructions.

SECOND: To the Trustee for payment of its fees, costs and expenses unpaid under the Bond Indenture, including a reasonable compensation to the Trustee, its agents, attorneys and all other

necessary or proper expenses, liabilities and advances incurred or made by the Trustee under the Bond Indenture, the Loan Agreement, the Bonds or any other document entered into in connection with the issuance of the Bonds relating to such collection.

THIRD: Unless the principal of all the Bonds shall have become due and payable, to Bondholders as follows: (i) first to the payment of all interest then due, in order of maturity, with interest on defaulted interest at the rate therefor stated in the Bonds to the extent permitted by law and, if the amount available is insufficient to pay in full any particular installment, then to the payment ratably, without preference or priority of any kind, according to the amounts due on such installment; and (ii) second, to the payment of the unpaid principal of any of the Bonds which has become due, with interest on such Bonds from the date on which they become due, and, if the amount available is insufficient to pay in full Bonds due together with such interest, then to the payment first of interest ratably according to the amount of interest due on such date, and then to the payment of principal, ratably, without preference or priority of any kind; and (iii) third, to the payment of any redemption premium then due.

If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and accrued interest then due and unpaid upon the Bonds, with interest on overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on overdue installments of interest, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bonds, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference.

FOURTH: To the Bond Insurer in connection with any payments due to it with respect to the Financial Guaranty Insurance Policy.

FIFTH: To the Company.

Consent of the Bond Insurer Upon Default

Anything in the Bond Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under the Bond Indenture, including, without limitation, acceleration of the principal of the Bonds as described in the Bond Indenture and the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of Events of Default.

Consent of the Bond Insurer in Lieu of Consent of Bondholders

Whenever consent of the holders of a specified percentage in aggregate principal amount of the Bonds then Outstanding is required to approve an action, determination or election under the Bond Indenture, including but not limited to the execution of Supplemental Indentures and the execution of amendments, changes or modifications to the Loan Agreement, the Bond Insurer acting alone, unless it is in default of its payment obligations under the Financial Guaranty Insurance Policy or has been determined to be insolvent, may consent to and approve such action, determination or election, and the consent of the holders of a specified percentage in aggregate principal amount of the bonds then Outstanding shall not be required.

Eligibility of Trustee

The Bond Indenture shall always have a Trustee acceptable to the Bond Insurer that is a corporation organized and doing business under the laws of the United States or any state or the District of Columbia, is

authorized under such laws and the laws of the State of Florida to exercise corporate trust powers, has its principal office in the State of Florida, is subject to supervision or examination by United States or state authority and has a combined capital and surplus of at least $75,000,000 as set forth in its most recent published annual report of condition.

Replacement of Trustee

The Trustee may resign by notifying the Issuer, the Bond Insurer and the Company. The holders of a majority in principal amount of the Bonds then outstanding may remove the Trustee with the consent of the Bond Insurer by notifying the removed Trustee and may appoint a successor Trustee with the consent of the Issuer, the Bond Insurer and the Company. The Issuer may, and at the request of the Bond Insurer or the Company will, remove the Trustee at any time so long as a Successor Trustee meeting the requirements of the Bond Indenture and acceptable to the Bond Insurer and the Company shall have been appointed by the Issuer and shall have agreed to accept the Trust under the Bond Indenture.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Issuer shall promptly appoint a successor Trustee meeting the requirements of the Bond Indenture, selected by the Company and reasonably acceptable to it and to the Bond Insurer.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer, the Company, the Bond Insurer or the holders of a majority in principal amount of the Bonds then outstanding may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If at any time the Trustee should fail to meet the eligibility requirements of the Bond Indenture, any Bondholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

No resignation or removal of the Trustee shall become effective until a successor Trustee has been appointed and has accepted the duties of the Trustee. The Trustee shall furnish the Bond Insurer with written notice of the resignation or the removal of the Trustee and the appointment of any successor thereto.

Amendments and Supplements to Bond Indenture Without Consent of Bondholders

The Issuer and the Trustee, with the prior written consent of the Bond Insurer, may amend or supplement the Bond Indenture or the Bonds without notice to or consent of any Bondholder

(a) to cure any ambiguity, inconsistency or formal defect or omission,

(b) to grant to the Trustee for the benefit of the Bondholders additional rights, remedies, powers or authority,

(c) to subject to the Bond Indenture additional collateral or to add other agreements of the Issuer,

(d) to modify the Bond Indenture or the Bonds to permit qualification under the Trust Indenture Act of 1939 or any similar Federal statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States,

(e) to evidence the succession of a new Trustee or the appointment by the Trustee or the Issuer of a co-trustee,

(f) to provide for the refunding, advance refunding or defeasance of the Bonds, or

(g) to make any change that does not materially adversely affect the rights of any Bondholder.

Amendments and Supplements to Bond Indenture With Consent of Bondholders

If an amendment of or supplement to the Bond Indenture or the Bonds without any consent of Bondholders is not permitted by the preceding paragraph, the Issuer and the Trustee, with the prior written consent of the Bond Insurer, may enter into such amendment or supplement upon not more than 60 and not less than 30 days' notice to Bondholders and with the consent of the holders of at least a majority in principal amount of the Bonds then outstanding. However, without the consent of each Bondholder affected, no amendment or supplement may (a) extend the maturity of the principal of, or interest on, any Bond, (b) reduce the principal amount of, or rate of interest on, any Bond, (c) effect a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (d) reduce the percentage of the principal amount of the Bonds required for consent to such amendment or supplement, (e) impair the exclusion of interest on the Bonds from the Federal gross income of the owner of any Bond, (f) eliminate any mandatory redemption of the Bonds, extend any mandatory redemption date or reduce the redemption price of such Bonds, (g) create a lien ranking prior to or on a parity with the lien of the Bond Indenture on the property described in the Granting Clause of the Bond Indenture, or (h) deprive any Bondholder of the lien created by the Bond Indenture on such property. In addition, if moneys or Government Securities have been deposited or set aside with the Trustee pursuant to provisions of the Bond Indenture relating to discharge of the Bond Indenture for the payment of Bonds and those Bonds shall not have in fact been actually paid in full, no amendment to the above provisions shall be made without the consent of the holder of each of those Bonds affected.

Company Consent Required

An amendment or supplement to the Bond Indenture or the Bonds shall not become effective unless the Company delivers to the Trustee its written consent to the amendment or supplement.

Notice to Bondholders

The Trustee shall cause notice of the execution of each supplement or amendment to the Bond Indenture or the Loan Agreement to be mailed to the Bondholders. The notice will at the option of the Trustee, either (i) briefly state the nature of the amendment or supplement and that copies of it are on file with the Trustee for inspection by Bondholders or (ii) enclose a copy of such amendment or supplement.

Amendments and Supplements to Loan Agreement Without Consent of Bondholders

The Issuer, with the prior written consent of the Bond Insurer, may enter into, and the Trustee may consent to, any amendment of or supplement to the Loan Agreement, without notice to or consent of any Bondholder, if the amendment or supplement is required or permitted (a) by the provisions of the Loan Agreement or the Bond Indenture (including in connection with transactions permitted by the Loan Agreement relating to maintenance of the Company's existence), (b) to cure any ambiguity, inconsistency or formal defect or omission, (c) in connection with any authorized amendment of or supplement to the Bond Indenture, or (d) to make any change that does not materially adversely affect the rights of any Bondholder.

Amendments and Supplements to Loan Agreement With Consent of Bondholders

If an amendment of or supplement to the Loan Agreement without any consent of Bondholders is not permitted by the foregoing paragraph, the Issuer, with the prior written consent of the Bond Insurer, may enter into, and the Trustee may consent to, such amendment or supplement upon not more than 60 and not less than 30 days' notice to Bondholders and with the consent of the holders of at least a majority in principal amount of the Bonds then outstanding. However, without the consent of each Bondholder affected, no amendment or supplement may result in anything described in the lettered clauses set forth above under **"Amendments and Supplements to Bond Indenture With Consent of Bondholders."**

* * *

SUMMARY OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement and is qualified in its entirety by reference to the Loan Agreement.

Issuance of Bonds; Loan to Company

In order to provide a portion of the funds necessary to finance the acquisition and/or construction of certain facilities used for the local furnishing of gas, the Issuer will issue, sell and deliver the Bonds to the initial purchasers thereof and deposit the proceeds of the Bonds with the Trustee as provided in the Bond Indenture. Such deposit shall constitute a loan to the Company under the Loan Agreement. The Issuer authorizes the Trustee to disburse the proceeds of the Bonds and to make disbursements out of such funds as provided in the Bond Indenture. The Company covenants to pay directly to the Trustee at the time the proceeds of the Bonds are deposited with the Trustee, the amounts provided to be so paid by the Company pursuant to the Bond Indenture. If the proceeds of the Bonds, together with amounts deposited with the Trustee by the Company, are not sufficient to pay the Costs of the Project, the Company shall at its own expense and without any right of reimbursement in respect thereof pay all additional amounts necessary to pay those Costs.

Repayment of Loan

The Company will repay the loan as follows: Before 11:00 a.m. (local time at the principal corporate office of the Trustee) on each day on which any payment of either principal of and interest on the Bonds, or both, shall become due (whether at maturity, or upon redemption or acceleration or otherwise), the Company will pay, in immediately available funds, an amount which, together with other moneys held by the Trustee under the Bond Indenture and available therefor, will enable the Trustee to make such payment in full in a timely manner. It is intended that payments made with respect to the First Mortgage Bonds shall be made at such time and in such amounts as shall be sufficient to enable the Trustee to make timely payment of principal and interest on the Bonds. In order to effect the repayment of the loan with payments made on the First Mortgage Bonds, the Company will cause payments of principal, premium (if any) and interest to be made directly to the Trustee without surrender or presentation of such First Mortgage Bonds to the Mortgage Trustees under the First Mortgage Indenture.

Purchase of Bonds in the Event of Death of a Bondholder

The Company will purchase any Bond required to be purchased by it in the event of the death of a Bondholder as provided in the Bonds and the Bond Indenture. In the event the Company shall fail to purchase any Bond required to be purchased by it on the death of a Bondholder as provided in such Bond, then the principal of such Bond shall become due and such Bond shall be subject to mandatory redemption on the purchase date specified in such form of Bond.

Delivery of First Mortgage Bonds in Satisfaction of Repayment of Loan

In consideration of the loan made under the Loan Agreement and in satisfaction of the loan repayments and to evidence its obligation to make such payments, and concurrently with the issuance of the Bonds, the Company agrees to deliver its First Mortgage Bonds to the Trustee on behalf of the Issuer (registered in the name of and made payable to the Trustee) and the Issuer acknowledges receipt of the First Mortgage Bonds and directs the Company to deliver the First Mortgage Bonds to the Trustee. If for any reason amounts paid to the Trustee on the First Mortgage Bonds, together with other moneys held by the Trustee and available for that purpose, would not be sufficient to make the corresponding payments of principal of and interest on the Bonds corresponding to

such First Mortgage Bonds when such payments become due, the Company will pay the amounts required from time to time to make up any such deficiency.

Obligations of Company Unconditional

The obligations of the Company to make the payments required by the Loan Agreement and to perform its other agreements contained in the Loan Agreement and under the First Mortgage Bonds shall be absolute and unconditional.

Maintenance of Existence

Except as provided in and subject to the First Mortgage Indenture, the Company agrees that during the term of the Loan Agreement and so long as any Bond is outstanding, it will maintain its corporate existence, will continue to be a corporation in good standing under the laws of the State of Florida, will not dissolve or otherwise dispose of all or substantially all of its assets (other than pursuant to a condemnation of its properties or the like over which it has no control) and will not consolidate with or merge into another legal entity or permit one or more other legal entities (other than one or more subsidiaries of the Company) to consolidate with or merge into it, or sell or otherwise transfer to another legal entity all or substantially all its assets as an entirety and dissolve, unless (a) in the case of any merger or consolidation, the Company is the surviving corporation, or (b) (i) the surviving, resulting or transferee legal entity is organized and existing under the laws of the United States, a state thereof or the District of Columbia, and (if not the Company) assumes in writing all the obligations of the Company under the Loan Agreement, the First Mortgage Indenture and the First Mortgage Bonds, and (ii) no event which constitutes, or which with the giving of notice or the lapse of time or both would constitute an Event of Default shall have occurred and be continuing immediately after such merger, consolidation or transfer.

Financial Reports

The Company agrees to have an annual audit made by its regular independent certified public accountants and to furnish to the Bond Insurer, the Trustee, the initial purchaser of the Bonds, and, upon request, to furnish the Issuer (within 60 days after receipt by the Company) with a balance sheet and statement of income and retained earnings showing the financial condition of the Company and its consolidated subsidiaries, if any, at the close of each fiscal year and the results of operations of the Company and its consolidated subsidiaries, if any, for each fiscal year, accompanied by the opinion of said accountants.

Payment of Taxes

The Company will pay and discharge promptly all lawful taxes, assessments and other governmental charges or levies imposed upon its property, or upon any part thereof, as well as all claims of any kind which, if unpaid, might by law become a lien or charge thereon; provided that the Company shall not be required to pay any such tax, assessment, charge, levy or claim (i) if the amount, applicability or validity thereof shall be contested in good faith by appropriate proceedings; (ii) if the Company shall have set aside on its books reserves (segregated to the extent required by generally accepted accounting principles) with respect thereto deemed adequate by the Company; and (iii) if failure to make such payment will not impair the use of such property by the Company.

Tax Covenants

The Company acknowledges that the covenants and specific representations relating to the federal tax status of interest on the Bonds are contained in the Tax Certificate and the Non-Arbitrage and Rebate Certificate. The Company will comply with the terms of the Tax Certificate and the Non-Arbitrage and Rebate Certificate and warrants that all representations and warranties made by it which are made in the Tax Certificate and the Non-Arbitrage and Rebate Certificate are true. The Company covenants and agrees to notify the Trustee and the Issuer

of the occurrence of any event of which the Company has notice and which event would require the Company to prepay the amounts due hereunder because of a redemption upon a determination of taxability.

Continuing Disclosure

The Company covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Failure of the Company to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the Loan Agreement, and the sole remedy under the Loan Agreement in the event of any failure of the Company to comply with the continuing Disclosure Agreement shall be the remedy of specific performance; however, the Trustee may (and, at the request of the Underwriter or the holders of at least 25% aggregate principal amount in outstanding Bonds, shall) or any Bondholder or Beneficial Owner may seek specific performance by court order to cause the Company to comply with its obligations in this paragraph described. Neither the Trustee nor any Bondholder shall have any right to monetary damages or any other remedy for any failure of the Company to comply with any provision of the Continuing Disclosure Agreement, except the remedy of specific performance by the Company to comply with such provision. For purposes of this paragraph, "Beneficial Owner" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Assignment by Company

The Company may assign its rights and obligations under the Loan Agreement with the prior written consent of the Issuer, but no assignment will relieve the company from primary liability for any obligations under the Loan Agreement.

Remedies on Default

Whenever any Event of Default under the Bond Indenture has occurred and is continuing, the Trustee may take whatever action may appear necessary or desirable to collect the payments then due and to become due or to enforce performance of any agreement of the Company in the Loan Agreement or in the First Mortgage Bonds. Any amounts collected pursuant to action taken under this Section (except for amounts payable directly to the Issuer or the Trustee) shall be applied in accordance with the Bond Indenture.

Amendments

After the issuance of the Bonds, the Loan Agreement may not be effectively amended or terminated without the written consent of the Trustee and in accordance with the provisions of the Bond Indenture.

* * *

SUMMARY OF THE FIRST MORTGAGE INDENTURE

The following is a summary of certain provisions contained in the First Mortgage Indenture and is qualified in its entirety by reference to the First Mortgage Indenture. References to articles and sections under this caption are reference to articles and sections of the First Mortgage Indenture.

Lien and Security

The First Mortgage Bonds are secured by the lien of the First Mortgage Indenture equally and proportionately with all other bonds issued under the First Mortgage Indenture. The First Mortgage Indenture constitutes a first lien (subject to "excepted encumbrances" as defined in the First Mortgage Indenture) on substantially all our property and franchises now owned or hereafter acquired for the equal and ratable benefit of all bonds now or hereafter outstanding under the First Mortgage Indenture. The First Mortgage Indenture excepts from its lien materials and supplies consumable in the operations of the Company, merchandise and products acquired, manufactured, produced or held for sale in the usual course of business, motor vehicles, and cash, accounts receivable, stocks, bonds, notes, and securities which are neither specifically pledged with the Mortgage Trustee nor required by the First Mortgage Indenture to be so pledged. (Granting Clause). There are certain conditions that must be complied with relating to the lien of the First Mortgage Indenture in case of a merger, consolidation or sale of all the assets of the Company. (Article 10).

(next page

Payment

In addition to any other credit, payment or satisfaction to which the Company is entitled with respect to the First Mortgage Bonds, it shall be entitled to credits against amounts otherwise payable in respect of the First Mortgage Bonds in an amount corresponding to (i) the principal amount of any of the Series 2001 Bonds issued under the Bond Indenture secured thereby surrendered to the Bond Trustee by the Company, or purchased by the Bond Trustee, for cancellation, (ii) the amount of money held by the Bond Trustee and available and designated for the payment of principal of, and/or interest on, the Series 2001 Bonds secured thereby, regardless of the source of payment to the Bond Trustee of such moneys and (iii) the amount by which principal of and interest due on the First Mortgage Bonds exceeds principal of and interest due on the Series 2001 Bonds secured thereby. (Section 5.01).

Issuance of Additional Bonds

Additional bonds, ranking equally with all outstanding bonds, may be issued under the First Mortgage Indenture, without limit as to aggregate principal amount, upon compliance with Article 2.03 of the First Mortgage Indenture and after obtaining the approval of the Florida Public Service Commission ("PSC"). The principal provisions for the issuance of additional bonds are summarized below.

Additional bonds may be issued in principal amount not exceeding: (i) 60% of the cost of property additions after taking into account retirements of property which consist of real and personal property constructed or acquired by the Company subject to the lien of the First Mortgage Indenture and not previously utilized under the First Mortgage Indenture as the basis for additional bonds; provided that, the aggregate principal amount of all outstanding prior lien obligations upon all property additions used as the basis for authentication of bonds, withdrawal of money, or release of property under the First Mortgage Indenture or as a credit against a payment to any improvement or sinking fund for bonds of a particular series, or a replacement fund shall not exceed 10% of the principal amount of all bonds to be outstanding after authentication of those about to be authenticated, calculated as follows: (i) the net amount of additional property shown by all additional property certificates then or theretofore furnished to the

Mortgage Trustee not theretofore funded or then being funded, (ii) the aggregate cost of additional property acquired or constructed by the Company up to a date stated therein not theretofore funded or included in any additional property certificate, (iii) the aggregate amount of all retirements which have not been included in any additional property certificate made up to and including a date (which shall be not more than sixty (60) days prior to the date of such certificate nor earlier than the date specified pursuant to (ii) above) specified in said certificate, and that there have been no substantial retirements between such date and the date of such certificate, (iv) the amount of any credit for substitution in connection with the retirements shown pursuant to (iii) above, (v) the amount of depreciation of the mortgaged property specified in the certificate being filed and the amount, if any, by which the depreciation so calculated exceeds the retirements for the same period, and (vi) that the sum of the amounts set forth under (i) and (ii) above is at least equal to the sum of (a) the amount of retirements shown in such certificate less the credit for substitution and (b) any excess of depreciation over retirements shown pursuant to (v) above. (Section 3.03).

Restrictions on Dividends

So long as any First Mortgage Bonds shall remain outstanding, the Company will not declare or pay any dividend on any shares of its Common Stock or make any distribution on such shares, or purchase or otherwise acquire any such shares (other than in exchange for, or from the proceeds of, other shares of its capital stock 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) if the aggregate amount so distributed or expended after December 31, 2001, would exceed the aggregate amount of its net income available for dividends on its common stock accumulated after December 31, 2000, plus the sum of $2,500,000. (Section 1.06; 15th Supp.).

Consolidation, Merger, or Sale

Subject to the approval of the PSC, the First Mortgage Indenture does not prevent a consolidation or merger of the Company with or into any other corporation or a conveyance and transfer of all of the property and franchises of the Company to any other corporation, if (i) the consolidation, merger, or conveyance and transfer is subject to the continuing lien of the First Mortgage Indenture on the mortgaged property and will not impair the lien or any of the rights or powers of the Mortgage Trustee or bondholders; (ii) any such successor corporation executes and delivers a supplemental indenture which contains, among other things (x) an agreement to assume all the Company's obligations under the First Mortgage Indenture, (y) an agreement to pay duly and punctually the principal of and interest on the bonds issued and outstanding under the First Mortgage Indenture, (z) an agreement to perform and fulfill all the terms, covenants and conditions under the First Mortgage Indenture, and (iii) the Mortgage Trustee shall have been furnished with an opinion of counsel that the provisions of the Bond Indenture have been complied with along with any supplemental indentures. (Article 10).

Modifications of First Mortgage Indenture

With the written consent of the holders of 75% in principal amount of the bonds outstanding, any of the provisions of the First Mortgage Indenture or of the bonds may be altered, amended or eliminated, or additional provisions added. If such change pertains only to the bonds of one or more series, but less than all series, only the written consent of the holders of 60% in principal amount of the then outstanding bonds of each series to which such change pertains is needed. However, no such change may (i) alter or modify the right of any bondholder to receive payment of the principal of and interest on his bonds on or after the respective due dates thereof; (ii) permit the creation of any lien prior to or on a parity with the lien of the Bond Indenture, or (iii) reduce the percentage of bondholders whose consent shall be required for the execution of any modifications or alterations to the First Mortgage Indenture. The consent of the PSC may be required before certain of the above actions may be taken. Certain other modifications and amendments described in the First Mortgage Indenture may be made without the consent of the bondholders. (Section 12.01).

Percentage of Bondholders Required to Take Certain Action

Upon the occurrence of a Mortgage Event of Default (as defined below), the Mortgage Trustee or the holders of 25% in principal amount of the bonds then outstanding may by written declaration accelerate the maturity of the principal of all the bonds; but if the Company shall cure all Mortgage Events of Default, the holders of a majority in principal amount of the bonds then outstanding may rescind, or require the Mortgage Trustee to rescind, such acceleration. (Section 9.01).

Defaults and Notice Thereof

The following constitute events of default under the First Mortgage Indenture (a "Mortgage Event of Default"): (i) defaults in the payment of principal of any bond issued under the First Mortgage Indenture; (ii) default for 30 days in the payment of interest on any bond issued under the First Mortgage Indenture or in the payment of any sinking fund obligation; (iii) default for 60 days after notice in the performance of any other covenant in the First Mortgage Indenture; (iv) the rendering against the Company of a final judgment, decree or order for the payment of money which the Company has not discharged within 60 days from the entry thereof in excess of $50,000 unless the Company has appealed and secured a stay of execution. (Section 9.01).

Discharge and Satisfaction

Whenever all amounts due or to become due on all outstanding bonds issued under the First Mortgage Indenture shall have been paid or provision for the payment thereof shall have been made (as such provision for payment is defined below) and all amounts payable by the Company to the Mortgage Trustee under the First Mortgage Indenture shall have been paid, the Mortgage Trustee shall, upon the request and at the expense of the Company, satisfy or discharge the First Mortgage Indenture of record wherever recorded, and convey, transfer, assign and deliver the mortgaged property to or upon the order of the Company, and all the title, estate, rights and powers of the Mortgage Trustee shall forthwith cease and the mortgaged property shall revert to the Company, and all responsibility of the Mortgage Trustee and all obligations of the Company under the Mortgage (except as expressly provided therein) shall then cease.

"Provision for payment of a bond" shall be deemed to have been made if (a) when the principal of such bond shall have become due and payable, whether by maturity, call for redemption, declaration, or otherwise, all amounts due thereon shall have been paid or shall have been deposited in trust with and shall be held by the Mortgage Trustee for the account of the holder thereof, or (b) at any time in advance of the

maturity thereof, the Company (1) shall have either (i) deposited with the Mortgage Trustee in trust all amounts to become due thereon up to and upon the maturity date thereof or (ii) duly called such bond for redemption on a date specified, in accordance with the provisions of the First Mortgage Indenture, given all notices required to make such call effective or made provision satisfactory to the Mortgage Trustee for giving all such notices, and deposited with the Mortgage Trustee in trust all amounts to become due upon such bond up to and upon such redemption date, and (2) shall have irrevocably authorized the Mortgage Trustee forthwith to pay to the holder thereof, out of the funds so deposited with it, all amounts so to become due on such bond up to and upon the maturity date or the redemption date, as the case may be, such payment to be made upon such bond whenever the same shall be presented for that purpose without awaiting the maturity date or the redemption date, and shall have given at least one notice by publication of such deposit and authorization or shall have made provision satisfactory to the Mortgage Trustee for giving such notice. (Article 13).

* * *

APPENDIX C

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Ambac

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:
FLORIDA PUBLIC UTILITIES COMPANY

Attached to and forming part of Policy No.:
18826BE

Effective Date of Endorsement:
November 14, 2001

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the term "Due for Payment" shall also mean, when referring to the principal of and interest on a Bond, any date on which the Bonds shall have been duly called for special mandatory redemption as a result of a final determination by a court of competent jurisdiction or an administrative agency that interest paid or payable on the Bonds to other than a substantial user or a related person is or was includable in the gross income of the owner thereof for federal income tax purposes under the United States Internal Revenue Code of 1986, as amended, pursuant to Section _____ of the Trust Indenture dated as of _____, 200_ securing the Bonds.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

Robert J. Bouden

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Anne G. Gill

President

Secretary

Authorized Representative

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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November 14, 2001

Palm Beach County, Florida
West Palm Beach, Florida

SunTrust Bank, as Trustee
Orlando, Florida

Ambac Assurance Corporation
New York, New York

Edward Jones
St. Louis, Missouri

Re: $14,000,000 Palm Beach County Industrial Development Revenue Bonds, Series 2001 (Florida Public Utilities Company Project)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Palm Beach County, Florida (the "Issuer") of the above-captioned bonds (the "Series 2001 Bonds"), pursuant to the Constitution and laws of the State of Florida, particularly Chapter 159, Part II, Florida Statutes, as amended (the "Act"), and other applicable provisions of law, and Resolution No. ____ adopted by the Issuer on August 21, 2001 and Resolution No. _____ adopted by the Issuer on November __, 2001 (collectively, the "Resolutions"), which Resolutions additionally authorize the execution and delivery of various documents and instruments including (i) a Loan Agreement between Florida Public Utilities Company (the "Borrower") and the Issuer, dated as of November 1, 2001 (the "Agreement"), and (ii) a Trust Indenture between the Issuer and SunTrust Bank, as trustee (the "Trustee") dated as of November 1, 2001 (the "Indenture"). We have examined the law and such certified proceedings of the Issuer and other proofs as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and the Borrower contained in the Resolutions, the Indenture, the Agreement, and in the certified proceedings and other certifications of officials of the Issuer and the Borrower, including certifications as to the use of the bond proceeds which are material to paragraph 6 below, without

undertaking to verify the same by independent investigation. In rendering this opinion, we have also relied upon the opinion of the Palm Beach County, Florida, County Attorney's Office, as counsel to the Issuer, as to the matters set forth therein.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

The Series 2001 Bonds are issued for the purpose of (i) financing the acquisition and installation of various system improvements to the Company's gas distribution system located in Palm Beach County, Florida, and (ii) paying certain costs associated with the issuance of such bonds.

As of the date hereof and based on our examination of the law and proceedings in this matter we are of the opinion that:

1. The Issuer is duly created and validly existing as a public body corporate and politic of the State of Florida, with the power to adopt and perform the Resolutions, and to issue the Series 2001 Bonds.

2. The Resolutions have been duly adopted and the Agreement and the Indenture have been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, if any, constitute valid and binding obligations of the Issuer enforceable upon the Issuer.

3. The Series 2001 Bonds have been duly authorized, executed and delivered by the Issuer and are legal, valid and binding limited obligations of the Issuer, payable solely from the sources specified in the Indenture.

4. The Issuer's obligations under the Resolutions, the Indenture, the Agreement and the Series 2001 Bonds do not constitute general obligations of the Issuer, or the State of Florida or any political subdivision thereof. Neither the full faith and credit of the Issuer nor the State of Florida or any political subdivision thereof or the taxing power thereof are pledged to secure any of such obligations.

5. All rights, title and interest of the Issuer in and to the Agreement have been duly assigned to the Trustee, except with respect to those rights that the Issuer specifically reserved, as set forth in the Trust Indenture.

6. The interest on the Series 2001 Bonds is excluded from gross income for federal income tax purposes. Moreover, such interest on the Series 2001 Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it

should be noted, however, that, for purposes of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the Issuer and the Borrower comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2001 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer and the Borrower have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2001 Bonds in gross income for federal income tax purposes to be retroactive to the date of the issuance of the Series 2001 Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2001 Bonds.

7. The interest on the Series 2001 Bonds is exempt from direct taxation under the laws of the State of Florida, except estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, banks, and savings institutions.

It is to be understood that the rights of the holders of the Series 2001 Bonds, and the enforceability of the Resolutions, the Indenture, the Agreement, and the Series 2001 Bonds, may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the State of Florida, and of the constitutional powers of the United States of America subsequent to the date hereof, and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

Respectfully submitted,

AKERMAN, SENTERFITT & EIDSON, P.A.

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Ratings: Standard & Poor's: "AAA"
Moody's: "Aaa"
(See "Ratings" Herein)

$15,000,000

Florida Public Utilities Company

Florida Public Utilities Company

6.85% Secured Insured Quarterly Notes, due October 1, 2031 (IQ Notes℠*)

The Secured Insured Quarterly Notes, due 2031, which we refer to as the "IQ Notes," bear interest at the rate of 6.85% per year. The IQ Notes will mature on October 1, 2031. We can redeem the IQ Notes on or after October 1, 2006 at 101% of the principal amount plus accrued interest and on or after October 1, 2007 at 100% of the principal amount plus accrued interest.

Interest on the IQ Notes is payable quarterly in arrears per pg3 on January 1, April 1, July 1 and October 1 of each year, beginning on January 1, 2002. We will also redeem the IQ Notes, subject to limitations, at the option of the representative of any deceased noteholder. The IQ Notes will be available for purchase in denominations of $1,000 and integral multiples of $1,000.

We have issued a first mortgage bond as collateral to secure the IQ Notes issued under an indenture described in this prospectus. Our timely payment of the regularly scheduled principal and interest on the IQ Notes will be insured by a financial guaranty insurance policy issued by Ambac Assurance Corporation.

Ambac

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Price to Public	Underwriting Discount (1)	Proceeds to Company (2)
Per IQ Note	100%	3.15%	96.85%
Total	$15,000,000	$472,500	$14,527,500

(1) See "Underwriting" for information relating to indemnification of the underwriter.
(2) Before deduction of our expenses estimated at $659,363.

This offering is being underwritten by Edward D. Jones & Co., L.P. on a firm commitment basis, which means that it must purchase all of the IQ Notes if any are purchased. The underwriter's purchase of the IQ Notes is subject to a number of conditions. The underwriter reserves the right to withdraw, cancel or modify such offers and reject orders in whole or in part. We expect the IQ Notes to be available on or about September 26, 2001.

*IQ Notes is a service mark of Edward D. Jones & Co., L.P.

Edward D. Jones & Co., L.P.

The date of this prospectus is September 21, 2001.

TABLE OF CONTENTS

We have not authorized any dealer, salesperson or other person to give any information or to make any representations to you other than the information contained in this prospectus. You must not rely on any information or representations not contained in this prospectus. The information contained in this prospectus is current only as of the date on the cover page of the prospectus, and may change after that date. By delivering this prospectus, we do not imply that there have been no changes in the information contained in this prospectus or in our affairs since the date of the prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

FORWARD-LOOKING STATEMENTS

In addition to historical information, we have made forward-looking statements in this prospectus and in the documents incorporated by reference in this prospectus, such as those pertaining to our capital resources and performance of our operations. "Forward-looking statements" are projections, plans, objectives or assumptions about us. Forward-looking statements involve numerous risks and uncertainties, and you should not place undue reliance on these statements because we cannot assure you that the events or circumstances reflected in these statements will actually occur. Forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "pro forma," "estimates," "anticipates" or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. Forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect, imprecise or incapable of being realized. The following factors, among others set forth in our filings with the Securities and Exchange Commission or in our press releases, could cause actual results and future events to differ materially from those set forth or contemplated in our forward-looking statements:

- General economic conditions on an international, national, state and local level;
- Weather and seasonal variations;
- Changes in commodity costs;
- Competition;
- Failure to effectively and efficiently manage our growth;
- Rate regulation and rates of return;
- Costs and effects of legal proceedings and environmental liabilities;
- Financing capital expenditures;
- Rapidly increasing operating costs; and
- Changes in business strategies.

PROSPECTUS SUMMARY

The following summary sets forth certain pertinent facts and does not contain all the information that may be important to you. You should read the entire prospectus, as well as the documents incorporated by reference in this prospectus, before making an investment decision. In particular, see the information presented under the captions "Our Company," "Description of IQ Notes," "Description of Pledged Bond" and "Where You Can Find More Information." All references in this prospectus to "Florida Public Utilities," "the Company," "our Company," "we," "us," or "our" mean and include Florida Public Utilities Company and its subsidiary.

Our Company

We are an operating public utility engaged principally in the purchase, transmission, distribution and sale of electricity and in the purchase, transmission, distribution, sale and transportation of natural gas. We are regulated by the Florida Public Service Commission (except for propane gas service) and provide natural and propane gas service, electric service and water service to consumers in Florida. We have four divisions:

- West Palm Beach Division, located in southeast Florida, which serves 29,308 natural gas customers and 5,530 propane gas customers;
- Central Florida Division, located in central Florida, which serves 10,785 natural gas customers and 2,278 propane customers;
- Marianna Division, located in the Florida panhandle, which serves 12,112 electric customers; and
- Fernandina Beach Division, located in extreme northeast Florida, which serves 13,405 electric customers, 6,866 water customers and 34 propane customers.

Our executive offices are located at 401 South Dixie Highway, West Palm Beach, Florida 33401 and our telephone number is (561) 832-2461.

The IQ Notes Offering

Secured Insured Quarterly Notes Offered ..... We are offering $15,000,000 aggregate principal amount of IQ Notes which will bear interest at a rate of 6.85% per year. Interest on the IQ Notes will be payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, beginning on January 1, 2002.

Date of Maturity..... The IQ Notes will mature on October 1, 2031.

Record Date ..... We will make payments to the holders of record of the IQ Notes on the fifteenth calendar day of each December, March, June and September.

Our Redemption Rights	We can redeem the IQ Notes on or after October 1, 2006 at 101% of the principal amount plus accrued interest and on or after October 1, 2007 at 100% of the principal amount plus accrued interest.
No Sinking Fund	We are not required to set aside funds to redeem the IQ Notes.
Redemption Option of a Noteholder's Representative	We will redeem the IQ Notes at the option of the representative of any deceased owner of an IQ Note at 100% of the principal amount, plus accrued interest, subject to the following conditions: The maximum principal amount we will redeem is $25,000 per deceased owner and an aggregate of $300,000 for all deceased owners during the initial period from the date of the original issuance of the IQ Notes through and including October 1, 2002, and during each twelve-month period thereafter.
Insurance	The timely payment of the regularly scheduled principal and interest on the IQ Notes will be insured by a financial guaranty insurance policy issued by Ambac Assurance Corporation that will be issued at the same time the IQ Notes are delivered.
Security	We have issued a first mortgage bond as collateral to secure the IQ Notes.
Ratings	The IQ Notes will be rated "AAA" by Standard & Poor's Ratings Group ("S&P") and "Aaa" by Moody's Investors Services, Inc. ("Moody's").
Use of Proceeds	We estimate that the net proceeds of the offering of the IQ Notes will be approximately $13,868,137. We intend to use the net proceeds from the offering to reduce outstanding balances under our line of credit.
Ratio of Earnings to Fixed Charges	Our ratio of earnings to fixed charges for the twelve months ended June 30, 2001 was 2.37x and June 30, 2000 was 2.53x, and for each of the years ended December 31: 2000 was 2.38x; 1999 was 2.72x; 1998 was 2.60x; 1997 was 2.35x; and 1996 was 2.42x.

OUR COMPANY

We were incorporated in 1924 as a Florida corporation. We are regulated by the Florida Public Service Commission (except for propane gas service), and we provide natural and propane gas service, electric service and water service to consumers in Florida. We have four divisions as of December 31, 2000:

- West Palm Beach Division, located in southeast Florida, which serves 29,308 natural gas customers and 5,530 propane gas customers;
- Central Florida Division, located in central Florida, which serves 10,785 natural gas customers and 2,278 propane customers;
- Marianna Division, located in the Florida panhandle, which serves 12,112 electric customers; and
- Fernandina Beach Division, located in extreme northeast Florida, which serves 13,405 electric customers, 6,866 water customers and 34 propane customers.

The economies of Palm Beach County and the Central Florida Division rely somewhat on the migration of seasonal residents and tourists during the winter season. Agriculture and citrus processing, together with light industry, provide year-round stability. Marianna's economy is predominantly agricultural including peanuts, soy beans, corn, pork and beef. The area has many small industries. Fernandina's economy is centered around two large paper mills; ITT Rayonier, Inc. and Jefferson Smurfit Corp. In Fernandina Beach, these two large paper mills accounted for 15.7% of total 2000 electric division operating revenues and 7.3% of our total operating revenues. However, such mills accounted for 5.9% of total 2000 electric division operating margin and 2.0% of our total operating margin.

Sources of Supply

Natural Gas

We receive our total supply of natural gas at eleven city gate stations connected to Florida Gas Transmission Company's (FGT) pipeline system. We have the adequate redundancy of gate stations in each distribution system to assure high levels of continuous service to our customers.

FGT is the sole natural gas pipeline serving peninsular Florida and is under the jurisdiction of the Federal Energy Regulatory Commission (FERC). We use FGT solely as a carrier of natural gas. All gas supplies for our traditional sales markets are independently procured by us using gas marketers and producers. Our transportation customers are responsible for obtaining their own gas supplies and arranging for pipeline transportation.

We are in full compliance with the Gas Industry Standards Board's (GISB) standards. The GISB was formed to develop a uniform nationwide network of natural gas producers, marketers, gathering systems, pipelines, distribution companies and customers. The GISB's standards place all participants on the same time schedules for procurement, capacity transactions and invoicing. It caused the network to be fully available twenty-four hours per day, 365 days per year.

We have gained vast experience directly contracting for gas supplies with marketers and producers while contracting for transportation services from FGT. This experience appropriately postures us to be most effective in operating within a deregulated environment. We lowered our fuel cost substantially in recent years

by directly purchasing gas supplies from sources other than FGT. All fuel costs and associated savings are passed along to our traditional sales customers. Additionally, we have actively reduced demand charges we pay for the pipeline capacity by "subletting" unused capacity, for short terms, to other shippers on FGT's system. We are one of Florida's lowest cost suppliers of natural gas.

We have made off-system sales since receiving approval for the appropriate tariff from the Florida Public Service Commission (FPSC). Off-system sales allow us to broaden our market to include any commercial customer within the state of Florida who currently uses natural gas. We have transacted off-systems sales with national marketers, electric generators, other gas distributors and agricultural firms, to name a few. The tariff permits us to profit share with our customers. We will take advantage of every future opportunity to keep our total cost of gas as low as possible.

During 2000, the national natural gas market experienced unprecedented high levels of the commodity cost of gas. We have collected the increased cost from our customers.

RESULTS of DEREGULATION of NATURAL GAS

We have been an active participant in the FPSC unbundling docket. This docket focuses on the potential for unbundling natural gas services of distribution companies regulated by the FPSC. During 2000, the FPSC conducted an agenda hearing to determine when the FPSC would require local distribution companies to offer transportation services to all commercial customers. During 2000, the FPSC issued an order that will allow any commercial natural gas customer to choose their supplier. Some of our commercial natural gas customers may elect to choose a supplier, other than us; however, our operating results would not be affected as we realize the same operating margin regardless of whether the customer purchases the gas from us or uses our system to transport the gas. We officially offered unbundled services to commercial customers beginning August 1, 2001. The PSC approved various mechanisms which will allow us to be reimbursed for the incremental cost of providing unbundled services.

Electricity

We purchase most of our electrical power supply at wholesale rates from two generating utilities. Less than 1% of our power supply is purchased on an as available basis from a self-generating paper mill.

Deregulation of the wholesale power market has enabled us to negotiate long term power supply agreements which reduced our cost of purchased power. Cost savings from these lower power supply costs are passed on to our customers. Our residential and commercial electric rates are lower than most of Florida's other electric utilities.

2 ELECTRIC PURCHASE CONTRACTS

We have a power supply agreement, which will expire in 2007, with Gulf Power Company to supply electric power for the Marianna Division. We also have a power supply agreement with the Jacksonville Electric Authority, which expires in 2007, to supply power to the Fernandina Beach Division.

Propane Gas

We receive our propane supply from one primary supplier, Dynegy Gas Liquids, and two secondary suppliers, Propane Resources and Sea 3 of Florida. We negotiate yearly with our suppliers to obtain the best possible supply cost for our customers. Each year we "pre-buy" 40% to 60% of our winter heating season needs to ensure price stability and ample supply during those peak demand months.

Water Supply

The source of supply for our Fernandina Beach water system is derived solely from the Floridan aquifer. We own a total of six wells penetrating the Floridan aquifer. All of the wells draw water from the

Ocala and Avon Park limestone formations. Two wells are located at each of our three water plants. The three water plants are interconnected by a distribution system with ample redundancy. The capacity of the six wells is adequate to provide estimated customer water demands for the next ten years. The Floridan aquifer is the major source of water supply for municipal, domestic, and industrial water supply in Nassau County. The majority of water withdrawn from the aquifer is used by the pulp and paper industry.

We are required to test quarterly for chloride to measure for possible salt water intrusion into the aquifer. Our testing indicates that salt water intrusion should not be a problem for the near future. However, this condition could change if two nearby paper mills are permitted by government agencies to significantly increase their withdrawal from the aquifer. We do not anticipate this change. Salt water intrusion would require a change in water treatment method, resulting in a sizeable investment in treatment facilities. We believe these investments, if necessary in the future, would be allowed in rate base by the Florida Public Service Commission and a fair return permitted.

Business Segments

The following table sets forth the revenues, operating profit and identifiable assets of each of our business segments. (See "Segment Information" in the Notes to Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)

	Years Ended December 31,		
	2000	1999	1998
	(dollars in thousands)		
Revenues			
Natural gas	$38,270	$30,287	$29,734
Electric	$39,304	$37,544	$40,254
Water	$ 2,805	$ 2,401	$ 2,161
Propane gas	$ 4,380	$ 3,866	$ 4,043
Operating profit			
Natural gas	$ 3,789	$ 3,493	$ 3,444
Electric	$ 3,016	$ 3,173	$ 3,213
Water	$ 932	$ 739	$ 599
Propane gas	$ 264	$ 393	$ 207

	December 31,		
	2000	1999	1998
	(dollars in thousands)		
Identifiable assets			
Natural gas	$42,564	$38,355	$36,870
Electric	$36,911	$35,384	$34,605
Water	$ 9,038	$ 7,199	$ 5,941
Propane gas	$ 5,648	$ 4,999	$ 5,134

Regulation

The Florida Public Service Commission has authority encompassing natural gas, electric and water rates, conditions of service, the issuance of securities and certain other matters affecting our operations.

Franchises

We hold franchises in most of the incorporated municipalities and in one of the counties (Jackson County) where we provide natural gas, electric and water services. These franchises generally have terms from 15 to 30 years and terminate at various dates. We are in negotiations with some municipalities in which our franchises have lapsed. We continue to provide services in these municipalities and do not anticipate any interruption in our service.

Employees

On December 31, 2000, we had 315 employees, of whom 101 were covered under union contracts with two labor unions, the International Brotherhood of Electrical Workers and the International Chemical Workers Union. We believe our relations with our employees are good.

Competition

Generally, in municipalities and other areas where we provide natural gas, electric, and water services, no other utility directly renders such service. Each of our gas, electric and propane businesses faces competition from providers of alternate sources of energy. The principal considerations affecting a customer's selection among competing energy sources include price, equipment cost, reliability, ease of delivery and service. In addition, the type of equipment already installed in businesses and residences significantly affects the customer's choice of energy.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the offering of the IQ Notes will be $13,868,137, after deducting the estimated offering expenses and the underwriter's discounts and commissions. We currently intend to use the net proceeds to reduce outstanding balances under our line of credit. We have an unsecured line of credit with a total borrowing capacity of $22,500,000 with an outstanding balance as of August 20, 2001 of $20,375,000 at an interest rate of approximately 4.10%, which matures on April 30, 2003. Borrowings under the line of credit have been used for capital improvements.

CAPITALIZATION

The following table sets forth our capitalization at June 30, 2001, and as adjusted to reflect the issuance of the IQ Notes and the anticipated use of estimated net proceeds therefrom. The following data are qualified in their entirety by reference to, and should be read together with, the detailed information and financial statements appearing in the documents incorporated in this prospectus by reference.

	At June 30, 2001	
	Actual	As Adjusted (1)
	(dollars in thousands)	
Long-Term Debt	$23,500	$38,500
Common Equity	28,653	28,653
Preferred Stock	600	600
Total Capitalization	$52,753	$67,753
Short-Term Debt (including current maturities of long-term debt) (2)	$21,735	$ 7,867

(1) Adjusted for the issuance of the IQ Notes at par.

(2) Current maturities of long-term debt at June 30, 2001 were zero.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected consolidated financial information for our Company on a historical basis. The information was derived from our financial statements, which are incorporated by reference in this prospectus.

The selected consolidated financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included with the financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2000, and our Form 10-Q for the six-month period ended June 30, 2001, both incorporated by reference in this prospectus.

	Six Months Ended June 30,		Years Ended December 31,				
	2001	2000	2000	1999	1998	1997	1996
				(dollars in thousands)			
Summary of Operations:							
Operating revenues	$53,596	$41,007	$84,759	$74,098	$76,192	$78,134	$78,810
Gross profit	$17,033	$15,922	$31,143	$29,342	$28,491	$26,679	$26,937
Gain on sale of property, net of income taxes	$ -	$ -	$ -	$ 83	$ -	$ 522	$ -
Net income	$ 1,983	$ 1,952	$ 3,288	$ 3,529	$ 3,068	$ 3,191	$ 2,751

	June 30,	December 31,				
	2001	2000	1999	1998	1997	1996
			(dollars in thousands)			
Balance Sheet Data:						
Utility Plant – net	$ 88,563	$ 84,200	$78,272	$75,227	$72,724	$69,876
Total Assets	$109,916	$108,588	$96,543	$92,406	$89,050	$88,169
Common Shareholders' Equity	$ 28,653	$ 27,510	$25,866	$27,622	$26,189	$24,511
Preferred Stock	$ 600	$ 600	$ 600	$ 600	$ 600	$ 600
Long-term Debt	$ 23,500	$ 23,500	$23,500	$23,500	$23,500	$23,500
Short-term Debt	$ 21,735	$ 17,900	$13,000	$ 8,200	$ 7,600	$ 7,900

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for the periods indicated.

	Twelve Months Ended June 30, *		Years Ended December 31,				
	2001	2000	2000	1999	1998	1997	1996
Ratio of Earnings to Fixed Charges	2.37x	2.53x	2.38x	2.72x	2.60x	2.35x	2.42x

The ratio of earnings to fixed charges represents, on a pre-tax basis, the number of times earnings cover fixed charges. Earnings consist of net income, to which has been added fixed charges (less capitalized interest) and taxes based on our income. Fixed charges consist of interest charges (expensed and capitalized) and any debt related amortizations. Earnings for 1997 and 1999 exclude the gain on the sale of non-utility property.

* The results for the twelve months ended June 30, 2001, may not be representative of results for the 2001 fiscal year due primarily to seasonality.

DESCRIPTION OF THE IQ NOTES

Set forth below is a description of the specific terms of the IQ Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the description in the indenture dated as of September 1, 2001, (the "Note Indenture") between Florida Public Utilities and SunTrust Bank, as trustee (the "Note Trustee"), pursuant to which the IQ Notes will be issued.

General

The IQ Notes will be issued as a series of Secured Notes under the Note Indenture. The IQ Notes are not subject to any sinking fund provision. The IQ Notes are available for purchase in denominations of $1,000 and integral multiples of $1,000.

The IQ Notes will be limited in aggregate principal amount to $15,000,000. The entire principal amount of the IQ Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, on October 1, 2031.

Interest

Each IQ Note will bear interest at 6.85% per year from the date of original issuance, payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, each of which we refer to as an "Interest Payment Date," to the person in whose name such IQ Note is registered at the close of business on the fifteenth calendar day of the month preceding the respective Interest Payment Date. The initial Interest Payment Date is January 1, 2002, and the payment on that date will include all accrued interest from the date of issuance. The amount of interest payable will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any Interest Payment Date is not a business day, then payment of the interest will be made on the next business day (and without any interest or other payment in respect of any such delay).

Optional Redemption

The IQ Notes will be redeemable at our 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 (expressed in percentages of principal amount), plus accrued interest to the Redemption Date:

Period	Percentage of Par
October 1, 2006 – September 30, 2007	101%
Thereafter	100%

We will select the principal amount, if less than all of the IQ Notes are to be redeemed. If we elect to redeem less than all of the then outstanding IQ Notes, the Note Trustee will select IQ Notes for redemption by lot. IQ Notes in denominations larger than $1,000 may be redeemed in integral multiples of $1,000.

Either the Note Trustee or we will mail a notice of redemption to each holder of the IQ Notes to be redeemed at his registered address at least 30 days but not more than 60 days before the date selected for redemption (the "Redemption Date"). That notice will set forth the Redemption Date and Redemption Price.

On and after the Redemption Date, interest will cease to accrue on IQ Notes or portions thereof called for redemption, unless we default in the payment of the Redemption Price.

There will be no sinking fund for the IQ Notes. This means that, except for limited amounts of IQ Notes which we are required to redeem at the election of Representatives of deceased holders of interests in the IQ Notes, we will not be required to redeem or pay off any IQ Notes prior to their maturity date of October 1, 2031.

NO SINKING FUND

Subject to the foregoing and to applicable law (including, without limitation, United States federal securities laws), we or our affiliates may, at any time and from time to time, purchase outstanding IQ Notes by tender, in the open market or by private agreement.

Special Insurance Provisions of the Note Indenture

Notwithstanding any other provision of the Note Indenture, so long as Ambac Assurance Corporation (the "Insurer") is not in default under the financial guaranty insurance policy, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies with respect to the IQ Notes, except for the rights provided under "--Limited Right of Redemption Upon Death of Beneficial Owner."

No amendment to the Note Indenture which requires consent of holders of IQ Notes or which affects the rights of the Insurer may be made without the prior written consent of the Insurer.

Limited Right Of Redemption Upon Death Of Beneficial Owner

Unless the IQ Notes have been declared due and payable prior to their maturity by reason of an event of default, the Representative (as hereinafter defined) of a deceased Beneficial Owner (as hereinafter defined) has the right to request redemption prior to stated maturity of all or part of his interest in the IQ 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 IQ Notes which exceeds $25,000 principal amount or (ii) interests in the IQ Notes exceeding $300,000 in aggregate principal amount. A request for redemption may be initiated by the Representative of a deceased Beneficial Owner at any time and in any principal amount.

We may, at our option, redeem interests of any deceased Beneficial Owner in the IQ 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. We may, at our option, redeem interests of deceased Beneficial Owners in the IQ 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 IQ Notes in excess of the $25,000 limitation or the $300,000 aggregate limitation, IQ Notes so redeemed shall be redeemed in the order of the receipt of Redemption Requests (as hereinafter defined) by the Note Trustee.

A request for redemption of an interest in the IQ Notes may be initiated by the personal representative or other person authorized to represent the estate of the deceased Beneficial Owner or from a surviving joint tenant(s) or tenant(s) by the entirety or the trustee of a trust (each, a "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 IQ Notes to be redeemed. The Participant shall thereupon deliver to the Depositary a request for redemption substantially in the form attached as Appendix A hereto (a "Redemption Request"). The Depositary will, on receipt thereof, forward the same to the Trustee. The Note 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 Note 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 us. The Depositary, the Issuer and the Note 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 IQ 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, we will, after the death of any Beneficial Owner, redeem the interest of such Beneficial Owner in the IQ Notes within 60 days following receipt by us of a Redemption Request from the Note Trustee. If Redemption Requests exceed the aggregate principal amount of interests in IQ 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 Note Trustee to successive Subsequent Periods, regardless of the number of Subsequent Periods required to redeem such interests. We may, at any time notify the Note 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 IQ 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 IQ Notes so redeemed shall be redeemed in the order of receipt of Redemption Requests by the Note Trustee.

The price to be paid by the Company for the IQ 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 IQ Notes which are to be redeemed shall be made to the Depositary upon presentation of IQ Notes to the Note Trustee for redemption in the aggregate principal amount specified in the Redemption Requests submitted to the Note Trustee by the Depositary which are to be fulfilled in connection with such payment. The principal amount of any IQ 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, a "Beneficial Owner" means the Person who has the right to sell, transfer or otherwise dispose of an interest in an IQ Note 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 IQ 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 an IQ 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 IQ 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 we give notice of our election to redeem the IQ Notes, the IQ Notes which are the subject of such pending redemption request shall be redeemed prior to any other IQ 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 Note Trustee not less than 30 days prior to payment thereof by us.

We may, at our option, purchase any IQ Notes for which Redemption Requests have been received in lieu of redeeming such IQ Notes. Any IQ 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 Note Trustee for redemption and cancellation.

During such time or times as the IQ Notes are not represented by a Global Security, as that term is defined in the "Book-Entry Only Issuance – The Depository Trust Company" section of this prospectus 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 IQ 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 Note 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 IQ Notes that are the subject of such request.

Because of the limitations of our requirement to redeem, no Beneficial Owner can have any assurance that its interest in the IQ Notes will be paid prior to maturity.

Security

Our First Mortgage Bond, 6.85% Series due 2031 (the "Pledged Bond") has been issued under the Indenture of Mortgage, dated September 1, 1942, as heretofore supplemented and amended by supplemental indentures, including a Fourteenth Supplemental Indenture (the "New Supplement") (such Indenture of Mortgage, as supplemented, is herein referred to as the "Mortgage"), all from Florida Public Utilities to SunTrust Bank, (the "Mortgage Trustee"), and pledged to the Note Trustee under the Note Indenture to secure notes issued under the Note Indenture, including the IQ Notes.

We shall make payments of the principal of, and premium or interest on, the Pledged Bond to the Note Trustee, which payments shall be applied by the Note Trustee to satisfaction of all obligations then due on the IQ Notes.

Events of Default

The following constitute events of default with respect to the IQ Notes:

- default in the payment of any interest on any IQ Note when due and continuing for 30 days;

- default in the payment of principal of (or premium, if any) on any IQ Note when due and continuing for five business days;

- default in the performance or breach of any of our covenants or warranties in the Note Indenture relating to the IQ Notes and continuing for 90 days after written notice by the Note Trustee to us or by the holders of a majority in principal amount of all outstanding IQ Notes to us and the Note Trustee as provided in the Note Indenture;

- default in the observance of certain covenants under our insurance agreement with Ambac Assurance;

- certain events involving our bankruptcy, insolvency, conservatorship, receivership or reorganization, whether voluntary or involuntary; or

- default (as defined in the Pledged Bond) has occurred and is continuing, and the Mortgage Trustee or holders of at least a majority in aggregate principal amount of the bonds issued under the Indenture of Mortgage at the time outstanding shall have given written notice thereof to the Mortgage Trustee.

If any event of default with respect to the IQ Notes occurs and is continuing, either the Note Trustee or the holders of a majority in aggregate principal amount of the IQ Notes may declare the principal amount of all outstanding IQ Notes to be due and payable immediately.

Remedies

At any time after the declaration of acceleration with respect to the IQ Notes, but before a judgment or decree based on acceleration has been obtained, the following acts or events shall waive the event or events of default giving rise to a declaration of acceleration and rescind and annul the declaration and its consequences:

- we have paid or deposited with the trustee a sum sufficient to pay:

  - all overdue interest on the IQ Notes;

  - the principal of and premium, if any, on any IQ Notes that have become due other than due to the declaration of acceleration (with interest on overdue installments of interest to the extent that payment of such interest is enforceable under applicable law and such principal and applicable premium at the rate borne by the IQ Notes to the date of such payment or deposit); and

  - all amounts due to the Note Trustee under the Note Indenture;

and

- any other events of default with respect to the IQ Notes, other than the failure to pay the principal of the IQ Notes that has become due solely by such declaration of acceleration, have been cured or waived as provided in the Note Indenture.

The Note Indenture provides that the Note Trustee will be under no obligation to exercise any of its rights or powers under the Note Indenture at the request or direction of any of the holders, unless such holders shall have offered to the Note Trustee reasonable indemnity. Subject to such provisions for the indemnification of the Note Trustee and subject to certain other limitations, the holders of a majority in aggregate principal amount of the outstanding IQ Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Note Trustee, or exercising any trust or power conferred on the Note Trustee. Any direction provided by the holders shall not be in conflict with any rule of law or with the Note Indenture and will not involve the Note Trustee in personal liability in circumstances where reasonable indemnity would not, in the Note Trustee's sole discretion, be adequate and the Note Trustee may take any other action it deems proper that is not inconsistent with such direction.

The right of a holder of any IQ Note to institute a proceeding with respect to the Note Indenture is subject to meeting certain prior conditions, but each holder has an absolute right to receive payment of principal and interest and premium, if any, when due and to institute suit for the enforcement of payment. The Note Indenture provides that the Note Trustee, within 90 days after the occurrence of any default thereunder with respect to the IQ Notes, is required to give the holders of the IQ Notes notice of any known default, unless the default is cured or waived; provided, however, that, except in the case of a default in the payment of principal of, or interest or premium, if any, on, any IQ Notes, the Note Trustee may withhold such notice if our board of directors determines that it is in the interest of such holders to do so.

We are required to furnish to the Note Trustee annually a statement regarding our performance of certain of our obligations under the Note Indenture and as to any default in such performance. 6363 [M]

Modification, Amendment and Waiver

The Note Indenture may be modified and amended by us and the Note Trustee without the consent of the holders of the IQ Notes under certain circumstances, which include the following modifications and amendments:

- curing any ambiguity or inconsistency, provided such provisions do not adversely affect the interests of the holders of debt securities under the Note Indenture in any material respect;
- evidencing the appointment of a successor trustee and the assumption by any such successor of the covenants in the Note Indenture and IQ Notes;
- granting or conferring upon the Note Trustee for the benefit of the holders any additional rights, remedies, powers or authority;
- permitting the Note Trustee to comply with any duties imposed upon it by law;
- specifying further the duties and responsibilities of and to define further the relationships among the Note Trustee, any authenticating agent and any paying agent;
- adding to the our covenants for the benefit of the holders, to add to the security for the IQ Notes or to surrender a right or power conferred on us in the Note Indenture; or
- making any other changes to the Note Indenture that is not prejudicial to the Note Trustee or the holders of the IQ Notes.

We and the Note Trustee may make modifications and amendments to the Note Indenture with the consent of the holders of not less than a majority in principal amount of the outstanding IQ Notes affected by such modification or amendment voting separately; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding note affected thereby:

- change the maturity of the principal of, or any installment of principal or interest on the IQ Notes;
- reduce the principal amount of the IQ Notes or the rate of interest or any premium payable upon redemption of the IQ Notes;
- change the coin or currency in which the IQ Notes or any premium or interest thereon is payable;
- impair the right to institute suit for the enforcement of payments on the IQ Notes;
- reduce the percentage in principal amount of outstanding IQ Notes, the consent of whose holders is required for modification or amendment of the Note Indenture or for waiver of compliance with certain provisions of the Note Indenture, or for waiver of certain defaults; or
- modify the provisions of the Note Indenture relating to the modification of the Note Indenture, or the circumstances under which the holders of the IQ Notes may waive our past defaults and certain of our covenants.

Consolidation, Merger and Sale of Assets

We may not consolidate with or merge into any other corporation or convey, transfer or lease our properties and assets substantially as an entirety to any person unless the continuing or successor corporation expressly assumes by means of a supplemental indenture the due and punctual payment of the principal (and premium, if any) and interest on all the outstanding debt securities issued under the Note Indenture and the Mortgage and the performance of all of our covenants under the Note Indenture and the Mortgage.

Satisfaction and Discharge

We may terminate certain of our obligations under the Note Indenture with respect to the IQ Notes on the terms and subject to the conditions contained in the Note Indenture by depositing in trust with the Note Trustee cash or certain other forms of payment as described further in the Note Indenture (or a combination thereof) sufficient to pay the principal of and premium and interest, if any, due and to become due on the IQ Notes on or prior to their maturity or redemption date in accordance with the terms of the Note Indenture and the IQ Notes.

The Note Indenture, with respect to any and all debt securities (except for certain specified surviving obligations) will be discharged and canceled upon the satisfaction of certain conditions, including: (a) that all debt securities issued under the Note Indenture shall have been canceled by the trustee or, to the extent not so canceled, deemed to have been paid under the Note Indenture; and (b) our payment of all other sums required under the Note Indenture.

Book-Entry Only Issuance--The Depository Trust Company

The Depository Trust Company ("DTC") will act as the initial securities Depositary for the IQ Notes. The IQ Notes will be issued only as fully registered securities registered in the name of Cede & Co., DTC's nominee. One or more fully registered global IQ Notes (the "Global Security") will be issued, representing in the aggregate the total principal amount of IQ Notes, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "Exchange Act"). DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book- entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of IQ Notes within the DTC system must be made by or through Direct Participants, which will receive a credit for the IQ Notes on DTC's records. The ownership interest of each actual purchaser of IQ Notes (such purchaser, or the person to whom such purchaser conveys his or her ownership interest, a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners purchased IQ Notes. Transfers of ownership interests in the IQ Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in IQ Notes, except in the event that use of the book-entry system for the IQ Notes is discontinued, we determine that Beneficial Owners may exchange their ownership interests for such certificates or there shall have occurred an Event of Default.

DTC will have no knowledge of the actual Beneficial Owners of the IQ Notes. DTC's records reflect only the identity of the Direct Participants to whose accounts such IQ Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the IQ Notes are being redeemed, DTC will reduce the amount of the interest of each Direct Participant in the IQ Notes in accordance with its procedures.

Although voting with respect to the IQ Notes is limited, in those cases where a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to IQ Notes. Under its usual procedures, DTC would mail an Omnibus Proxy to us as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the IQ Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the IQ Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers registered in "street name," and will be the responsibility of such Participant and not of DTC or Florida Public Utilities, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of Florida Public Utilities, disbursements of such payments to Direct Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Except as provided herein, a Beneficial Owner of an interest in a global IQ Note will not be entitled to receive physical delivery of IQ Notes. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the IQ Notes. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a global IQ Note.

DTC may discontinue providing its services as security Depositary with respect to the IQ Notes at any time by giving reasonable notice to us. Under such circumstances, in the event that a successor securities Depositary is not obtained, IQ Note certificates will be printed and delivered to the holders of record. Additionally, we may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Depositary) with respect to the IQ Notes. In that event, certificates for the IQ Notes will be printed and delivered to the holders of record.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof. We have no responsibility for the performance by DTC or its Participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

DESCRIPTION OF PLEDGED BOND

General

The Pledged Bond is to be issued under and secured by the Mortgage and the New Supplement providing for the Pledged Bond. The Pledged Bond constitutes the Fourteenth Series of the Company's First Mortgage Bonds designated as "First Mortgage Bonds, 6.85% Series due 2031," which is limited to the aggregate principal amount of $15,000,000. The following statement includes brief summaries of certain provisions of the Mortgage. For a complete statement of such provisions, reference is made to the actual provisions of the Mortgage. First Mortgage Bonds issued or issuable under the Mortgage are hereinafter sometimes called "Bonds." A copy of the Mortgage including the New Supplement may be inspected at the office of the Mortgage Trustee at SunTrust Bank, 225 East Robinson Street, Suite 250, P.O. Box 44, Orlando, Florida 32802-0044, or at the office of the Commission, 450 Fifth Street, N.W., Washington, D.C. References to articles and sections under this caption are reference to articles and sections of the Mortgage.

The Pledged Bond will be issued initially to the Note Trustee and will be issuable only in fully registered form in any denomination authorized by us. The Pledged Bond will be transferable and the several denominations thereof will be exchangeable for Bonds of other authorized denominations but of the same series and aggregate principal amount, upon compliance with the applicable provisions of the Mortgage and the Note Indenture. No service charge will be made for any such transfer or exchange, but we may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

Interest, Maturity and Payment

Interest on the Pledged Bond shall accrue at the rate of 6.85% per annum computed on the basis of a 360-day year of twelve 30-day months and shall be payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, payable initially on January 1, 2002, subject to receipt of certain credits against principal and interest and such obligations as set forth below.

In addition to any other credit, payment or satisfaction to which we are entitled with respect to the Pledged Bond, we shall be entitled to credits against amounts otherwise payable in respect of the Pledged Bond in an amount corresponding to (i) the principal amount of any of the IQ Notes issued under the Note Indenture secured thereby surrendered to the Note Trustee by the Company, or purchased by the Note Trustee, for cancellation, (ii) the amount of money held by the Note Trustee and available and designated for the payment of principal of, and/or interest on, the Notes secured thereby, regardless of the source of payment to the Note Trustee of such moneys and (iii) the amount by which principal of and interest due on the Pledged Bond exceeds principal of and interest due on the Notes secured thereby. (Section 5.01).

Lien and Security

The Pledged Bond is secured by the lien of the Mortgage equally and proportionately with all other Bonds. The Mortgage constitutes a first lien (subject to "permitted liens" as defined in the Mortgage) on substantially all our property and franchises now owned or hereafter acquired for the equal and ratable benefit of all Bonds now or hereafter outstanding under the Mortgage. The Mortgage excepts from its lien materials and supplies consumable in our operations, merchandise and products acquired, manufactured, produced or held for sale in the usual course of business, motor vehicles, and cash, accounts receivable, stocks, bonds, notes, and securities which are neither specifically pledged with the Mortgage Trustee nor required by the Mortgage to be so pledged. (Granting Clause). There are certain conditions which must be complied with relating to the lien of the Mortgage in case of a merger, consolidation or sale of all the assets of the Company. (Article 10).

Issuance of Additional Bonds

Additional Bonds, ranking equally with all outstanding Bonds, may be issued under the Mortgage, without limit as to aggregate principal amount, upon compliance with Article 2.03 of the Mortgage and after obtaining the approval of the Florida Public Service Commission ("PSC"). The principal provisions for the issuance of additional Bonds are summarized below.

Additional Bonds may be issued in principal amount not exceeding: (i) 60% of the cost of property additions after taking into account retirements of property which consist of real and personal property constructed or acquired by the Company subject to the lien of the Mortgage and not previously utilized under the Mortgage as the basis for additional Bonds; provided that, the aggregate principal amount of all outstanding prior lien obligations upon all property additions used as the basis for authentication of Bonds, withdrawal of money, or release of property under the Mortgage or as a credit against a payment to any improvement or sinking fund for Bonds of a particular series, or a replacement fund shall not exceed 10% of

the principal amount of all Bonds to be outstanding after authentication of those about to be authenticated, calculated as follows: (i) the net amount of additional property shown by all additional property certificates then or theretofore furnished to the Trustee not theretofore funded or then being funded, (ii) the aggregate cost of additional property acquired or constructed by us up to a date stated therein not theretofore funded or included in any additional property certificate, (iii) the aggregate amount of all retirements which have not been included in any additional property certificate made up to and including a date (which shall be not more than sixty (60) days prior to the date of such certificate nor earlier than the date specified pursuant to (ii) above) specified in said certificate, and that there have been no substantial retirements between such date and the date of such certificate, (iv) the amount of any credit for substitution in connection with the retirements shown pursuant to (iii) above, (v) the amount of depreciation of the mortgaged property specified in the certificate being filed and the amount, if any, by which the depreciation so calculated exceeds the retirements for the same period, and (vi) that the sum of the amounts set forth under (i) and (ii) above is at least equal to the sum of (a) the amount of retirements shown in such certificate less the credit for substitution and (b) any excess of depreciation over retirements shown pursuant to (v) above. (Section 3.03).

Restrictions on Dividends

So long as any First Mortgage Bonds, 6.85% Series due 2031 shall remain outstanding, we will not declare or pay any dividend on any shares of our Common Stock or make any distribution on such shares, or purchase or otherwise acquire any such shares (other than in exchange for, or from the proceeds of, other shares of our capital stock 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) if the aggregate amount so distributed or expended after December 31, 2001, would exceed the aggregate amount of our net income available for dividends on our common stock accumulated after December 31, 2000, plus the sum of $2,500,000. (Section 1.07, 14th Supp.).

Redemption

The Pledged Bond shall be subject to redemption, either as a whole or in part, from time to time, at our option, upon payment of the principal amount on or after October 1, 2006 at 101% of the principal amount plus accrued interest and on or after October 1, 2007 at 100% of the principal amount plus interest. (Section 1.03, 14th Supp.).

Consolidation, Merger, or Sale

Subject to the approval of the PSC, the Mortgage does not prevent a consolidation or merger of the Company with or into any other corporation or a conveyance and transfer of all of the property and franchises of the Company to any other corporation, if (i) the consolidation, merger, or conveyance and transfer is subject to the continuing lien of the Mortgage on the mortgaged property and will not impair the lien or any of the rights or powers of the Trustee or bondholders; (ii) any such successor corporation executes and delivers a supplemental indenture which contains, among other things (x) agree to assume all our obligations under the Mortgage, (y) agree to pay duly and punctually the principal of and interest on the Bonds, (z) agree to perform and fulfill all the terms, covenants and conditions under the Mortgage, and (iii) the Mortgage Trustee shall have been furnished with an opinion of counsel that the provisions of the Note Indenture have been complied with along with any supplemental indentures. (Article 10).

Modifications of Mortgage

With the written consent of the holders of 75% in principal amount of the Bonds outstanding, any of the provisions of the Mortgage or of the Bonds may be altered, amended or eliminated, or additional provisions added. If such change pertains only to the Bonds of one or more series, but less than all series, only

the written consent of the holders of 60% in principal amount of the then outstanding Bonds of each series to which such change pertains is needed. However, no such change may (i) alter or modify the right of any bondholder to receive payment of the principal of and interest on his Bonds on or after the respective due dates thereof; (ii) permit the creation of any lien prior to or on a parity with the lien of the Note Indenture, or (iii) reduce the percentage of bondholders whose consent shall be required for the execution of any modifications or alterations to the Note Indenture. The consent of the PSC may be required before certain of the above actions may be taken. Certain other modifications and amendments described in the Mortgage may be made without the consent of the bondholders. (Section 12.01).

Percentage of Bondholders Required to Take Certain Action

Upon the occurrence of a Mortgage Event of Default (as defined below), the Mortgage Trustee or the holders of 25% in principal amount of the Bonds then outstanding may by written declaration accelerate the maturity of the principal of all the Bonds; but if we shall cure all Mortgage Events of Default, the holders of a majority in principal amount of the Bonds then outstanding may rescind, or require the Mortgage Trustee to rescind, such acceleration. (Section 9.01).

Defaults and Notice Thereof

The following constitute events of default under the Mortgage (a "Mortgage Event of Default"): (i) defaults in the payment of principal of any Bond; (ii) default for 30 days in the payment of interest on any Bond or in the payment of any sinking fund obligation; (iii) default for 60 days after notice in the performance of any other covenant in the Mortgage; (iv) the rendering against us of a final judgment, decree or order for the payment of money which we have not discharged within 60 days from the entry thereof in excess of $50,000 unless we have appealed and secured a stay of execution. (Section 9.01).

Discharge and Satisfaction

Whenever all amounts due or to become due on all outstanding Bonds issued under the Mortgage shall have been paid or provision for the payment thereof shall have been made (as such provision for payment is defined below) and all amounts payable by us to the Mortgage Trustee under the Mortgage shall have been paid, the Mortgage Trustee shall, upon the request and at the expense of us, satisfy or discharge the Mortgage of record wherever recorded, and convey, transfer, assign and deliver the mortgaged property to or upon the order of us, and all the title, estate, rights and powers of the Mortgage Trustee shall forthwith cease and the mortgaged property shall revert to us, and all responsibility of the Mortgage Trustee and all obligations of us under the Mortgage (except as expressly provided therein) shall then cease.

"Provision for payment of a Bond" shall be deemed to have been made if (a) when the principal of such Bond shall have become due and payable, whether by maturity, call for redemption, declaration, or otherwise, all amounts due thereon shall have been paid or shall have been deposited in trust with and shall be held by the Mortgage Trustee for the account of the holder thereof, or (b) at any time in advance of the maturity thereof, we (1) shall have either (i) deposited with the Mortgage Trustee in trust all amounts to become due thereon up to and upon the maturity date thereof or (ii) duly called such Bond for redemption on a date specified, in accordance with the provisions of the Mortgage, given all notices required to make such call effective or made provision satisfactory to the Mortgage Trustee for giving all such notices, and deposited with the Mortgage Trustee in trust all amounts to become due upon such Bond up to and upon such redemption date, and (2) shall have irrevocably authorized the Mortgage Trustee forthwith to pay to the holder thereof, out of the funds so deposited with it, all amounts so to become due on such Bond up to and upon the maturity date or the redemption date, as the case may be, such payment to be made upon such Bond whenever the same shall be presented for that purpose without awaiting the maturity date or the redemption date, and shall have given

at least one notice by publication of such deposit and authorization or shall have made provision satisfactory to the Mortgage Trustee for giving such notice. (Article 13).

AMBAC ASSURANCE CORPORATION

The following information has been furnished by Ambac Assurance Corporation (the "Insurer") for use in this prospectus. No representation is made by us or the Underwriter as to the accuracy or completeness of such information. Reference is made to Appendix B for a specimen of the Insurer's policy.

The Policy

The Insurer has committed to issue a financial guaranty insurance policy (the "Policy") relating to the IQ Notes, effective as of the date of issuance of the IQ Notes. Under the terms of the Policy, the Insurer will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee"), that portion of the principal of and interest on the IQ Notes which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Policy). The Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Insurer shall have received notice of Nonpayment from the Note Trustee. The insurance will extend for the term of the IQ Notes and, once issued, cannot be canceled by the Insurer.

The Policy will insure payment only on stated maturity dates, in the case of principal, and on stated dates for payment, in the case of interest. In the event of any acceleration of the principal of the IQ Notes by reason of mandatory or optional redemption and insufficient funds are available for redemption of all the outstanding IQ Notes, the Insurer will remain obligated to pay principal of and interest on any outstanding IQ Notes on the originally scheduled interest and principal payment dates. In the event of any acceleration of the principal of any of the IQ Notes, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Note Trustee has notice that any payment of principal of or interest on an IQ Note, which has become Due for Payment and which is made to a noteholder by or on behalf of us, has been deemed a preferential transfer and theretofore recovered from its registered owner, pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;

2. payment of any redemption, prepayment or acceleration premium;

3. nonpayment of principal or interest caused by the insolvency or negligence of the Note Trustee or paying agent, if any.

If it becomes necessary to call upon the Policy, payment of principal requires surrender of IQ Notes to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such IQ Notes to be registered in the name of the Insurer to the extent of the payment under the Policy. Payment of

interest pursuant to the Policy requires proof of noteholder entitlement to interest payments and an appropriate assignment of the noteholder's right to payment to the Insurer.

Upon payment of the insurance benefits, the Insurer will become the owner of the IQ Note, appurtenant coupon, if any, or right to payment of principal or interest on such IQ Note and will be fully subrogated to the surrendering noteholder's rights to payment.

The insurance provided by the Policy is not covered by the Florida Insurance Guaranty Association.

The Insurer

The Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Commonwealth of Puerto Rico and the Territory of Guam. The Insurer primarily insures newly issued municipal and structured finance obligations. The Insurer is a wholly-owned subsidiary of Ambac Financial Group, Inc. (formerly, AMBAC Inc.), a 100% publicly-held company. Moody's, S&P, and Fitch, Inc. have each assigned a triple-A financial strength rating to the Insurer.

The consolidated financial statements of the Insurer and its subsidiaries as of December 31, 2000 and December 31, 1999 and for each of the years in the three-year period ended December 31, 2000, prepared in accordance with accounting principles generally accepted in the United States of America, included in the Annual Report on Form 10-K of Ambac Financial Group, Inc., which was filed with the Securities and Exchange Commission on March 28, 2001, Commission File No. 1-10777; and the unaudited consolidated financial statements of the Insurer and subsidiaries as of June 30, 2001 and for the periods ended June 30, 2001 and June 30, 2000, included in the Quarterly Report on Form 10-Q of Ambac Financial Group, Inc. for the period ended June 30, 2001, which was filed with the Securities and Exchange Commission on August 10, 2001, are incorporated by reference into this prospectus and are deemed to constitute a part of this prospectus. Any statement contained in a document incorporated by reference shall be modified or superseded for the purposes of this prospectus to the extent that a statement contained or incorporated by reference in this prospectus also modifies or supersedes that statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

All financial statements of the Insurer and its subsidiaries included in documents filed by Ambac Financial Group, Inc. with the Securities and Exchange Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, subsequent to the date of this prospectus and prior to the termination of the offering of the IQ Notes are deemed to be incorporated by reference into this prospectus and to be a part of this prospectus from the respective dates of filing of the financial statements.

The following table sets forth the capitalization of the Insurer as of December 31, 1999, December 31, 2000 and June 30, 2001, respectively, in conformity with accounting principles generally accepted in the United States of America.

AMBAC ASSURANCE CORPORATION
Capitalization Table
(dollars in millions)

	December 31, 1999	December 31, 2000	(Unaudited) June 30, 2001
Unearned premiums	$1,442	$1,556	$1,691
Other liabilities	524	581	695
Total liabilities	1,966	2,137	2,386
Stockholder's equity:			
Common stock	82	82	82
Additional paid-in capital	752	760	760
Accumulated other comprehensive income (loss)	(92)	82	77
Retained earnings	1,674	2,002	2,180
Total stockholder's equity	2,416	2,926	3,099
Total liabilities and Stockholder's equity	$4,382	$5,063	$5,485

For additional financial information concerning the Insurer, see the audited and unaudited financial statements of the Insurer incorporated by reference in this prospectus. Copies of the financial statements of the Insurer incorporated by reference in this prospectus and copies of the annual statement of the Insurer for the year ended December 31, 2000 prepared in accordance with statutory accounting standards are available, without charge, from the Insurer. The address of the Insurer's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

The Insurer makes no representation regarding the IQ Notes or the advisability of investing in the IQ Notes and makes no representation regarding, nor has it participated in the preparation of, this prospectus other than the information supplied by the Insurer and presented under the heading "AMBAC ASSURANCE CORPORATION" in this prospectus and in the financial statements incorporated in this prospectus by reference.

RATINGS

S&P and Moody's will assign the IQ Notes the ratings of "AAA" and "Aaa," respectively, conditioned upon the issuance and delivery by the Insurer at the time of delivery of the IQ Notes of the policy, insuring the timely payment of the principal of and interest on the IQ Notes. Such ratings reflect only the views of such rating agencies, and an explanation of the significance of such ratings may be obtained only from such rating agencies at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; and Standard & Poor's, 25 Broadway, New York, New York 10004. There is no assurance that such ratings will remain in effect for any period of time or that they will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances warrant. Neither we nor the Underwriter have undertaken any responsibility to oppose any proposed downward revision or withdrawal of a rating on the IQ Notes. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the IQ Notes.

At present, each of such rating agencies maintains four categories of investment grade ratings. They are for S&P--AAA, AA, A and BBB and for Moody's--Aaa, Aa, A and Baa. S&P defines "AAA" as the

highest rating assigned to a debt obligation. Moody's defines "Aaa" as representing the best quality debt obligation carrying the smallest degree of investment risk.

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, a copy of which is filed as an exhibit to the Registration Statement, we have agreed to sell to Edward D. Jones & Co., L.P., the underwriter, and the underwriter has agreed to purchase from us, the entire principal amount of the IQ Notes set forth on the cover page of this prospectus.

The underwriting agreement provides that the obligations of the underwriter are subject to certain conditions precedent, including the absence of any significant negative change in our business and the receipt of certain certificates, opinions and letters from us and our attorneys and independent accountants. The nature of the underwriter's obligation is such that it is committed to purchase all IQ Notes offered hereby if any of the IQ Notes are purchased.

In addition to the underwriting discount set forth on the cover page of this prospectus, we have agreed to reimburse the underwriter for its counsel fees to the extent such fees exceed $22,500 provided such reimbursement will not exceed $27,500.

The underwriter has advised us that it proposes to offer the IQ Notes being purchased by it directly to the public at the initial public offering price set forth on the cover page of this prospectus. The underwriter may affect such transactions by selling the IQ Notes to or through dealers, and such dealers may receive compensation in the form of underwriting discounts, concessions or commissions from the underwriter. The offering of the IQ Notes is made for delivery when, as and if accepted by the underwriter and subject to prior sale and withdrawal, cancellation or modification of this offering without notice. The underwriter reserves the right to reject an order for the purchase of IQ Notes in whole or in part.

Prior to this offering, there has been no public market for the IQ Notes. The underwriter has advised us that it intends to make a market in the IQ Notes. The underwriter will have no obligation to make a market in the IQ Notes, however, and may cease market making activities, if commenced, at any time. The IQ Notes will not be listed on any exchange or on the Nasdaq Stock Market.

We have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriter may be required to make in respect thereof.

In order to facilitate the offering of the IQ Notes, the underwriter may engage in transactions that stabilize, maintain or otherwise affect the prices of the IQ Notes. Specifically, the underwriter may over-alot in connection with the offering, creating a short position in the IQ Notes for its own account. In addition, to cover over-allotments or to stabilize the prices of the IQ Notes, the underwriter may bid for, and purchase, IQ Notes in the open market. The underwriter may reclaim selling concessions allowed to a dealer for distributing IQ Notes in the offering, if the underwriter repurchases previously distributed IQ Notes in transactions to cover short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market prices of the IQ Notes above independent market levels. The underwriter is not required to engage in these activities, and, if commenced, may end any of these activities at any time.

We have agreed, during the period of 30 days from the date on which the IQ Notes are purchased by the underwriter, not to sell, offer to sell, grant any option for the sale of, or otherwise dispose of any IQ Notes,

any security convertible into or exchangeable into or exercisable for IQ Notes or any debt securities substantially similar to the IQ Notes, without the prior written consent of the underwriter.

EXPERTS

The consolidated financial statements incorporated in this prospectus by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2000 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Ambac Assurance Corporation and subsidiaries as of December 31, 2000 and 1999 and for each of the years in the three-year period ended December 31, 2000 are incorporated by reference in this prospectus and registration statement, in reliance on the report of KPMG LLP, independent certified public accountants, incorporated by reference in this prospectus and upon the authority of that firm as experts in accounting and auditing.

LEGAL OPINIONS

Certain legal matters will be passed upon for us by Akerman, Senterfitt & Eidson, P.A., counsel to Florida Public Utilities. Certain legal matters will be passed upon for Edward D. Jones & Co., L.P. by Armstrong Teasdale LLP, St. Louis, Missouri.

WHERE YOU CAN FIND MORE INFORMATION

Available Information

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room located at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC's regional offices in New York, New York and Chicago, Illinois. You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. We file information electronically with the SEC. The SEC Maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The address of the SEC's Internet site is http://www.sec.gov.

Incorporation by Reference

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we will file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings that we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, before the termination of the offering of the IQ Notes under this prospectus:

- Annual report on Form 10-K for the fiscal year ended December 31, 2000;
- Amendment to Annual Report on Form 10-K/A for the fiscal year ended December 31, 2000;
- Quarterly Report on Form 10-Q for the period ended March 31, 2001;
- Quarterly Report and Form 10-Q for the period ended June 30, 2001; and
- Proxy Statement for Annual Meeting of Stockholders held on April 17, 2001.

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

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

Florida Public Utilities Company
401 South Dixie Highway
West Palm Beach, FL 33401
Attention: Secretary
Telephone Number: 561-832-2461
e-mail address: http://www.fpuc.com

This prospectus is part of a Registration Statement which we filed with the SEC. We have omitted certain parts of the Registration Statement in accordance with the rules and regulations of the SEC; therefore, this prospectus does not contain all of the information included in the Registration Statement. For further information, we refer you to the Registration Statement filed on Form S-3 (No. 333-68856) including exhibits, schedules, and the documents incorporated by reference therein. We have not authorized anyone to provide you with any information that differs from that contained in this prospectus. Accordingly, you should not rely on any information that is not contained in this prospectus. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front cover of this prospectus.

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APPENDIX A

FORM OF REDEMPTION REQUEST

6.85% SECURED INSURED QUARTERLY NOTES

due October 1, 2031

(the "IQ Notes")

CUSIP NO. 341135 AA9

The undersigned, _____(the "Participant"), does hereby certify, pursuant to the provisions of that certain Indenture of Trust dated as of September 1, 1942, as amended (the "Indenture"), made by Florida Public Utilities Company (the "Company") and SunTrust Bank, as-Trustee (the "Trustee"), to The Depository Trust Company (the "Depositary"), the Company 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 IQ 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 IQ 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 IQ Notes to which this Request relates redeemed.

4. The Participant holds the interest in the IQ 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 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 IQ 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: _____

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Ambac

APPENDIX B

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

No person has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this prospectus and, if given or made, such information or representations must not be relied upon as having been authorized. This prospectus does not constitute an offer or solicitation by anyone in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus nor any sale made hereunder or thereunder shall under any circumstance create an implication that there has been no change in the affairs of the Florida Public Utilities or the Insurer since the date hereof.

TABLE OF CONTENTS

Florida Public Utilities Company

$15,000,000

6.85% Secured Insured Quarterly Notes due October 1, 2031

(IQ Notes[SM])

PROSPECTUS

EDWARD D. JONES & CO., L.P.

September 21, 2001

NO. 5

As filed with the Securities and Exchange Commission on August 31, 2001

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

FLORIDA PUBLIC UTILITIES COMPANY

(Exact name of registrant as specified in its charter)

Florida	**59-539080**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

401 South Dixie Highway, West Palm Beach, Florida 33401
(561) 832-2461
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jack R. Brown
Vice President
Florida Public Utilities Company
401 South Dixie Highway, West Palm Beach, Florida 33401
(561) 838-1729
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Peter E. Reinert, Esq.	**John L. Gillis, Jr., Esq.**
Akerman, Senterfitt & Eidson, P.A.	**Armstrong Teasdale LLP**
255 South Orange Avenue	**One Metropolitan Square, Ste 2600**
Orlando, Florida 32801-3483	**St. Louis, Missouri 63102**
(407) 843-7860	**(314) 621-5070**

Approximate date of commencement of proposed sale to the public: As soon as possible after the effective date of this Registration Statement, as determined by market conditions and other factors.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ☐

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title Of Securities To Be Registered[1]	Amount To Be Registered	Proposed Maximum Offering Price Per Unit[2][3]	Proposed Maximum Aggregate Offering Price[2][3]	Amount Of Registration Fee[1]
% Secured Insured Quarterly Notes due 2031	$15,000,000	100%	$15,000,000	$3,750
First Mortgage Bonds, % Series Due 2031	$15,000,000	(4)	(4)	(4)

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933.
(2) Plus accrued interest, if any.
(3) Calculated in accordance with Rule 457(o) under the Securities Act of 1933.
(4) To be issued to secure the % Secured Insured Quarterly Notes due 2031. No additional consideration will be received for these bonds.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission (the "SEC"), acting pursuant to said Section 8(a), may determine.

PROSPECTUS, SUBJECT TO COMPLETION, AUGUST 31, 2001

Ratings: Standard & Poor's: "AAA"
Moody's: "Aaa"
(See "Ratings" Herein)

$15,000,000

Florida Public Utilities Company

Florida Public Utilities Company

% Secured Insured Quarterly Notes, due October 1, 2031 (IQ Notes[SM]*)

The Secured Insured Quarterly Notes, due 2031, which we refer to as the "IQ Notes," bear interest at the rate of % per year. The IQ Notes will mature on October 1, 2031. We can redeem the IQ Notes on or after October 1, 2006 at 101% of the principal amount plus accrued interest and on or after October 1, 2007 at 100% of the principal amount plus accrued interest.

Interest on the IQ Notes is payable quarterly on January 1, April 1, July 1 and October 1 of each year, beginning on January 1, 2002. We will also redeem the IQ Notes, subject to limitations, at the option of the representative of any deceased noteholder. The IQ Notes will be available for purchase in denominations of $1,000 and integral multiples of $1,000.

We have issued a first mortgage bond as collateral to secure the IQ Notes issued under an indenture described in this prospectus. Our timely payment of the regularly scheduled principal and interest on the IQ Notes will be insured by a financial guaranty insurance policy issued by Ambac Assurance Corporation.

Ambac

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Price to Public	Underwriting Discount (1)	Proceeds to Company (2)
Per IQ Note	100%	%	%
Total	$15,000,000	$	$

(1) See "Underwriting" for information relating to indemnification of the underwriter.
(2) Before deduction of our expenses estimated at $.

This offering is being underwritten by Edward D. Jones & Co., L.P. on a firm commitment basis, which means that it must purchase all of the IQ Notes if any are purchased. The underwriter's purchase of the IQ Notes is subject to a number of conditions. The underwriter reserves the right to withdraw, cancel or modify such offers and reject orders in whole or in part. We expect the IQ Notes to be available on or about , 2001.

*IQ Notes is a service mark of Edward D. Jones & Co., L.P.

Edward D. Jones & Co., L.P.

The date of this prospectus is September , 2001.

TABLE OF CONTENTS

We have not authorized any dealer, salesperson or other person to give any information or to make any representations to you other than the information contained in this prospectus. You must not rely on any information or representations not contained in this prospectus. The information contained in this prospectus is current only as of the date on the cover page of the prospectus, and may change after that date. By delivering this prospectus, we do not imply that there have been no changes in the information contained in this prospectus or in our affairs since the date of the prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

FORWARD-LOOKING STATEMENTS

In addition to historical information, we have made forward-looking statements in this prospectus and in the documents incorporated by reference in this prospectus, such as those pertaining to our capital resources and performance of our operations. "Forward-looking statements" are projections, plans, objectives or assumptions about us. Forward-looking statements involve numerous risks and uncertainties, and you should not place undue reliance on these statements because we cannot assure you that the events or circumstances reflected in these statements will actually occur. Forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "pro forma," "estimates," "anticipates" or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. Forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect, imprecise or incapable of being realized. The following factors, among others set forth in our filings with the Securities and Exchange Commission or in our press releases, could cause actual results and future events to differ materially from those set forth or contemplated in our forward-looking statements:

- General economic conditions on an international, national, state and local level;
- Weather and seasonal variations;
- Changes in commodity costs;
- Competition;
- Failure to effectively and efficiently manage our growth;
- Rate regulation and rates of return;
- Costs and effects of legal proceedings and environmental liabilities;
- Financing capital expenditures;
- Rapidly increasing operating costs; and
- Changes in business strategies.

PROSPECTUS SUMMARY

The following summary sets forth certain pertinent facts and does not contain all the information that may be important to you. You should read the entire prospectus, as well as the documents incorporated by reference in this prospectus, before making an investment decision. In particular, see the information presented under the captions "Our Company," "Description of IQ Notes," "Description of Pledged Bond" and "Where You Can Find More Information." All references in this prospectus to "Florida Public Utilities," "the Company," "our Company," "we," "us," or "our" mean and include Florida Public Utilities Company and its subsidiary.

Our Company

We are an operating public utility engaged principally in the purchase, transmission, distribution and sale of electricity and in the purchase, transmission, distribution, sale and transportation of natural gas. We are regulated by the Florida Public Service Commission (except for propane gas service) and provide natural and propane gas service, electric service and water service to consumers in Florida. We have four divisions:

- West Palm Beach Division, located in southeast Florida, which serves 29,308 natural gas customers and 5,530 propane gas customers;
- Central Florida Division, located in central Florida, which serves 10,785 natural gas customers and 2,278 propane customers;
- Marianna Division, located in the Florida panhandle, which serves 12,112 electric customers; and
- Fernandina Beach Division, located in extreme northeast Florida, which serves 13,405 electric customers, 6,866 water customers and 34 propane customers.

Our executive offices are located at 401 South Dixie Highway, West Palm Beach, Florida 33401 and our telephone number is (561) 832-2461.

The IQ Notes Offering

Secured Insured Quarterly Notes Offered ..... We are offering $15,000,000 aggregate principal amount of IQ Notes which will bear interest at a rate of % per year. Interest on the IQ Notes will be payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, beginning on January 1, 2002.

Date of Maturity ..... The IQ Notes will mature on October 1, 2031.

Record Date ..... We will make payments to the holders of record of the IQ Notes on the fifteenth calendar day of each December, March, June and September.

Our Redemption Rights	We can redeem the IQ Notes on or after October 1, 2006 at 101% of the principal amount plus accrued interest and on or after October 1, 2007 at 100% of the principal amount plus accrued interest.
No Sinking Fund	We are not required to set aside funds to redeem the IQ Notes.
Redemption Option of a Noteholder's Representative	We will redeem the IQ Notes at the option of the representative of any deceased owner of an IQ Note at 100% of the principal amount, plus accrued interest, subject to the following conditions: The maximum principal amount we will redeem is $25,000 per deceased owner and an aggregate of $300,000 for all deceased owners during the initial period from the date of the original issuance of the IQ Notes through and including October 1, 2002, and during each twelve-month period thereafter.
Insurance	The timely payment of the regularly scheduled principal and interest on the IQ Notes will be insured by a financial guaranty insurance policy issued by Ambac Assurance Corporation that will be issued at the same time the IQ Notes are delivered.
Security	We have issued a first mortgage bond as collateral to secure the IQ Notes.
Ratings	The IQ Notes will be rated "AAA" by Standard & Poor's Ratings Group ("S&P") and "Aaa" by Moody's Investors Services, Inc. ("Moody's").
Use of Proceeds	We estimate that the net proceeds of the offering of the IQ Notes will be approximately $. We intend to use the net proceeds from the offering to reduce outstanding balances under our line of credit.
Ratio of Earnings to Fixed Charges	Our ratio of earnings to fixed charges for the twelve months ended June 30, 2001 was 2.37x and June 30, 2000 was 2.53x, and for each of the years ended December 31: 2000 was 2.38x; 1999 was 2.72x; 1998 was 2.60x; 1997 was 2.35x; and 1996 was 2.42x.

OUR COMPANY

We were incorporated in 1924 as a Florida corporation. We are regulated by the Florida Public Service Commission (except for propane gas service), and we provide natural and propane gas service, electric service and water service to consumers in Florida. We have four divisions as of December 31, 2000:

- West Palm Beach Division, located in southeast Florida, which serves 29,308 natural gas customers and 5,530 propane gas customers;
- Central Florida Division, located in central Florida, which serves 10,785 natural gas customers and 2,278 propane customers;
- Marianna Division, located in the Florida panhandle, which serves 12,112 electric customers; and
- Fernandina Beach Division, located in extreme northeast Florida, which serves 13,405 electric customers, 6,866 water customers and 34 propane customers.

The economies of Palm Beach County and the Central Florida Division rely somewhat on the migration of seasonal residents and tourists during the winter season. Agriculture and citrus processing, together with light industry, provide year-round stability. Marianna's economy is predominantly agricultural including peanuts, soy beans, corn, pork and beef. The area has many small industries. Fernandina's economy is centered around two large paper mills; ITT Rayonier, Inc. and Jefferson Smurfit Corp. In Fernandina Beach, these two large paper mills accounted for 15.7% of total 2000 electric division operating revenues and 7.3% of our total operating revenues. However, such mills accounted for 5.9% of total 2000 electric division operating margin and 2.0% of our total operating margin.

Sources of Supply

Natural Gas

We receive our total supply of natural gas at eleven city gate stations connected to Florida Gas Transmission Company's (FGT) pipeline system. We have the adequate redundancy of gate stations in each distribution system to assure high levels of continuous service to our customers.

FGT is the sole natural gas pipeline serving peninsular Florida and is under the jurisdiction of the Federal Energy Regulatory Commission (FERC). We use FGT solely as a carrier of natural gas. All gas supplies for our traditional sales markets are independently procured by us using gas marketers and producers. Our transportation customers are responsible for obtaining their own gas supplies and arranging for pipeline transportation.

We are in full compliance with the Gas Industry Standards Board's (GISB) standards. The GISB was formed to develop a uniform nationwide network of natural gas producers, marketers, gathering systems, pipelines, distribution companies and customers. The GISB's standards place all participants on the same time schedules for procurement, capacity transactions and invoicing. It caused the network to be fully available twenty-four hours per day, 365 days per year.

We have gained vast experience directly contracting for gas supplies with marketers and producers while contracting for transportation services from FGT. This experience appropriately postures us to be most effective in operating within a deregulated environment. We lowered our fuel cost substantially in recent years

by directly purchasing gas supplies from sources other than FGT. All fuel costs and associated savings are passed along to our traditional sales customers. Additionally, we have actively reduced demand charges we pay for the pipeline capacity by "subletting" unused capacity, for short terms, to other shippers on FGT's system. We are one of Florida's lowest cost suppliers of natural gas.

We have made off-system sales since receiving approval for the appropriate tariff from the Florida Public Service Commission (FPSC). Off-system sales allow us to broaden our market to include any commercial customer within the state of Florida who currently uses natural gas. We have transacted off-systems sales with national marketers, electric generators, other gas distributors and agricultural firms, to name a few. The tariff permits us to profit share with our customers. We will take advantage of every future opportunity to keep our total cost of gas as low as possible.

During 2000, the national natural gas market experienced unprecedented high levels of the commodity cost of gas. We have collected the increased cost from our customers.

We have been an active participant in the FPSC unbundling docket. This docket focuses on the potential for unbundling natural gas services of distribution companies regulated by the FPSC. During 2000, the FPSC conducted an agenda hearing to determine when the FPSC would require local distribution companies to offer transportation services to all commercial customers. During 2000, the FPSC issued an order that will allow any commercial natural gas customer to choose their supplier. Some of our commercial natural gas customers may elect to choose a supplier, other than us; however, our operating results would not be affected as we realize the same operating margin regardless of whether the customer purchases the gas from us or uses our system to transport the gas. We officially offered unbundled services to commercial customers beginning August 1, 2001. The PSC approved various mechanisms which will allow us to be reimbursed for the incremental cost of providing unbundled services.

Electricity

We purchase most of our electrical power supply at wholesale rates from two generating utilities. Less than 1% of our power supply is purchased on an as available basis from a self-generating paper mill.

Deregulation of the wholesale power market has enabled us to negotiate long term power supply agreements which reduced our cost of purchased power. Cost savings from these lower power supply costs are passed on to our customers. Our residential and commercial electric rates are lower than most of Florida's other electric utilities.

We have a power supply agreement, which will expire in 2007, with Gulf Power Company to supply electric power for the Marianna Division. We also have a power supply agreement with the Jacksonville Electric Authority, which expires in 2007, to supply power to the Fernandina Beach Division.

Propane Gas

We receive our propane supply from one primary supplier, Dynegy Gas Liquids, and two secondary suppliers, Propane Resources and Sea 3 of Florida. We negotiate yearly with our suppliers to obtain the best possible supply cost for our customers. Each year we "pre-buy" 40% to 60% of our winter heating season needs to ensure price stability and ample supply during those peak demand months.

Water Supply

The source of supply for our Fernandina Beach water system is derived solely from the Floridan aquifer. We own a total of six wells penetrating the Floridan aquifer. All of the wells draw water from the

Ocala and Avon Park limestone formations. Two wells are located at each of our three water plants. The three water plants are interconnected by a distribution system with ample redundancy. The capacity of the six wells is adequate to provide estimated customer water demands for the next ten years. The Floridan aquifer is the major source of water supply for municipal, domestic, and industrial water supply in Nassau County. The majority of water withdrawn from the aquifer is used by the pulp and paper industry.

We are required to test quarterly for chloride to measure for possible salt water intrusion into the aquifer. Our testing indicates that salt water intrusion should not be a problem for the near future. However, this condition could change if two nearby paper mills are permitted by government agencies to significantly increase their withdrawal from the aquifer. We do not anticipate this change. Salt water intrusion would require a change in water treatment method, resulting in a sizeable investment in treatment facilities. We believe these investments, if necessary in the future, would be allowed in rate base by the Florida Public Service Commission and a fair return permitted.

The following table sets forth the revenues, operating profit and identifiable assets of each of our business segments. (See "Segment Information" in the Notes to Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)

	Years Ended December 31,		
	2000	1999	1998
		(dollars in thousands)	
Revenues			
Natural gas	$38,270	$30,287	$29,734
Electric	$39,304	$37,544	$40,254
Water	$ 2,805	$ 2,401	$ 2,161
Propane gas	$ 4,380	$ 3,866	$ 4,043
Operating profit			
Natural gas	$ 3,789	$ 3,493	$ 3,444
Electric	$ 3,016	$ 3,173	$ 3,213
Water	$ 932	$ 739	$ 599
Propane gas	$ 264	$ 393	$ 207

	December 31,		
	2000	1999	1998
		(dollars in thousands)	
Identifiable assets			
Natural gas	$42,564	$38,355	$36,870
Electric	$36,911	$35,384	$34,605
Water	$ 9,038	$ 7,199	$ 5,941
Propane gas	$ 5,648	$ 4,999	$ 5,134

Regulation

The Florida Public Service Commission has authority encompassing natural gas, electric and water rates, conditions of service, the issuance of securities and certain other matters affecting our operations.

Franchises

We hold franchises in most of the incorporated municipalities and in one of the counties (Jackson County) where we provide natural gas, electric and water services. These franchises generally have terms from 15 to 30 years and terminate at various dates. We are in negotiations with some municipalities in which our franchises have lapsed. We continue to provide services in these municipalities and do not anticipate any interruption in our service.

Employees

On December 31, 2000, we had 315 employees, of whom 101 were covered under union contracts with two labor unions, the International Brotherhood of Electrical Workers and the International Chemical Workers Union. We believe our relations with our employees are good.

Competition

Generally, in municipalities and other areas where we provide natural gas, electric, and water services, no other utility directly renders such service. Each of our gas, electric and propane businesses faces competition from providers of alternate sources of energy. The principal considerations affecting a customer's selection among competing energy sources include price, equipment cost, reliability, ease of delivery and service. In addition, the type of equipment already installed in businesses and residences significantly affects the customer's choice of energy.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the offering of the IQ Notes will be $, after deducting the estimated offering expenses and the underwriter's discounts and commissions. We currently intend to use the net proceeds to reduce outstanding balances under our line of credit. We have an unsecured line of credit with a total borrowing capacity of $22,500,000 with an outstanding balance as of August 20, 2001 of $20,375,000 at an interest rate of approximately 4.10%, which matures on April 30, 2003. Borrowings under the line of credit have been used for capital improvements.

CAPITALIZATION

The following table sets forth our capitalization at June 30, 2001, and as adjusted to reflect the issuance of the IQ Notes and the anticipated use of estimated net proceeds therefrom. The following data are qualified in their entirety by reference to, and should be read together with, the detailed information and financial statements appearing in the documents incorporated in this prospectus by reference.

	At June 30, 2001	
	Actual	As Adjusted (1)
	(dollars in thousands)	
Long-Term Debt	$23,500	$38,500
Common Equity	28,653	28,653
Preferred Stock	600	600
Total Capitalization	$52,753	$67,753
Short-Term Debt (including current maturities of long-term debt) (2)	$21,735	$ 7,895

(1) Adjusted for the issuance of the IQ Notes at par.

(2) Current maturities of long-term debt at June 30, 2001 were zero.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected consolidated financial information for our Company on a historical basis. The information was derived from our financial statements, which are incorporated by reference in this prospectus.

The selected consolidated financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included with the financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2000, and our Form 10-Q for the six-month period ended June 30, 2001, both incorporated by reference in this prospectus.

	Six Months Ended June 30,		Years Ended December 31,				
	2001	2000	2000	1999	1998	1997	1996
			(dollars in thousands)				
Summary of Operations:							
Operating revenues	$53,596	$41,007	$84,759	$74,098	$76,192	$78,134	$78,810
Gross profit	$17,033	$15,922	$31,143	$29,342	$28,491	$26,679	$26,937
Gain on sale of property, net of income taxes	$ -	$ -	$ -	$ 83	$ -	$ 522	$ -
Net income	$ 1,983	$ 1,952	$ 3,288	$ 3,529	$ 3,068	$ 3,191	$ 2,751

	June 30,	December 31,				
	2001	2000	1999	1998	1997	1996
			(dollars in thousands)			
Balance Sheet Data:						
Utility Plant – net	$ 88,563	$ 84,200	$78,272	$75,227	$72,724	$69,876
Total Assets	$109,916	$108,588	$96,543	$92,406	$89,050	$88,169
Common Shareholders' Equity	$ 28,653	$ 27,510	$25,866	$27,622	$26,189	$24,511
Preferred Stock	$ 600	$ 600	$ 600	$ 600	$ 600	$ 600
Long-term Debt	$ 23,500	$ 23,500	$23,500	$23,500	$23,500	$23,500
Short-term Debt	$ 21,735	$ 17,900	$13,000	$ 8,200	$ 7,600	$ 7,900

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for the periods indicated.

	Twelve Months Ended June 30, *		Years Ended December 31,				
	2001	2000	2000	1999	1998	1997	1996
Ratio of Earnings to Fixed Charges	2.37x	2.53x	2.38x	2.72x	2.60x	2.35x	2.42x

The ratio of earnings to fixed charges represents, on a pre-tax basis, the number of times earnings cover fixed charges. Earnings consist of net income, to which has been added fixed charges (less capitalized interest) and taxes based on our income. Fixed charges consist of interest charges (expensed and capitalized) and any debt related amortizations. Earnings for 1997 and 1999 exclude the gain on the sale of non-utility property.

* The results for the twelve months ended June 30, 2001, may not be representative of results for the 2001 fiscal year due primarily to seasonality.

DESCRIPTION OF THE IQ NOTES

Set forth below is a description of the specific terms of the IQ Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the description in the indenture dated as of September 1, 2001, (the "Note Indenture") between Florida Public Utilities and SunTrust Bank, as trustee (the "Note Trustee"), pursuant to which the IQ Notes will be issued.

General

The IQ Notes will be issued as a series of Secured Notes under the Note Indenture. The IQ Notes are not subject to any sinking fund provision. The IQ Notes are available for purchase in denominations of $1,000 and integral multiples of $1,000.

The IQ Notes will be limited in aggregate principal amount to $15,000,000. The entire principal amount of the IQ Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, on October 1, 2031.

Interest

Each IQ Note will bear interest at % per year from the date of original issuance, payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, each of which we refer to as an "Interest Payment Date," to the person in whose name such IQ Note is registered at the close of business on the fifteenth calendar day of the month preceding the respective Interest Payment Date. The initial Interest Payment Date is January 1, 2002, and the payment on that date will include all accrued interest from the date of issuance. The amount of interest payable will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any Interest Payment Date is not a business day, then payment of the interest will be made on the next business day (and without any interest or other payment in respect of any such delay).

Optional Redemption

The IQ Notes will be redeemable at our 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 (expressed in percentages of principal amount), plus accrued interest to the Redemption Date:

Period	Percentage of Par
October 1, 2006 – September 30, 2007	101%
Thereafter	100%

We will select the principal amount, if less than all of the IQ Notes are to be redeemed. If we elect to redeem less than all of the then outstanding IQ Notes, the Note Trustee will select IQ Notes for redemption by lot. IQ Notes in denominations larger than $1,000 may be redeemed in integral multiples of $1,000.

Either the Note Trustee or we will mail a notice of redemption to each holder of the IQ Notes to be redeemed at his registered address at least 30 days but not more than 60 days before the date selected for redemption (the "Redemption Date"). That notice will set forth the Redemption Date and Redemption Price.

On and after the Redemption Date, interest will cease to accrue on IQ Notes or portions thereof called for redemption, unless we default in the payment of the Redemption Price.

There will be no sinking fund for the IQ Notes. This means that, except for limited amounts of IQ Notes which we are required to redeem at the election of Representatives of deceased holders of interests in the IQ Notes, we will not be required to redeem or pay off any IQ Notes prior to their maturity date of October 1, 2031.

Subject to the foregoing and to applicable law (including, without limitation, United States federal securities laws), we or our affiliates may, at any time and from time to time, purchase outstanding IQ Notes by tender, in the open market or by private agreement.

Special Insurance Provisions of the Note Indenture

Notwithstanding any other provision of the Note Indenture, so long as Ambac Assurance Corporation (the "Insurer") is not in default under the financial guaranty insurance policy, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies with respect to the IQ Notes, except for the rights provided under "--Limited Right of Redemption Upon Death of Beneficial Owner."

No amendment to the Note Indenture which requires consent of holders of IQ Notes or which affects the rights of the Insurer may be made without the prior written consent of the Insurer.

Limited Right Of Redemption Upon Death Of Beneficial Owner

Unless the IQ Notes have been declared due and payable prior to their maturity by reason of an event of default, the Representative (as hereinafter defined) of a deceased Beneficial Owner (as hereinafter defined) has the right to request redemption prior to stated maturity of all or part of his interest in the IQ 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 IQ Notes which exceeds $25,000 principal amount or (ii) interests in the IQ Notes exceeding $300,000 in aggregate principal amount. A request for redemption may be initiated by the Representative of a deceased Beneficial Owner at any time and in any principal amount.

We may, at our option, redeem interests of any deceased Beneficial Owner in the IQ 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. We may, at our option, redeem interests of deceased Beneficial Owners in the IQ 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 IQ Notes in excess of the $25,000 limitation or the $300,000 aggregate limitation, IQ Notes so redeemed shall be redeemed in the order of the receipt of Redemption Requests (as hereinafter defined) by the Note Trustee.

A request for redemption of an interest in the IQ Notes may be initiated by the personal representative or other person authorized to represent the estate of the deceased Beneficial Owner or from a surviving joint tenant(s) or tenant(s) by the entirety or the trustee of a trust (each, a "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 IQ Notes to be redeemed. The Participant shall thereupon deliver to the Depositary a request for redemption substantially in the form attached as Appendix A hereto (a "Redemption Request"). The Depositary will, on receipt thereof, forward the same to the Trustee. The Note 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 Note 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 us. The Depositary, the Issuer and the Note 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 IQ 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, we will, after the death of any Beneficial Owner, redeem the interest of such Beneficial Owner in the IQ Notes within 60 days following receipt by us of a Redemption Request from the Note Trustee. If Redemption Requests exceed the aggregate principal amount of interests in IQ 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 Note Trustee to successive Subsequent Periods, regardless of the number of Subsequent Periods required to redeem such interests. We may, at any time notify the Note 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 IQ 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 IQ Notes so redeemed shall be redeemed in the order of receipt of Redemption Requests by the Note Trustee.

The price to be paid by the Company for the IQ 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 IQ Notes which are to be redeemed shall be made to the Depositary upon presentation of IQ Notes to the Note Trustee for redemption in the aggregate principal amount specified in the Redemption Requests submitted to the Note Trustee by the Depositary which are to be fulfilled in connection with such payment. The principal amount of any IQ 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, a "Beneficial Owner" means the Person who has the right to sell, transfer or otherwise dispose of an interest in an IQ Note 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 IQ 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 an IQ 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 IQ 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 we give notice of our election to redeem the IQ Notes, the IQ Notes which are the subject of such pending redemption request shall be redeemed prior to any other IQ 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 Note Trustee not less than 30 days prior to payment thereof by us.

We may, at our option, purchase any IQ Notes for which Redemption Requests have been received in lieu of redeeming such IQ Notes. Any IQ 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 Note Trustee for redemption and cancellation.

During such time or times as the IQ Notes are not represented by a Global Security, as that term is defined in the "Book-Entry Only Issuance – The Depository Trust Company" section of this prospectus 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 IQ 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 Note 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 IQ Notes that are the subject of such request.

Because of the limitations of our requirement to redeem, no Beneficial Owner can have any assurance that its interest in the IQ Notes will be paid prior to maturity.

Security

Our First Mortgage Bond, % Series due 2031 (the "Pledged Bond") has been issued under the Indenture of Mortgage, dated September 1, 1942, as heretofore supplemented and amended by supplemental indentures, including a Fourteenth Supplemental Indenture (the "New Supplement") (such Indenture of Mortgage, as supplemented, is herein referred to as the "Mortgage"), all from Florida Public Utilities to SunTrust Bank, (the "Mortgage Trustee"), and pledged to the Note Trustee under the Note Indenture to secure notes issued under the Note Indenture, including the IQ Notes.

We shall make payments of the principal of, and premium or interest on, the Pledged Bond to the Note Trustee, which payments shall be applied by the Note Trustee to satisfaction of all obligations then due on the IQ Notes.

Book-Entry Only Issuance--The Depository Trust Company

The Depository Trust Company ("DTC") will act as the initial securities Depositary for the IQ Notes. The IQ Notes will be issued only as fully registered securities registered in the name of Cede & Co., DTC's

nominee. One or more fully registered global IQ Notes (the "Global Security") will be issued, representing in the aggregate the total principal amount of IQ Notes, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "Exchange Act"). DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book- entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of IQ Notes within the DTC system must be made by or through Direct Participants, which will receive a credit for the IQ Notes on DTC's records. The ownership interest of each actual purchaser of IQ Notes (such purchaser, or the person to whom such purchaser conveys his or her ownership interest, a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners purchased IQ Notes. Transfers of ownership interests in the IQ Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in IQ Notes, except in the event that use of the book-entry system for the IQ Notes is discontinued, we determine that Beneficial Owners may exchange their ownership interests for such certificates or there shall have occurred an Event of Default.

DTC will have no knowledge of the actual Beneficial Owners of the IQ Notes. DTC's records reflect only the identity of the Direct Participants to whose accounts such IQ Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the IQ Notes are being redeemed, DTC will reduce the amount of the interest of each Direct Participant in the IQ Notes in accordance with its procedures.

Although voting with respect to the IQ Notes is limited, in those cases where a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to IQ Notes. Under its usual procedures, DTC would mail an Omnibus Proxy to us as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the IQ Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the IQ Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers registered in "street name," and will be the responsibility of such Participant and not of DTC or Florida Public Utilities, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of Florida Public Utilities, disbursements of such payments to Direct Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Except as provided herein, a Beneficial Owner of an interest in a global IQ Note will not be entitled to receive physical delivery of IQ Notes. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the IQ Notes. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a global IQ Note.

DTC may discontinue providing its services as security Depositary with respect to the IQ Notes at any time by giving reasonable notice to us. Under such circumstances, in the event that a successor securities Depositary is not obtained, IQ Note certificates will be printed and delivered to the holders of record. Additionally, we may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Depositary) with respect to the IQ Notes. In that event, certificates for the IQ Notes will be printed and delivered to the holders of record.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof. We have no responsibility for the performance by DTC or its Participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

DESCRIPTION OF PLEDGED BOND

General

The Pledged Bond is to be issued under and secured by the Mortgage and the New Supplement providing for the Pledged Bond. The Pledged Bond constitutes the Fourteenth Series of the Company's First Mortgage Bonds designated as "First Mortgage Bonds, % Series due 2031," which is limited to the aggregate principal amount of $15,000,000. The following statement includes brief summaries of certain provisions of the Mortgage. For a complete statement of such provisions, reference is made to the actual provisions of the Mortgage. First Mortgage Bonds issued or issuable under the Mortgage are hereinafter sometimes called "Bonds." A copy of the Mortgage including the New Supplement may be inspected at the office of the Mortgage Trustee at SunTrust Bank, 225 East Robinson Street, Suite 250, P.O. Box 44, Orlando, Florida 32802-0044, or at the office of the Commission, 450 Fifth Street, N.W., Washington, D.C. References to articles and sections under this caption are reference to articles and sections of the Mortgage.

The Pledged Bond will be issued initially to the Note Trustee and will be issuable only in fully registered form in any denomination authorized by us. The Pledged Bond will be transferable and the several denominations thereof will be exchangeable for Bonds of other authorized denominations but of the same series and aggregate principal amount, upon compliance with the applicable provisions of the Mortgage and the Note Indenture. No service charge will be made for any such transfer or exchange, but we may require

payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

Interest, Maturity and Payment

Interest on the Pledged Bond shall accrue at the rate of % per annum computed on the basis of a 360-day year of twelve 30-day months and shall be payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, payable initially on January 1, 2002, subject to receipt of certain credits against principal and interest and such obligations as set forth below.

In addition to any other credit, payment or satisfaction to which we are entitled with respect to the Pledged Bond, we shall be entitled to credits against amounts otherwise payable in respect of the Pledged Bond in an amount corresponding to (i) the principal amount of any of the IQ Notes issued under the Note Indenture secured thereby surrendered to the Note Trustee by the Company, or purchased by the Note Trustee, for cancellation, (ii) the amount of money held by the Note Trustee and available and designated for the payment of principal of, and/or interest on, the Notes secured thereby, regardless of the source of payment to the Note Trustee of such moneys and (iii) the amount by which principal of and interest due on the Pledged Bond exceeds principal of and interest due on the Notes secured thereby. (Section 5.01).

Lien and Security

The Pledged Bond is secured by the lien of the Mortgage equally and proportionately with all other Bonds. The Mortgage constitutes a first lien (subject to "permitted liens" as defined in the Mortgage) on substantially all our property and franchises now owned or hereafter acquired for the equal and ratable benefit of all Bonds now or hereafter outstanding under the Mortgage. The Mortgage excepts from its lien materials and supplies consumable in our operations, merchandise and products acquired, manufactured, produced or held for sale in the usual course of business, motor vehicles, and cash, accounts receivable, stocks, bonds, notes, and securities which are neither specifically pledged with the Mortgage Trustee nor required by the Mortgage to be so pledged. (Granting Clause). There are certain conditions which must be complied with relating to the lien of the Mortgage in case of a merger, consolidation or sale of all the assets of the Company. (Article 10).

Issuance of Additional Bonds

Additional Bonds, ranking equally with all outstanding Bonds, may be issued under the Mortgage, without limit as to aggregate principal amount, upon compliance with Article 2.03 of the Mortgage and after obtaining the approval of the Florida Public Service Commission ("PSC"). The principal provisions for the issuance of additional Bonds are summarized below.

Additional Bonds may be issued in principal amount not exceeding: (i) 60% of the cost of property additions after taking into account retirements of property which consist of real and personal property constructed or acquired by the Company subject to the lien of the Mortgage and not previously utilized under the Mortgage as the basis for additional Bonds; provided that, the aggregate principal amount of all outstanding prior lien obligations upon all property additions used as the basis for authentication of Bonds, withdrawal of money, or release of property under the Mortgage or as a credit against a payment to any improvement or sinking fund for Bonds of a particular series, or a replacement fund shall not exceed 10% of the principal amount of all Bonds to be outstanding after authentication of those about to be authenticated, calculated as follows: (i) the net amount of additional property shown by all additional property certificates then or theretofore furnished to the Trustee not theretofore funded or then being funded, (ii) the aggregate cost of additional property acquired or constructed by us up to a date stated therein not theretofore funded or included in any additional property certificate, (iii) the aggregate amount of all retirements which have not

been included in any additional property certificate made up to and including a date (which shall be not more than sixty (60) days prior to the date of such certificate nor earlier than the date specified pursuant to (ii) above) specified in said certificate, and that there have been no substantial retirements between such date and the date of such certificate, (iv) the amount of any credit for substitution in connection with the retirements shown pursuant to (iii) above, (v) the amount of depreciation of the mortgaged property specified in the certificate being filed and the amount, if any, by which the depreciation so calculated exceeds the retirements for the same period, and (vi) that the sum of the amounts set forth under (i) and (ii) above is at least equal to the sum of (a) the amount of retirements shown in such certificate less the credit for substitution and (b) any excess of depreciation over retirements shown pursuant to (v) above. (Section 3.03).

Restrictions on Dividends

So long as any First Mortgage Bonds, % Series due 2031 shall remain outstanding, we will not declare or pay any dividend on any shares of our Common Stock or make any distribution on such shares, or purchase or otherwise acquire any such shares (other than in exchange for, or from the proceeds of, other shares of our capital stock 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) if the aggregate amount so distributed or expended after December 31, 2001, would exceed the aggregate amount of our net income available for dividends on our common stock accumulated after December 31, 2000, plus the sum of $2,500,000. (Section 1.07, 14th Supp.).

Redemption

The Pledged Bond shall be subject to redemption, either as a whole or in part, from time to time, at our option, upon payment of the principal amount on or after October 1, 2006 at 101% of the principal amount plus accrued interest and on or after October 1, 2007 at 100% of the principal amount plus interest. (Section 1.03, 14th Supp.).

Consolidation, Merger, or Sale

Subject to the approval of the PSC, the Mortgage does not prevent a consolidation or merger of the Company with or into any other corporation or a conveyance and transfer of all of the property and franchises of the Company to any other corporation, if (i) the consolidation, merger, or conveyance and transfer is subject to the continuing lien of the Mortgage on the mortgaged property and will not impair the lien or any of the rights or powers of the Trustee or bondholders; (ii) any such successor corporation executes and delivers a supplemental indenture which contains, among other things (x) agree to assume all our obligations under the Mortgage, (y) agree to pay duly and punctually the principal of and interest on the Bonds, (z) agree to perform and fulfill all the terms, covenants and conditions under the Mortgage, and (iii) the Mortgage Trustee shall have been furnished with an opinion of counsel that the provisions of the Note Indenture have been complied with along with any supplemental indentures. (Article 10).

Modifications of Mortgage

With the written consent of the holders of 75% in principal amount of the Bonds outstanding, any of the provisions of the Mortgage or of the Bonds may be altered, amended or eliminated, or additional provisions added. If such change pertains only to the Bonds of one or more series, but less than all series, only the written consent of the holders of 60% in principal amount of the then outstanding Bonds of each series to which such change pertains is needed. However, no such change may (i) alter or modify the right of any bondholder to receive payment of the principal of and interest on his Bonds on or after the respective due dates thereof; (ii) permit the creation of any lien prior to or on a parity with the lien of the Note Indenture, or (iii) reduce the percentage of bondholders whose consent shall be required for the execution of any modifications

or alterations to the Note Indenture. The consent of the PSC may be required before certain of the above actions may be taken. Certain other modifications and amendments described in the Mortgage may be made without the consent of the bondholders. (Section 12.01).

Percentage of Bondholders Required to Take Certain Action

Upon the occurrence of a Mortgage Event of Default (as defined below), the Mortgage Trustee or the holders of 25% in principal amount of the Bonds then outstanding may by written declaration accelerate the maturity of the principal of all the Bonds; but if we shall cure all Mortgage Events of Default, the holders of a majority in principal amount of the Bonds then outstanding may rescind, or require the Mortgage Trustee to rescind, such acceleration. (Section 9.01).

Defaults and Notice Thereof

The following constitute events of default under the Mortgage (a "Mortgage Event of Default"): (i) defaults in the payment of principal of any Bond; (ii) default for 30 days in the payment of interest on any Bond or in the payment of any sinking fund obligation; (iii) default for 60 days after notice in the performance of any other covenant in the Mortgage; (iv) the rendering against us of a final judgment, decree or order for the payment of money which we have not discharged within 60 days from the entry thereof in excess of $50,000 unless we have appealed and secured a stay of execution. (Section 9.01).

Discharge and Satisfaction

Whenever all amounts due or to become due on all outstanding Bonds issued under the Mortgage shall have been paid or provision for the payment thereof shall have been made (as such provision for payment is defined below) and all amounts payable by us to the Mortgage Trustee under the Mortgage shall have been paid, the Mortgage Trustee shall, upon the request and at the expense of us, satisfy or discharge the Mortgage of record wherever recorded, and convey, transfer, assign and deliver the mortgaged property to or upon the order of us, and all the title, estate, rights and powers of the Mortgage Trustee shall forthwith cease and the mortgaged property shall revert to us, and all responsibility of the Mortgage Trustee and all obligations of us under the Mortgage (except as expressly provided therein) shall then cease.

"Provision for payment of a Bond" shall be deemed to have been made if (a) when the principal of such Bond shall have become due and payable, whether by maturity, call for redemption, declaration, or otherwise, all amounts due thereon shall have been paid or shall have been deposited in trust with and shall be held by the Mortgage Trustee for the account of the holder thereof, or (b) at any time in advance of the maturity thereof, we (1) shall have either (i) deposited with the Mortgage Trustee in trust all amounts to become due thereon up to and upon the maturity date thereof or (ii) duly called such Bond for redemption on a date specified, in accordance with the provisions of the Mortgage, given all notices required to make such call effective or made provision satisfactory to the Mortgage Trustee for giving all such notices, and deposited with the Mortgage Trustee in trust all amounts to become due upon such Bond up to and upon such redemption date, and (2) shall have irrevocably authorized the Mortgage Trustee forthwith to pay to the holder thereof, out of the funds so deposited with it, all amounts so to become due on such Bond up to and upon the maturity date or the redemption date, as the case may be, such payment to be made upon such Bond whenever the same shall be presented for that purpose without awaiting the maturity date or the redemption date, and shall have given at least one notice by publication of such deposit and authorization or shall have made provision satisfactory to the Mortgage Trustee for giving such notice. (Article 13).

AMBAC ASSURANCE CORPORATION

The following information has been furnished by Ambac Assurance Corporation (the "Insurer") for use in this prospectus. No representation is made by us or the Underwriter as to the accuracy or completeness of such information. Reference is made to Appendix B for a specimen of the Insurer's policy.

The Policy

The Insurer has committed to issue a financial guaranty insurance policy (the "Policy") relating to the IQ Notes, effective as of the date of issuance of the IQ Notes. Under the terms of the Policy, the Insurer will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee"), that portion of the principal of and interest on the IQ Notes which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Policy). The Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Insurer shall have received notice of Nonpayment from the Note Trustee. The insurance will extend for the term of the IQ Notes and, once issued, cannot be canceled by the Insurer.

The Policy will insure payment only on stated maturity dates, in the case of principal, and on stated dates for payment, in the case of interest. In the event of any acceleration of the principal of the IQ Notes by reason of mandatory or optional redemption and insufficient funds are available for redemption of all the outstanding IQ Notes, the Insurer will remain obligated to pay principal of and interest on any outstanding IQ Notes on the originally scheduled interest and principal payment dates. In the event of any acceleration of the principal of any of the IQ Notes, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Note Trustee has notice that any payment of principal of or interest on an IQ Note, which has become Due for Payment and which is made to a noteholder by or on behalf of us, has been deemed a preferential transfer and theretofore recovered from its registered owner, pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;

2. payment of any redemption, prepayment or acceleration premium;

3. nonpayment of principal or interest caused by the insolvency or negligence of the Note Trustee or paying agent, if any.

If it becomes necessary to call upon the Policy, payment of principal requires surrender of IQ Notes to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such IQ Notes to be registered in the name of the Insurer to the extent of the payment under the Policy. Payment of interest pursuant to the Policy requires proof of noteholder entitlement to interest payments and an appropriate assignment of the noteholder's right to payment to the Insurer.

Upon payment of the insurance benefits, the Insurer will become the owner of the IQ Note, appurtenant coupon, if any, or right to payment of principal or interest on such IQ Note and will be fully subrogated to the surrendering noteholder's rights to payment.

The Insurer

The Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Commonwealth of Puerto Rico and the Territory of Guam. The Insurer primarily insures newly issued municipal and structured finance obligations. The Insurer is a wholly-owned subsidiary of Ambac Financial Group, Inc. (formerly, AMBAC Inc.), a 100% publicly-held company. Moody's, S&P, and Fitch, Inc. have each assigned a triple-A financial strength rating to the Insurer.

The consolidated financial statements of the Insurer and its subsidiaries as of December 31, 2000 and December 31, 1999 and for each of the years in the three-year period ended December 31, 2000, prepared in accordance with accounting principles generally accepted in the United States of America, included in the Annual Report on Form 10-K of Ambac Financial Group, Inc., which was filed with the Securities and Exchange Commission on March 28, 2001, Commission File No. 1-10777; and the unaudited consolidated financial statements of the Insurer and subsidiaries as of June 30, 2001 and for the periods ended June 30, 2001 and June 30, 2000, included in the Quarterly Report on Form 10-Q of Ambac Financial Group, Inc. for the period ended June 30, 2001, which was filed with the Securities and Exchange Commission on August 10, 2001, are incorporated by reference into this prospectus and are deemed to constitute a part of this prospectus. Any statement contained in a document incorporated by reference shall be modified or superseded for the purposes of this prospectus to the extent that a statement contained or incorporated by reference in this prospectus also modifies or supersedes that statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

All financial statements of the Insurer and its subsidiaries included in documents filed by Ambac Financial Group, Inc. with the Securities and Exchange Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, subsequent to the date of this prospectus and prior to the termination of the offering of the IQ Notes are deemed to be incorporated by reference into this prospectus and to be a part of this prospectus from the respective dates of filing of the financial statements.

The following table sets forth the capitalization of the Insurer as of December 31, 1999, December 31, 2000 and June 30, 2001, respectively, in conformity with accounting principles generally accepted in the United States of America.

AMBAC ASSURANCE CORPORATION
Capitalization Table
(dollars in millions)

	December 31, 1999	December 31, 2000	(Unaudited) June 30, 2001
Unearned premiums	$1,442	$1,556	$1,691
Other liabilities	524	581	695
Total liabilities	1,966	2,137	2,386
Stockholder's equity:			
Common stock	82	82	82
Additional paid-in capital	752	760	760
Accumulated other comprehensive income (loss)	(92)	82	77
Retained earnings	1,674	2,002	2,180
Total stockholder's equity	2,416	2,926	3,099
Total liabilities and Stockholder's equity	$4,382	$5,063	$5,485

For additional financial information concerning the Insurer, see the audited and unaudited financial statements of the Insurer incorporated by reference in this prospectus. Copies of the financial statements of the Insurer incorporated by reference in this prospectus and copies of the annual statement of the Insurer for the year ended December 31, 2000 prepared in accordance with statutory accounting standards are available, without charge, from the Insurer. The address of the Insurer's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

The Insurer makes no representation regarding the IQ Notes or the advisability of investing in the IQ Notes and makes no representation regarding, nor has it participated in the preparation of, this prospectus other than the information supplied by the Insurer and presented under the heading "AMBAC ASSURANCE CORPORATION" in this prospectus and in the financial statements incorporated in this prospectus by reference.

RATINGS

S&P and Moody's will assign the IQ Notes the ratings of "AAA" and "Aaa," respectively, conditioned upon the issuance and delivery by the Insurer at the time of delivery of the IQ Notes of the policy, insuring the timely payment of the principal of and interest on the IQ Notes. Such ratings reflect only the views of such rating agencies, and an explanation of the significance of such ratings may be obtained only from such rating agencies at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; and Standard & Poor's, 25 Broadway, New York, New York 10004. There is no assurance that such ratings will remain in effect for any period of time or that they will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances warrant. Neither we nor the Underwriter have undertaken any responsibility to oppose any proposed downward revision or withdrawal of a rating on the IQ Notes. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the IQ Notes.

At present, each of such rating agencies maintains four categories of investment grade ratings. They are for S&P--AAA, AA, A and BBB and for Moody's--Aaa, Aa, A and Baa. S&P defines "AAA" as the

highest rating assigned to a debt obligation. Moody's defines "Aaa" as representing the best quality debt obligation carrying the smallest degree of investment risk.

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, a copy of which is filed as an exhibit to the Registration Statement, we have agreed to sell to Edward D. Jones & Co., L.P., the underwriter, and the underwriter has agreed to purchase from us, the entire principal amount of the IQ Notes set forth on the cover page of this prospectus.

The underwriting agreement provides that the obligations of the underwriter are subject to certain conditions precedent, including the absence of any significant negative change in our business and the receipt of certain certificates, opinions and letters from us and our attorneys and independent accountants. The nature of the underwriter's obligation is such that it is committed to purchase all IQ Notes offered hereby if any of the IQ Notes are purchased.

In addition to the underwriting discount set forth on the cover page of this prospectus, we have agreed to reimburse the underwriter for its counsel fees to the extent such fees exceed $22,500 provided such reimbursement will not exceed $27,500.

The underwriter has advised us that it proposes to offer the IQ Notes being purchased by it directly to the public at the initial public offering price set forth on the cover page of this prospectus. The underwriter may affect such transactions by selling the IQ Notes to or through dealers, and such dealers may receive compensation in the form of underwriting discounts, concessions or commissions from the underwriter. The offering of the IQ Notes is made for delivery when, as and if accepted by the underwriter and subject to prior sale and withdrawal, cancellation or modification of this offering without notice. The underwriter reserves the right to reject an order for the purchase of IQ Notes in whole or in part.

Prior to this offering, there has been no public market for the IQ Notes. The underwriter has advised us that it intends to make a market in the IQ Notes. The underwriter will have no obligation to make a market in the IQ Notes, however, and may cease market making activities, if commenced, at any time. The IQ Notes will not be listed on any exchange or on the Nasdaq Stock Market.

We have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriter may be required to make in respect thereof.

In order to facilitate the offering of the IQ Notes, the underwriter may engage in transactions that stabilize, maintain or otherwise affect the prices of the IQ Notes. Specifically, the underwriter may over-alot in connection with the offering, creating a short position in the IQ Notes for its own account. In addition, to cover over-allotments or to stabilize the prices of the IQ Notes, the underwriter may bid for, and purchase, IQ Notes in the open market. The underwriter may reclaim selling concessions allowed to a dealer for distributing IQ Notes in the offering, if the underwriter repurchases previously distributed IQ Notes in transactions to cover short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market prices of the IQ Notes above independent market levels. The underwriter is not required to engage in these activities, and, if commenced, may end any of these activities at any time.

We have agreed, during the period of 30 days from the date on which the IQ Notes are purchased by the underwriter, not to sell, offer to sell, grant any option for the sale of, or otherwise dispose of any IQ Notes,

any security convertible into or exchangeable into or exercisable for IQ Notes or any debt securities substantially similar to the IQ Notes, without the prior written consent of the underwriter.

EXPERTS

The consolidated financial statements incorporated in this prospectus by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2000 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Ambac Assurance Corporation and subsidiaries as of December 31, 2000 and 1999 and for each of the years in the three-year period ended December 31, 2000 are incorporated by reference in this prospectus and registration statement, in reliance on the report of KPMG LLP, independent certified public accountants, incorporated by reference in this prospectus and upon the authority of that firm as experts in accounting and auditing.

LEGAL OPINIONS

Certain legal matters will be passed upon for us by Akerman, Senterfitt & Eidson, P.A., counsel to Florida Public Utilities. Certain legal matters will be passed upon for Edward D. Jones & Co., L.P. by Armstrong Teasdale LLP, St. Louis, Missouri.

WHERE YOU CAN FIND MORE INFORMATION

Available Information

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room located at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC's regional offices in New York, New York and Chicago, Illinois. You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. We file information electronically with the SEC. The SEC Maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The address of the SEC's Internet site is http://www.sec.gov.

Incorporation by Reference

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we will file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings that we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, before the termination of the offering of the IQ Notes under this prospectus:

- Annual report on Form 10-K for the fiscal year ended December 31, 2000;
- Quarterly Report on Form 10-Q for the period ended March 31, 2001;
- Quarterly Report and Form 10-Q for the period ended June 30, 2001; and
- Proxy Statement for Annual Meeting of Stockholders held on April 17, 2001.

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

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

Florida Public Utilities Company
401 South Dixie Highway
West Palm Beach, FL 33401
Attention: Secretary
Telephone Number: 561-832-2461
e-mail address: http://www.fpuc.com

This prospectus is part of a Registration Statement which we filed with the SEC. We have omitted certain parts of the Registration Statement in accordance with the rules and regulations of the SEC; therefore, this prospectus does not contain all of the information included in the Registration Statement. For further information, we refer you to the Registration Statement filed on Form S-3 (No.) including exhibits, schedules, and the documents incorporated by reference therein. We have not authorized anyone to provide you with any information that differs from that contained in this prospectus. Accordingly, you should not rely on any information that is not contained in this prospectus. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front cover of this prospectus.

APPENDIX A

FORM OF REDEMPTION REQUEST

% SECURED INSURED QUARTERLY NOTES

due October 1, 2031

(the "IQ 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, 1942, as amended (the "Indenture"), made by Florida Public Utilities Company (the "Company") and SunTrust Bank, as-Trustee (the "Trustee"), to The Depository Trust Company (the "Depositary"), the Company 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 IQ 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 IQ 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 IQ Notes to which this Request relates redeemed.

4. The Participant holds the interest in the IQ 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 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 IQ 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: _____

Ambac

APPENDIX B

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncancelled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payments of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

NO. 6

Exhibit 1

FLORIDA PUBLIC UTILITIES COMPANY

$15,000,000

___% Secured Insured Quarterly Notes
due October 1, 2031

UNDERWRITING AGREEMENT

_____, 2001

Edward D. Jones & Co., L.P.
12555 Manchester Road
St. Louis, Missouri 63131
Attention: Mr. Kevin Sprouse

Gentlemen:

The undersigned, Florida Public Utilities Company, a Florida corporation (the "Company"), hereby confirms its agreement with Edward D. Jones & Co., L.P. (the "Underwriter") as follows:

1. Offering. The Company proposes to issue and sell to the Underwriter an aggregate principal amount of $15,000,000 of its ____% Secured Insured Quarterly Notes due October 1, 2031 (the "IQ Notes"). The IQ Notes are to be issued pursuant to an Indenture of Trust dated as of September 1, 2001 (the "Indenture) between the Company and SunTrust Bank, as trustee (the "Trustee"). Prior to the Substitution Date (as described in the Indenture), the IQ Notes will be secured by the delivery to the Trustee of one or more first mortgage bonds issued under the Company's mortgage indenture, as specified in the Prospectus referred to below (the "Pledged Bonds"). The IQ Notes are more particularly described in the Prospectus (as hereinafter defined) and in the form of Indenture filed as an exhibit to the Registration Statement (as hereinafter defined). No amendment to such form of Indenture will be made prior to the Closing Date, hereinafter defined, without your prior approval.

2. Sale and Delivery of the IQ Notes. Subject to the terms and conditions and based upon the representations and warranties set forth in this Agreement, (a) the Company agrees to issue and sell $15,000,000 in aggregate principal amount of IQ Notes to the Underwriter and (b) the Underwriter agrees to purchase from the Company the aggregate principal amount of the IQ Notes at a price of __% of the principal amount thereof.

The Underwriter agrees to make a public offering of the IQ Notes promptly after the Registration Statement shall have become effective, at the public offering price and upon the terms and conditions set forth in the Prospectus. The Underwriter may reserve and sell such of the IQ Notes purchased by the Underwriter, as the Underwriter may elect, to dealers chosen by it

(the "Selected Dealers") at the public offering price set forth in the Prospectus less the applicable Selected Dealers concessions as established by the Underwriter, for re-offering by Selected Dealers to the public at the public offering price.

Delivery of the IQ Notes and payment therefor, shall be made to the Underwriter at 9:00 A.M., St. Louis time, on _____, 2001, or on such later day and time (not later than seven full business days thereafter) as may be agreed upon in writing between the Underwriter and the Company, such day and time of delivery and payment being herein called the "Closing Date."

On the Closing Date, the IQ Notes shall be delivered by the Company to the Underwriter at its office at 12555 Manchester Road, St. Louis, Missouri 63131 and/or at The Depository Trust Company in New York, New York, as designated by the Underwriter, against payment of the purchase price therefor in funds immediately available to the Company. The Company agrees to make available to the Underwriter for inspection and packaging in St. Louis, Missouri, at least one full business day prior to the Closing Date, the IQ Notes so to be delivered in good delivery form and in such denominations and registered in such names as the Underwriter shall have requested, all such requests to have been made in writing at least two full business days prior to the Closing Date.

3. Representations and Warranties of the Company. The Company represents and warrants to the Underwriter that:

(a) The Company meets the requirements for use of Form S-3 under the Securities Act of 1933, as amended (the "Act") and has prepared a registration statement on Form S-3 (Registration No. 333-_____) for the registration of the IQ Notes and one or more amendments thereto in conformity with the requirements of the Act and all applicable instructions and the published rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") under the Act and has filed such registration statement and amendments with the Commission. Copies of such registration statement and amendments (including all forms of preliminary prospectus) have been delivered to the Underwriter, and the Company will not, before the registration statement becomes effective, file any other amendment thereto or supplement to which you reasonably object in writing after being furnished with a copy thereof. Such registration statement, including all prospectuses included as a part thereof, all financial schedules and exhibits thereto and all documents incorporated by reference therein, as amended at the time when it becomes effective, is herein called the "Registration Statement," and the term "Prospectus" as used herein means the prospectus, including the documents incorporated by reference therein, in the form first filed by the Company pursuant to Rule 424(b) under the Act. The term "preliminary prospectus" as used herein means any preliminary prospectus included at any time as part of the Registration Statement, including the documents incorporated by reference therein.

(b) The Commission has not issued any order preventing or suspending the use of any preliminary prospectus, and each preliminary prospectus, at the time of the filing thereof with the Commission, did not include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; provided, however, that none of the

representations and warranties in this subparagraph shall apply to statements in, or omissions from, any preliminary prospectus made in reliance upon and in conformity with the information furnished to the Company by or on behalf of the Underwriter contained in, and specifically for use in, the section entitled "Underwriting" in such preliminary prospectus.

(c) When the Registration Statement becomes effective and at all times subsequent thereto up to and including the Closing Date, the Registration Statement and Prospectus, and all amendments thereof and supplements thereto, will comply in all material respects with the provisions of the Act and the Rules and Regulations; when the Registration Statement becomes effective, and when any post-effective amendment thereto becomes effective, the Registration Statement (as amended, if the Company has filed with the Commission any post-effective amendment thereto) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and when the Registration Statement becomes effective and at all times subsequent thereto up to and including the Closing Date, the Prospectus (as amended or supplemented, if the Company has filed with the Commission any amendment thereof or supplement thereto) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; provided, however, that none of the representations and warranties in this subparagraph will apply to statements in, or omissions from, the Registration Statement or the Prospectus or any amendment thereof or supplement thereto made in reliance upon and in conformity with information furnished to the Company by or on behalf of the Underwriter contained in, and specifically for use in, the section entitled "Underwriting" in the Registration Statement or the Prospectus or any such amendment or supplement or to that part of the Registration Statement that constitutes the Statement of Eligibility and Qualification (Form T-1) under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), of the trustee referred to in the Registration Statement.

(d) The documents incorporated by reference into the Prospectus pursuant to Item 12 of Form S-3 under the Act, at the time they were filed with the Commission, complied in all material respects with the requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations of the Commission thereunder (the "Exchange Act Rules and Regulations"), and any documents deemed to be incorporated by reference in the Prospectus will, when they are filed with the Commission, comply in all material respects with the requirements of the Exchange Act and the Exchange Act Rules and Regulations, and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(e) As of the time any IQ Notes are issued and sold hereunder, each of the Indenture and the Indenture of Mortgage and Deed of Trust, dated as of September 1, 1942, as supplemented and modified by fourteen supplemental indentures, including the Fourteenth Supplemental Indenture (the "Original Indenture"), assuming the due execution and delivery of the Indenture and the Fourteenth Supplemental Indenture by

the Trustee, will constitute a legal, valid and binding instrument enforceable against the Company in accordance with its terms except as enforceability may be limited by bankruptcy, reorganization, moratorium, insolvency or other laws now or hereafter in effect relating to or affecting mortgagees' or other creditors' rights or general principles of equity (whether asserted in a proceeding at law or in equity), and the IQ Notes and the Pledged Bonds will each have been duly authorized, executed, authenticated and, when the IQ Notes have been paid for by the purchasers thereof, the IQ Notes and the Pledged Bonds will constitute legal, valid and binding obligations of the Company entitled to the benefits of the Indenture and the Original Indenture, in each case, as enforceability may be limited by bankruptcy, reorganization, moratorium, insolvency or other laws now or hereafter in effect relating to or affecting mortgagees' or other creditors' rights or general principles of equity (whether asserted in a proceeding at law or in equity); the IQ Notes, the Pledged Bonds, the Indenture and the Original Indenture will conform in all material respects to all statements relating thereto contained in the Prospectus.

(f) The Company has been duly incorporated and is validly existing in good standing under the laws of Florida, and is duly qualified as a foreign corporation for the transaction of business and in good standing in each jurisdiction in which the ownership or leasing of its properties or the conduct of its business requires such qualification.

(g) The Company has an authorized and outstanding capitalization as set forth in the Prospectus and all of the outstanding shares of Common Stock have been duly and validly authorized.

(h) The Company has full right, power and authority to enter into this Agreement and to perform all of its obligations hereunder or contemplated hereby; this Agreement has been duly authorized, executed and delivered by the Company and is a valid and binding agreement of the Company.

(i) The Company has all requisite power and authority necessary to own or hold its properties and conduct its business as described in the Prospectus and owns or holds all material licenses, permits and other required authorizations from governmental authorities necessary to conduct the business operated by it.

(j) The Company has good and marketable title to all property described in the Prospectus as being owned by it, in each case free and clear of all liens, claims, security interests or other encumbrances except such as are described in the Prospectus or such as are not material to the business of the Company; and the property held under lease by the Company is held by it under valid, subsisting and enforceable leases with only such exceptions as in the aggregate are not material and do not interfere with the conduct of the business of the Company.

(k) The Company has good and marketable title to all the real properties described in the granting clauses of the Original Indenture, subject (other than properties released from the lien of the Original Indenture pursuant to the terms thereof) to the lien of the Original Indenture and no other liens or encumbrances except liens permitted under the Original Indenture. No further deeds, conveyances, transfers or instruments,

other than the Fourteenth Supplemental Indenture and related documents, are necessary for the purpose of effectually subjecting such properties to the direct lien and operation of the Original Indenture. The Mortgage constitutes a valid first mortgage lien of record upon all real and personal property of the Company (including easements, rights-of-way, and other rights relating to real estate and franchises) specifically or generally described or referred to in the Original Indenture as subject to the lien thereof and owned by the Company at the time of the actual issue of the IQ Notes and the Pledged Bonds, subject to no liens or encumbrances other than permitted liens (as defined in §1.05(a) of the Original Indenture) and liens existing on any property acquired thereafter 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 (the "Permitted Liens").

(l) The Original Indenture has been duly filed for recording in such manner and in such places as are required by law in order to establish, preserve, and protect the first lien of the Mortgage on all real and personal property of the Company specifically or generally described or referred to in the Original Indenture as subject to the lien of the Original Indenture (except that (a) additional filings and recordings of the Original Indenture will be required if property is acquired by the Company subsequent to the date hereof which is located in a county where the Original Indenture has not previously been filed for recording and (b) the Original Indenture will not be a first lien on property hereafter acquired by the Company which at the time of acquisition is subject to prior liens or other encumbrances), and all taxes, fees and other charges payable in connection therewith have been paid in full.

(m) Except as set forth in the Prospectus, there are no actions, suits, proceedings, hearings, or to the best of the knowledge of the Company, any claims or investigations pending, before or by any court, governmental authority, or instrumentality (or, to the best of the knowledge of the Company, any state of facts which would give rise thereto) threatened against the Company or involving any of its properties, which the Company has reason to believe may result in any material adverse change in the business, operations, assets, financial condition or prospects of the Company, or which the Company has reason to believe may adversely affect the transactions or other acts contemplated by this Agreement or the validity or enforceability of the IQ Notes, the Pledged Bonds, the Indenture or this Agreement.

(n) Except as reflected in or contemplated by the Prospectus, since the respective dates as of which information is given in the Prospectus and up to and including the Closing Date, the Company has not incurred, and will not have incurred, any liabilities or obligations, direct or contingent, which are material to the business of the Company, or entered into any transaction which is material to the business of the Company, and there has not been any change in the capital stock, short-term or long-term debt of the Company which is material to the business of the Company, or any material adverse change, or any development specifically related to the business of the Company involving, in the opinion of the Company, a prospective material adverse change, in the business, operations, assets, financial condition or prospects of the Company.

(o) The issuance and sale of the IQ Notes and the Pledged Bonds, the execution and delivery of this Agreement, the Indenture and the Fourteenth Supplemental Indenture by the Company, the consummation of the transactions contemplated herein and compliance with the terms of the IQ Notes, the Pledged Bonds, the Indenture, the Fourteenth Supplemental Indenture and this Agreement will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any of the property or assets of the Company pursuant to the terms of any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company is a party or by which it is bound or to which any of its property is subject, except for conflicts, breaches, violations or defaults which would be immaterial to the business and operations of the Company and which would not affect the validity or enforceability of the IQ Notes, the Pledged Bonds, the Indenture, the Fourteenth Supplemental Indenture or this Agreement or otherwise adversely affect the rights, duties or obligations of the Trustee, the Underwriter, the holders of the IQ Notes or the holders of the Pledged Bonds; nor would such issuance, sale, execution, delivery, consummation or compliance conflict with or result in a breach or violation of any of the terms or provisions of or constitute a default under the Certificate of Incorporation or By-Laws of the Company or any applicable law, rule, regulation, judgment or decree or order of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Company or any of its properties. Other than the consent of the Florida Public Service Commission, no consent, approval, authorization or order of any court or governmental agency or body is required for the issuance and sale of the IQ Notes or the consummation by the Company of the transactions contemplated by this Agreement or the Indenture, except as may be required under the Act, the Trust Indenture Act, the Rules and Regulations or state securities or Blue Sky laws in connection with the purchase and distribution of the IQ Notes by the Underwriter.

(p) The financial statements and schedules of the Company included or incorporated by reference in the Registration Statement and Prospectus fairly present, and the financial statements and schedules of the Company included or incorporated by reference in any amendment or supplement to the Registration Statement and Prospectus will fairly present, the financial condition of the Company and the results of its operations and changes in its financial position as of the dates and for the periods therein specified; and said financial statements have been and will be prepared in accordance with generally accepted accounting principles which have been consistently maintained and applied throughout the periods involved.

(q) To the best of the Company's knowledge, the accountants who have certified or shall certify the financial statements filed or to be filed with the Commission as part of the Registration Statement and the Prospectus are independent accountants as required by the Act.

(r) The Company is not a "holding company," as such term is defined in the Public Utility Holding Company Act of 1935.

(s) The Company has complied with all of the requirements and filed the required forms as specified in Florida Statutes Section 517.075.

4. Agreements of the Company. The Company agrees that:

(a) Prior to the effective date of the Registration Statement and at any time when a prospectus relating to the IQ Notes is required to be delivered under the Act or the Rules and Regulations, the Company will not file or make any amendment or post-effective amendment to the Registration Statement or any amendment or supplement to the Prospectus to which the Underwriter shall reasonably object in writing within two business days after being furnished copies thereof and following reasonable telephonic notice of such amendment or supplement from the Company to the Underwriter.

(b) The Company will use its commercially reasonable best efforts to cause the Registration Statement to become effective and will advise the Underwriter immediately and confirm that advice in writing (i) of the effectiveness of the Registration Statement, or any post-effective amendment thereto, (ii) of any request of the Commission to amend or supplement the Registration Statement or Prospectus, or to provide additional information, and (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the suspension of the qualification of the IQ Notes for sale in any state or other jurisdiction, or of the initiation or threat of any proceeding for any such purpose. The Company will use its best efforts to prevent the issuance of any stop order or suspension order and to obtain the withdrawal of any such stop order or suspension order.

(c) The Company will promptly deliver to the Underwriter without charge, (i) three copies of the Registration Statement, as originally filed, and of each amendment thereto, and of each post-effective amendment thereto filed at any time when a prospectus relating to the IQ Notes is required to be delivered under the Act, at least two of which have been signed by the proper officers and at least a majority of directors of the Company, either directly or by their attorney(s)-in-fact and include a signed copy of each consent and certificate of experts named in the Registration Statement, together with all exhibits filed therewith or incorporated by reference therein and (ii) such number of conformed copies of the Registration Statement, as originally filed, and of each amendment thereto, and of each post-effective amendment thereto filed at any time when a prospectus relating to the IQ Notes is required to be delivered under the Act or the Rules and Regulations (in each such case excluding exhibits), as the Underwriter may reasonably require. The Company will promptly deliver, without charge, to the Underwriter and such others whose names and addresses are designated by the Underwriter: (A) from time to time until the effective date of the Registration Statement, as many printed copies of any preliminary prospectus filed with the Commission prior to the effective date of the Registration Statement as the Underwriter may reasonably request; and (B) as soon as possible after the Registration Statement becomes effective, and from time to time thereafter, as many printed copies of the Prospectus and of any amended or supplemented Prospectus as the Underwriter may reasonably request.

(d) The Company will comply to the best of its ability with the Act, the Trust Indenture Act and the Exchange Act and the Rules and Regulations so as to permit the continuance of sales of and dealings in the IQ Notes under the Act, the Trust Indenture Act and the Exchange Act, and will keep current in the filing of all reports and forms required to be filed with any regulatory authority having jurisdiction over the Company.

(e) If at any time when a prospectus relating to the IQ Notes is required to be delivered under the Act or the Rules and Regulations, any event occurs as a result of which the Prospectus as then amended or supplemented would include any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which made, not misleading, or if it is necessary at any time to amend or supplement the Prospectus to comply with the Act or the Rules and Regulations, the Company will promptly notify the Underwriter and promptly prepare and file with the Commission an amendment or supplement to the Registration Statement or an appropriate filing pursuant to Section 13 or 14 of the Exchange Act which will correct such statement or omission or an amendment which will effect such compliance, and deliver in connection therewith, such Prospectus or Prospectuses to the Underwriter in such quantity as may be necessary to permit compliance with the requirements of the Act and the Rules and Regulations.

(f) The Company will cooperate with the Underwriter and counsel for the Underwriter in taking such action as may be necessary to qualify the IQ Notes for offering and sale under the securities laws of any state or jurisdiction of the United States as the Underwriter may reasonably request and will use its best efforts to continue such qualification in effect so long as required for the distribution of the IQ Notes.

(g) The Company will make generally available to its security holders as soon as practicable, but not later than 120 days after the close of the period covered thereby, an earnings statement (in form complying with the provisions of Section 11(a) of the Act, including, at the option of the Company, Rule 158 under the Act, which need not be certified by independent public accountants unless required by the Act or the Rules and Regulations) covering a period of at least 12 months commencing after the effective date of the Registration Statement.

(h) The Company will not assert, plead (as a defense or otherwise) or in any manner whatsoever claim (and will actively resist any attempt to compel it to assert, plead or claim) in any action, suit or proceeding that the interest rate on the IQ Notes violates present or future usury or other laws relating to the interest payable on any indebtedness and will not otherwise avail itself (and will actively resist any attempt to compel it to avail itself) of the benefits or advantages of any such laws.

(i) For a period of five years after the issuance of the IQ Notes, the Company will furnish as soon as practicable to the Underwriter copies of any reports filed by the Company with the Commission pursuant to Section 13 of the Exchange Act, copies of the Company's definitive proxy statements and annual reports and copies of all reports and communications which shall be sent to the holders of Common Stock.

(j) The Company will apply the net proceeds from the offering of the IQ Notes in the manner set forth under the caption "Use of Proceeds" in the Prospectus.

(k) The Company will not, during the period of 30 days from the date on which the IQ Notes are purchased by the Underwriter, sell, offer to sell, grant any option for the sale of, or otherwise dispose of any IQ Notes, any security convertible into or exchangeable into or exercisable for the IQ Notes or any debt securities substantially similar to the IQ Notes, without the prior written consent of the Underwriter.

5. Expenses. The Company and the Underwriter agree as follows:

(a) The Company, whether or not the transactions contemplated hereunder are consummated, will pay all costs and expenses incident to the performance of its obligations hereunder, including without limitation, all costs and expenses in connection with (i) the preparation and filing of the Registration Statement, Prospectus and Indenture and any supplements or amendments thereto; (ii) the preparation, issuance and delivery of the IQ Notes contemplated by this Agreement; (iii) the printing and mailing in reasonable quantities of the Registration Statement, the Indenture, amendments thereto, each preliminary prospectus, the Prospectus and any amendments or supplements thereto, this Agreement and related documents delivered to the Underwriter and Selected Dealers; (iv) any taxes, including transfer taxes, on the sale of the IQ Notes to the Underwriter; (v) the filing fees and expenses (including legal fees and reasonable disbursements) incurred in connection with the qualification of the IQ Notes under the Blue Sky or securities laws of the various states, filings with the National Association of Securities Dealers, Inc. and the preparation of Preliminary and Supplemental Blue Sky Memoranda for the Offering; (vi) the fees and expenses of the accountants and the counsel for the Company; (vii) the fees of the Trustee and any agent of the Trustee (including legal fees and disbursements, if any, of counsel to the Trustee); (viii) the fees and expenses of the Underwriter's counsel that exceed $22,500, provided that the total payments by the Company for such expenses shall not exceed $27,500; and (ix) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section.

(b) The Underwriter will pay (i) the fees and disbursements of the Underwriter's counsel, except as set forth in (a) above and Section 9(b) hereof, and (ii) their own out-of-pocket expenditures.

6. Conditions of the Underwriter's Obligations. The obligations of the Underwriter to purchase and pay for the IQ Notes shall be subject in its discretion to the accuracy of and compliance with the representations and the warranties of the Company herein contained as of the date hereof and the Closing Date, to the performance by the Company of its obligations hereunder and to the following additional conditions:

(a) The Registration Statement shall have become effective and the Indenture qualified under the Trust Indenture Act not later than 2:00 P.M., St. Louis time on such date as shall be consented to in writing by the Underwriter and the Company, and no stop order suspending the effectiveness of such Registration Statement shall have been issued

under the Act or proceedings therefor initiated or threatened by the Commission prior to the Closing Date; and all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of the Underwriter.

(b) The Underwriter shall not have advised the Company that the Registration Statement or Prospectus, or any amendment thereof or supplement thereto, contains an untrue statement of fact which in its judgment, is material, or omits to state a fact which, in its judgment, is material, and is required to be stated therein or necessary to make the statements therein not misleading.

(c) On the Closing Date, the Underwriter shall have received an opinion, dated the Closing Date, of Akerman Senterfitt, P.A., counsel for the Company, substantially in the form of Exhibit A attached hereto.

(d) On the Closing Date, the Underwriter shall have received from Armstrong Teasdale LLP an opinion or opinions with respect to the sufficiency of the Company proceedings and other legal matters relating to this Agreement, the Registration Statement, the Prospectus and such related matters as the Underwriter may reasonably require, and there shall have been furnished to such counsel such documents as they may request to enable them to pass upon such matters. In giving such opinion or opinions, Armstrong Teasdale LLP may rely as to matters of fact upon statements and certifications of officers of the Company and of other appropriate persons and may rely as to matters of law, other than the law of the United States and the State of Missouri, upon an opinion or opinions of local counsel, who may be counsel for the Company, provided that any such opinion or opinions are delivered to the Underwriter and that said counsel shall state that they have no reason to believe that such opinions are not correct.

(e) On the Closing Date, the Underwriter shall have received a certificate, dated the Closing Date, signed by the chief executive officer or president and principal financial or accounting officer of the Company, in form and substance satisfactory to the Underwriter, to the effect that (i) the representations and warranties of the Company in this Agreement are true and correct as if made on the Closing Date and the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied at or prior to the Closing Date; (ii) since the respective dates as of which information is given in the Prospectus, there has not been any material adverse change in the business, operations, assets, financial condition or prospects, of the Company, or in the business of the Company; (iii) since such dates there has not been any material transaction entered into by the Company other than transactions in the ordinary course of business; and (iv) no stop order affecting the Registration Statement is in effect or, to the best of such officers' knowledge, threatened, and covering such other matters as the Underwriter may reasonably request.

(f) On the date of this Agreement, the Underwriter and the Company shall have received a letter from Deloitte & Touche LLP dated such date and addressed to the Underwriter and the Company in form and substance satisfactory to the Underwriter,

with respect to the financial statements and certain financial and statistical information contained in the Registration Statement and the Prospectus.

(g) At the Closing Date, the Underwriter and the Company shall have received from Deloitte & Touche LLP a letter, dated the Closing Date and addressed to the Underwriter and the Company in form and substance satisfactory to the Underwriter, confirming as of the Closing Date their letter dated the date hereof and delivered to the Underwriter pursuant to Section 6(f) hereof.

(h) At the Closing Date, the Underwriter shall have received from counsel for Ambac Assurance Corporation ("Ambac") an opinion in form and substance satisfactory to the Underwriter with respect to the description of Ambac in the Prospectus and with respect to the financial guaranty insurance policy issued by Ambac.

(i) At the Closing Date, the Underwriter shall have received a certificate, dated the Closing Date, signed by an officer of Ambac in form and substance satisfactory to the Underwriter.

(j) On the Closing Date, the Underwriter shall have received in form satisfactory to it confirmation that the Notes have been rated "AAA" by Standard & Poor's Ratings Group and "Aaa" by Moody's Investors Services, Inc.

(k) Counsel for the Underwriter, shall have been furnished with such opinions and copies of such documents as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the IQ Notes as herein contemplated and related proceedings, or in order to evidence the accuracy or completeness of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the IQ Notes as herein contemplated and all opinions and certificates mentioned above or elsewhere in this Agreement shall be satisfactory in form and substance in all material respects to the Underwriter and said counsel.

(l) Except as contemplated in the Prospectus, subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, there shall not have been any material change in the capital stock, short-term debt or long-term debt of the Company or any material adverse change, or any development specifically related to the business of the Company involving a prospective material adverse change, in the business, operations, assets, financial condition or prospects of the Company considered as a whole which, in the judgment of the Underwriter, makes it impractical to offer or deliver the IQ Notes on the terms and in the manner contemplated in the Prospectus.

If any of the conditions specified in this Section 6 shall not have been fulfilled, this Agreement may be terminated by the Underwriter upon notice to the Company or such conditions may be waived, modified or the time for fulfillment thereof may be extended by the Underwriter upon notice to the Company.

7. Conditions of the Company's Obligations. The obligations of the Company to deliver the IQ Notes shall be subject to the following conditions:

(a) The Registration Statement shall have been declared effective by the Commission.

(b) No stop order suspending the effectiveness of the Registration Statement shall be in effect at the Closing Date, and no proceedings therefor shall be pending or threatened by the Commission at the Closing Date.

In the event the conditions specified in this Section 7 shall not be fulfilled, this Agreement may be terminated by the Company by delivery of notice to the Underwriter. Any such notice shall be without liability of the Company to the Underwriter, except as otherwise provided in Section 9(b) thereof, and without liability of the Underwriter to the Company.

8. Indemnification.

(a) The Company will indemnify and hold harmless the Underwriter and each person, if any, who controls the Underwriter within the meaning of the Act against any losses, claims, damages or liabilities, joint or several, to which the Underwriter or such controlling person may be subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, the Prospectus, or any amendment or supplement thereto or any related preliminary prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; and will reimburse the Underwriter and each controlling person for any legal or other expenses reasonably incurred by the Underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or omission made in any of such documents in reliance upon and in conformity with information furnished to the Company by the Underwriter contained in the section of the Prospectus entitled "Underwriting" and specifically for use therein; provided, however, that the indemnification contained in this paragraph with respect to any preliminary prospectus shall not inure to the benefit of the Underwriter (or of any person controlling the Underwriter) on account of any such losses, claims, damages, liabilities or expenses arising from the sale of the IQ Notes by the Underwriter to any person if a copy of the Prospectus (as amended or supplemented if any amendments or supplements thereto shall have been furnished to the Underwriter prior to the written confirmation of the sale involved) shall not have been given or sent to such person by or on behalf of the Underwriter with or prior to the written confirmation of the sale involved, and the untrue statement or omission of a material fact contained in such preliminary prospectus was corrected in the Prospectus (as amended or supplemented if amended or supplemented as aforesaid). Indemnification pursuant to this Section 9 will be in addition to any liability which the Company may otherwise have.

(b) The Underwriter agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the Registration Statement, and each person, if any, who controls the Company within the meaning of the Act, against any losses, claims, damages or liabilities to which the Company or any such director, officer or controlling person may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or action in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, the Prospectus or any amendment or supplement thereto, or any related preliminary prospectus, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with information furnished to the Company by or on behalf of the Underwriter contained in the section of the Prospectus entitled "Underwriting" and specifically for use therein, and will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer or controlling person in connection with investigating or defending any such loss, claim, damage, liability or action. Indemnification pursuant to this Section 8 will be in addition to any liability which the Underwriter may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section 9 of notice of any claim or the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 9, notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under Section 8. In case any claim or action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable cost of investigation. The indemnified party shall have the right to employ its counsel in any such action, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the employment of counsel by such indemnified party has been authorized by the indemnifying party, (ii) the indemnified party shall have reasonably concluded that there may be a conflict of interest between the indemnifying party and the indemnified party in the conduct of the defense of such action (in which case the indemnifying party shall not have the right to direct the defense of such action on behalf of the indemnified party) or (iii) the indemnifying party shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying party. An indemnifying party shall not be liable for any settlement of any action or claim effected without its consent, which consent shall not be unreasonably withheld, delayed or conditioned.

(d) If the indemnification provided for in this Section 9 is unavailable to an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriter on the other from the offering of the IQ Notes to which such loss, claim, damage or liability (or action in respect thereof) relates. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriter on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriter on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriter. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriter on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriter agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriter was treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), the Underwriter shall not be required to contribute any amount in excess of the amount by which the total price at which the Note underwritten by it and distributed to the public was offered to the public exceeds the amount of any damages which the Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) The obligations of the Company under this Section 9 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls the Underwriter within the meaning of the Act; and the obligations of the Underwriter under this Section 9 shall be in addition to any liability which the Underwriter may otherwise have and shall extend,

upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company within the meaning of the Act.

9. Termination.

(a) This Agreement may be terminated at any time prior to the Closing Date by the Underwriter by written notice to the Company, if in the judgment of the Underwriter it is impracticable to offer for sale or to enforce contracts made by the Underwriter for the resale of the IQ Notes by reason of (i) the Company sustaining a loss, whether or not insured, by reason of fire, flood, accident or other calamity, which, in the opinion of the Underwriter, substantially affects the value of the properties of the Company or which materially interferes with the operation of the business of the Company, (ii) all trading in securities on the American Stock Exchange having been suspended or limited or minimum prices having been established on such exchange, (iii) a banking moratorium having been declared by the United States or by New York state authorities or (iv) an outbreak of major hostilities or other national or international calamity having occurred.

(b) If the obligations of the parties to this Agreement shall be terminated pursuant to Section 6 or 7 hereof or this Section 9, or if the purchase provided for herein is not consummated because of any refusal, inability or failure on the part of the Company to comply with any of the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform all the obligations under this Agreement, the Company shall not be liable to the Underwriter for damages on account of loss of anticipated profits arising out of the transactions covered by this Agreement, but the Company shall remain liable to the extent provided in Sections 5(a) and 8(a) hereof, and, except where termination occurs pursuant to clause (ii), (iii) or (iv) of Section 9(a) hereof, the Company shall pay the out-of-pocket expenses incurred by the Underwriter in contemplation of the performance by it of its obligations hereunder, including the fees and disbursements of its counsel and its traveling expenses and postage, telegraph and telephone charges.

10. Survival of Indemnities, Representations and Warranties. The respective indemnities of the Company and the Underwriter and the respective representations and warranties of the Company and the Underwriter set forth in this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of the Company or the Underwriter or any of their respective officers, directors, partners or any controlling person, and will survive delivery of and payment for the IQ Notes or termination of this Agreement pursuant to Section 9 hereof, as the case may be.

11. Parties in Interest. This Agreement shall inure to the benefit of the Company, the Underwriter, the officers, directors and partners of such parties, each controlling person referred to in Section 8 hereof, and their respective successors. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained.

The term "successor" as used in this Agreement shall not include any purchaser, as such purchaser, of any IQ Notes from the Underwriter.

This Agreement constitutes the entire agreement between the parties concerning the subject matter hereof, and supersedes any agreement previously entered into.

12. Notices. All communication, terminations and notices hereunder shall be in writing and sent to the Underwriter or the Company, as applicable. Notices shall be mailed, delivered or telegraphed and confirmed to the Underwriter at 12555 Manchester Road, St. Louis, Missouri 63131 (Attn: Kevin Sprouse) (or such other place as the Underwriter may specify in writing); if sent to the Company shall be mailed, delivered or telegraphed and confirmed to the Company at , 401 South Dixie Highway, West Palm Beach, Florida 33401 (Attn: Jack Brown) (or such other place as the Company may specify in writing).

13. Counterparts. This Agreement may be executed in any number of counterparts which, taken together, shall constitute one and the same instrument.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Missouri.

Please sign the enclosed duplicate of this letter whereupon this letter will become a binding agreement between the parties in accordance with its terms.

Very truly yours,

FLORIDA PUBLIC UTILITIES

By:_____
Name: _____
Title: _____

The foregoing Agreement is hereby confirmed and accepted, as of the date first above written, on behalf of the Underwriter

EDWARD D. JONES & CO., L.P.

By:_____
Name: _____
Title: Principal

R2001 1960 NOV 06 2001

$14,000,000

PALM BEACH COUNTY, FLORIDA
Industrial Development Revenue Bonds
(Florida Public Utilities Company Project)
Series 2001

November 6, 2001

BOND PURCHASE AGREEMENT

Palm Beach County, Florida
301 North Olive Avenue
West Palm Beach, Florida 33401

Florida Public Utilities Company
401 South Dixie Highway
West Palm Beach, Florida 33401

Ladies and Gentlemen:

On the basis of the representations, warranties and covenants contained in this Bond Purchase Agreement and upon the terms and conditions contained in this Bond Purchase Agreement, Edward D. Jones & Co., L.P. (the "Underwriter") hereby offers to purchase from Palm Beach County, Florida (the "Issuer") $14,000,000 aggregate principal amount of Industrial Development Revenue Bonds (Florida Public Facilities Company Project), Series 2001 (the "Bonds") to be issued under and pursuant to an Indenture of Trust dated as of November 1, 2001 (the "Indenture"), from the Issuer to SunTrust Bank, Orlando, Florida, as Trustee (the "Trustee").

The Bonds are being issued for the purpose of loaning funds to Florida Public Utilities Company, a Florida corporation (the "Borrower") pursuant to the Loan Agreement, dated as of November 1, 2001 (the "Agreement"), between the Issuer and the Borrower to (i) defray the costs of the acquisition, construction and installation of certain gas distribution facilities of the Borrower (the "Project"), and (ii) pay a portion of the costs of issuing the Bonds.

Pursuant to the Agreement, the Borrower will execute and deliver to the Trustee the Borrower's $14,000,000 First Mortgage Bonds, 4.9% Series, Due November 1, 2031 (the "First Mortgage Bonds") which will be issued under and pursuant to that certain Indenture of Mortgage dated as of September 1, 1942 from the Borrower to SunTrust Bank, as Trustee (the "Mortgage Trustee"), as supplemented, modified or amended from time to time or at any time, including a Fifteenth Supplemental Indenture dated as of November 1, 2001 (the "Supplemental Indenture") which authorizes the creation and issuance of the First Mortgage Bonds (the "Mortgage"). The Borrower is required by the Agreement and as called for in the First Mortgage Bonds to make payments to the Trustee in amounts and at the times necessary to pay the principal of and interest and any premium (the "Bond Payments") on the Bonds. In the Indenture, the Issuer has assigned to the Trustee, to provide for the payment of the Bond Payments on the Bonds, the Issuer's right, title and interest in and to the Agreement and the First Mortgage Bonds, except for the Issuer's right to indemnification and payment of expenses (as provided in the Agreement). Pursuant to the

Agreement, the Borrower will execute and deliver that certain Continuing Disclosure Agreement dated as of November 1, 2001 between the Borrower and the Trustee, as Dissemination Agent (the "Continuing Disclosure Agreement").

The Indenture, the Agreement, the Mortgage, the First Mortgage Bonds and the Continuing Disclosure Agreement are sometimes hereinafter collectively referred to as the "Documents."

SECTION 1. THE REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE BORROWER

By its acceptance hereof, the Borrower represents and warrants as follows:

(a) The Borrower (1) is a corporation duly incorporated, validly existing and in good standing in the State of Florida, (2) is duly qualified to transact business and is in good standing in every state where its ownership of property or the conduct of business requires that it be so qualified, (3) is not in violation of any provision of its Articles of Incorporation or its By-laws, (4) has full corporate power to own its properties and conduct its business, (5) has full legal right, power and authority to enter into the Documents to which it is a party and this Bond Purchase Agreement and to issue its First Mortgage Bonds and consummate all transactions contemplated by the Documents and this Bond Purchase Agreement and (6) by proper corporate action has duly authorized the execution and delivery of the Documents to which it is a party and this Bond Purchase Agreement.

(b) The Borrower has previously issued under the Mortgage various series of First Mortgage Bonds of which $38,500,000 remain outstanding as of November 1, 2001 (the "Outstanding Bonds") and which are secured equally and ratably under the Mortgage with the First Mortgage Bonds. The Borrower has no secured indebtedness outstanding other than the Outstanding Bonds.

(c) The Borrower has previously delivered to the Underwriter a true and complete copy of its Articles of Incorporation and By-Laws and said Articles of Incorporation and By-Laws have not been modified or amended and are in full force and effect as of the date hereof.

(d) The descriptions and information relating to the Project, the Borrower and its facilities, litigation and the use of the proceeds of the Bonds contained in the body and appendixes to the Official Statement dated as of even date herewith (the "Official Statement") are and at the Closing Date (as defined hereinafter) will be true and correct and do not contain and at the Closing Date will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(e) The consolidated financial statements of the Borrower audited by Deloitte & Touche LLP, incorporated by reference in the Official Statement, the Capitalization Table (actual and adjusted) at June 30, 2001 and the selected consolidated financial information contained in Appendix A of the Official Statement, present fairly and accurately the financial position of the Borrower as of the dates indicated and the results of its operations for the periods specified, and such financial statements have been prepared in conformity with generally accepted accounting principles consistently applied in all material respects to the periods involved.

(f) The Borrower has not, since December 31, 2000, incurred any material liabilities and there has been no material adverse change in the financial position of the Borrower other than as set forth in the Official Statement.

(g) The Borrower will not take or omit to take any action which will result in the proceeds from the sale of the Bonds being applied in a manner inconsistent with the provisions of the Indenture or the Agreement.

(h) Except as set forth in the Official Statement, there is no action, suit or proceeding, or, to the knowledge of the Borrower, any inquiry or investigation at law or in equity or before or by any public board or body pending or, to its knowledge, threatened against or affecting the Borrower (unless fully covered by insurance), wherein an unfavorable decision, ruling or finding would have a material adverse effect on the Borrower or the transactions described herein or in the Official Statement or the validity or enforceability of the Bonds, the Documents or this Bond Purchase Agreement.

(i) The Agreement, the First Mortgage Bonds, the Mortgage, the Continuing Disclosure Agreement and this Bond Purchase Agreement, when executed and delivered by the Borrower, will be the legal, valid and binding obligations of the Borrower enforceable against it in accordance with their terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and except that the indemnification and contribution provisions hereof may be modified by applicable securities laws.

(j) The execution and delivery of this Bond Purchase Agreement and the Documents to which the Borrower is a party, have been duly authorized by the Borrower, and such execution and delivery, and the performance by the Borrower of its obligations thereunder and hereunder, do not and will not violate the Borrower's Articles of Incorporation or By-Laws, or any court order by which the Borrower is bound, and such actions do not and will not constitute a default under any agreement, indenture, mortgage, lease, note or other obligation or instrument to which the Borrower is a party, and other than such as have previously been obtained and are in full force and effect no approval or other action by any governmental authority or agency is required in connection with the execution, delivery and performance thereof.

(k) The Borrower will deliver or cause to be delivered all opinions, certificates and other documents as provided for in this Bond Purchase Agreement, including but not limited to, an opinion of its counsel dated as of the Closing Date, covering, among other things, the due authorization, execution, delivery by the Borrower and validity and enforceability of this Bond Purchase Agreement and the Documents to which Borrower is a party as well as the creation by the Mortgage of a valid lien on the real property covered thereby, subject to encumbrances permitted by the Mortgage ("Permitted Encumbrances") and the creation of a security interest in the personal property covered thereby, subject to "Permitted Encumbrances."

(l) The Borrower acknowledges and approves the terms and conditions of this Bond Purchase Agreement as they relate to it and its participation in the transactions described herein, and subject to the terms and conditions of this Bond Purchase Agreement, the Borrower agrees to pay the expenses contemplated to be paid by the Borrower pursuant to **Section 9** of this Bond Purchase Agreement to sell the Bonds to the Underwriter for the price set forth in **Section 3** hereof and to pay or cause to be paid to the Underwriter a fee in the amount of $420,000 for their services in connection with the purchase and sale of the Bonds.

(m) The Borrower will not amend or supplement the Official Statement without prior notice to, and the consent of, the Underwriter, and will advise the Underwriter and the Issuer promptly of the institution of any proceedings by any governmental agency or otherwise affecting the use of the Official Statement in connection with the offer and the sale of the Bonds.

(n) The Borrower will furnish or cause to be furnished to the Underwriter, copies of the Official Statement, and all amendments and supplements thereto, within seven business days of the date hereof and in such quantities as the Underwriter may reasonably request to enable the Underwriter to comply with the requirements of Rule 15c2-12(b)(4) and with the requirements of Rule G-32 of the Municipal Securities Rulemaking Board; provided, however, that the expense of the preparation and delivery of any copies of the Official Statement and all amendments and supplements thereto required for use after the period specified in said Rule 15c2-12(b)(4) shall be borne by the party requesting such copies.

(o) The Borrower will undertake, pursuant to the Agreement and the Continuing Disclosure Agreement, to provide annual reports and notices of certain events. A description of the undertakings is set forth in the Official Statement.

The Borrower covenants as follows:

(a) The Borrower agrees to indemnify and hold harmless the Issuer, the Underwriter, any member, director, officer, official or employee of the Issuer or of any Underwriter, and each person, if any, who controls the Underwriter within the meaning of Section 15 of the Securities Act of 1933, as amended (collectively the "Indemnified Parties"), against any and all losses, claims, damages, liabilities or expenses whatsoever (unless caused by willful misconduct or negligence of the Indemnified Parties) arising from or in any way relating directly or indirectly to the construction and operation of the Project or the issuance of the Bonds, but with respect to the issuance of the Bonds only insofar as such losses, claims, damages, liabilities or expenses are caused by any untrue statement or misleading statement or allegedly misleading statement of a material fact contained in the Official Statement except with respect to the Issuer under the caption or subcaption "The Issuer" and except with respect to the Underwriter under the captions "Bond Insurance," "Book-Entry-Only System," "Tax Matters" and "Underwriting" or caused by any omission or alleged omission from the Official Statement (other than in the material contained under the captioned sections above referenced) of any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(b) In case any action shall be brought against one or more of the Indemnified Parties based upon the Official Statement and in respect of which indemnity may be sought against the Borrower, the Indemnified Parties shall promptly notify the Borrower in writing, and the Borrower shall promptly assume the defense thereof, including the employment of counsel, the payment of all expenses and the right to negotiate and consent to settlement. Any one or more of the Indemnified Parties shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Indemnified Parties unless employment of such counsel has been specifically authorized in writing by the Borrower. The Borrower shall not be liable for any settlement of any such action effected without the written consent of the Borrower by any of the Indemnified Parties, but if settled with the consent of the Borrower or if there be a final judgment for the plaintiff in any such action against the Borrower or any of the Indemnified Parties, with or without the consent of

the Borrower, the Borrower agrees to indemnify and hold harmless the Indemnified Parties to the extent provided herein.

(c) If the indemnification provided for in paragraph (a) above is unavailable to any of the Indemnified Parties in respect of any losses, claims, damages, liabilities or expenses referred to therein, then the Borrower shall, in lieu of indemnifying such Indemnified Parties, contribute to the amount paid or payable by such Indemnified Parties as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative benefits received by the Borrower and such Indemnified Parties, respectively, from the offering of the Bonds. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then the Borrower shall contribute to such amount paid or payable by such Indemnified Parties in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Borrower and such Indemnified Parties, respectively, in connection with the statements or omissions which resulted in such claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact relates to information supplied by the Borrower or the Indemnified Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Borrower, the Underwriter and the Issuer, respectively, agree that it would not be just and equitable if contribution pursuant to this paragraph (c) were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to above in this paragraph (c). The amount paid or payable by any Indemnified Parties as a result of the losses, claims, damages or liabilities referred to above in this paragraph (c) shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Parties in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this paragraph (c), each Underwriter shall not be required to contribute any amount in excess of the amount by which the total price at which the Bonds which it underwrote and distributed to the public were offered to the public exceeds the amount of any damages which the Underwriter has otherwise been required to pay by reason of such untrue or allegedly untrue statement or omission or alleged omission. The provisions of this paragraph (c) shall not be construed so as to expand the nature or scope of the indemnification obligations or liabilities of the Borrower set forth in paragraphs (a) and (b) hereinabove.

(d) If at any time when an Official Statement should be delivered in connection with offer and sale of the Bonds, any event occurs as a result of which the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, the Borrower will cooperate with the Issuer and with the Underwriter in the prompt preparation of an amendment or supplement which will correct such statement or omission.

(e) This Bond Purchase Agreement is entered into by the Borrower on the understanding that the Underwriter and the Issuer will indemnify and hold harmless (with respect to the portions of the Official Statement set forth hereafter) the Borrower within the meaning of the Securities Act of 1933 as amended, against any losses, claims, damages, liabilities or expenses, joint or several, to which the Borrower may become subject under the Act or otherwise insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or misleading statement or allegedly misleading statement of a material fact contained in the Official Statement or caused by any omission or alleged omission from the

Official Statement of any material fact necessary in order to make the statement made therein, in light of the circumstances under which they were made, not misleading to the extent such losses, claims, damages, liabilities or expenses are caused by any such untrue or misleading statement or omission of allegedly untrue or misleading statement or omission in the information contained in the Official Statement under the captions or subcaptions "The Issuer" and "Underwriting." The liability of the Issuer hereunder shall be limited to matters arising under the caption or subcaption "The Issuer." The liability of the Underwriter hereunder will be limited to liabilities arising under the caption "Underwriting."

(f) In case any action shall be brought against the Borrower based upon the Official Statement and in respect of which indemnity may be sought under subparagraph (e) above, the Borrower shall promptly notify the Issuer and the Underwriter in writing and the Issuer and/or the Underwriter shall promptly assume the defense thereof, including the employment of counsel, the payment of all expenses and the right to negotiate and consent to settlement. The Borrower shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such party unless employment of such counsel has been specifically authorized in writing by the Issuer and/or the Underwriter. The Issuer and the Underwriter shall not be liable for any settlement of any such action effected without the written consent of the Issuer or the Underwriter as the case may be by the Borrower, but if settled with the written consent of such party, or if there be a final judgment for the plaintiff in any such action against the Borrower, or the Issuer or the Underwriter or any of the controlling persons of same with or without the consent of the Issuer or the Underwriter, the Issuer and the Underwriter, respectively, as the case may be, agree to indemnify and hold harmless the Borrower to the extent provided herein.

SECTION 2. THE REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF THE ISSUER

By its acceptance hereof, the Issuer hereby represents and warrants to, and agrees with, the Underwriter that:

(a) The Issuer is a political subdivision of the State of Florida and is authorized by the laws of the State of Florida, particularly the Florida Industrial Development Financing Act, Part II of Chapter 59, Florida Statutes (the "Act"), to issue the Bonds for the purpose of providing funds to pay the cost of the Project and to pledge the revenues received pursuant to the Agreement and the First Mortgage Bonds as security for the payment of the principal of and interest on the Bonds.

(b) The Issuer has complied with all provisions of the Act, and has full power and authority under the Act to consummate all transactions contemplated by this Bond Purchase Agreement, the Bonds, the Documents to which it is a party and any and all other agreements relating thereto, and to issue, sell and deliver the Bonds to the Underwriter as provided herein.

(c) To its knowledge, the information contained in the Official Statement dated as of even date herewith and in any amendment or supplement that may be authorized for use by the Issuer with respect to the Bonds (hereinafter collectively referred as to the "Official Statement"), under the caption or subcaption "The Issuer" is, and as of the Closing Time (hereinafter defined) will be, true and does not contain and will not contain any untrue statement of a material fact and does not omit and will not omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(d) The Issuer has duly authorized all necessary action required by the Act to be taken by it for: (1) the issuance and sale of the Bonds upon the terms set forth herein and in the Indenture and in the Official Statement; (2) the execution and delivery of the Indenture providing for the issuance of and security for the Bonds (including the pledge and assignment by the Issuer of the First Mortgage Bonds, the Agreement and the loan payments to be received pursuant to the Agreement sufficient to pay the principal of, premium, if any, and interest on the Bonds) and appointing the Trustee as trustee, paying agent and bond registrar under the Indenture; (3) the approval of the Official Statement and its use by the Underwriter in the public offering and sale of the Bonds; (4) the financing of the Project; (5) the execution, delivery, receipt and due performance of this Bond Purchase Agreement, the Bonds, the Documents to which the Issuer is a party and any and all such other agreements and documents as may be required to be executed, delivered and received by the Issuer in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement; and (6) the carrying out, giving effect to and consummation of the transactions described herein, the Indenture, the Agreement and the Official Statement. Executed counterparts of the Indenture and the Agreement, a certified copy of the Mortgage (other than the supplements thereto), an executed counterpart of the Supplement to the Mortgage dated November 1, 2001 as well as a photocopy of the First Mortgage Bond as executed will be delivered to the Underwriter by the Issuer at the Closing Time.

(e) To its knowledge, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated hereby or by the Official Statement or the validity of the Bonds, the Documents, this Bond Purchase Agreement or any agreement or instrument to which the Issuer is a party and which is used or contemplated for use in the consummation of the transaction described hereby or by the Official Statement.

(f) To its knowledge, the execution and delivery of this Bond Purchase Agreement, the Bonds, the Documents and the other agreements described herein and by the Official Statement, and compliance with the provisions thereof, will not conflict with or constitute on the part of the Issuer a breach of or a default under the Act or any court or administrative decree or order or any agreement, indenture, mortgage, lease or other instrument to which the Issuer is a party.

(g) To its knowledge, the Issuer has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

(h) Any certificate signed by any of the authorized officials of the Issuer and delivered to the Underwriter shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

(i) The Issuer will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Underwriter may designate and will assist, if necessary therefor, in the continuance of such qualifications in effect so long as required for distribution of the Bonds; provided, however, that the Issuer shall in no event be required to file a general consent to suit or service of process or to qualify as a foreign corporation or as a dealer in securities in any such state or other jurisdiction.

(j) The Issuer will not on its part amend or supplement the Official Statement without prior notice to and the consent of the Underwriter and Borrower and will advise the Underwriter and the Borrower promptly of the institution of any proceedings by any governmental agency or otherwise affecting the use of the Official Statement in connection with the offer and sale of the Bonds.

(k) If at any time when an Official Statement should be delivered in connection with offers and sales of the Bonds, any event occurs as a result of which the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, the Issuer will cooperate with the Borrower and the Underwriter in the prompt preparation of the amendment or supplement which will correct such statement or omission.

SECTION 3. INDEMNIFICATION BY UNDERWRITER

(a) The Underwriter agrees to indemnify and hold harmless the Issuer, any member, director, officer, official or employee of the Issuer, and each person, if any, who controls the Issuer within the meaning of Section 15 of the Securities Act of 1933, as amended (collectively the "Indemnified Parties"), against any and all losses, claims, damages, liabilities or expenses whatsoever (unless caused by willful misconduct or negligence of the Indemnified Parties) arising from or in any way relating directly or indirectly to the issuance of the Bonds, but only insofar as such losses, claims, damages, liabilities or expenses are caused by any untrue statement or misleading statement or allegedly misleading statement of a material fact contained in the Official Statement under the caption "Underwriting," or caused by any omission or alleged omission from the Official Statement in the material contained under the captioned section above referenced of any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(b) In case any action shall be brought against one or more of the Indemnified Parties based upon the Official Statement and in respect of which indemnity may be sought against the Underwriter, the Indemnified Parties shall promptly notify the Underwriter in writing, and the Underwriter shall promptly assume the defense thereof, including the employment of counsel, the payment of all expenses and the right to negotiate and consent to settlement. Any one or more of the Indemnified Parties shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Indemnified Parties unless employment of such counsel has been specifically authorized in writing by the Underwriter. The Underwriter shall not be liable for any settlement of any such action effected without the written consent of the Underwriter by any of the Indemnified Parties, but if settled with the consent of the Underwriter or if there be a final judgment for the plaintiff in any such action against the Underwriter or any of the

Indemnified Parties, with or without the consent of the Underwriter, the Underwriter agrees to indemnify and hold harmless the Indemnified Parties to the extent provided herein.

SECTION 4. PURCHASE, SALE AND DELIVERY OF THE BONDS

On the basis of the representations, warranties and covenants contained herein and in the other agreements referred to herein, and subject to the terms and conditions herein set forth, at the Closing Time, the Underwriter agrees to purchase from the Issuer, and the Issuer agrees to sell to the Underwriter, the Bonds for an amount equal to 100% of their face principal amount, plus accrued interest on their face principal amount from the dated date of such Bonds. The Borrower will pay or cause to be paid to the Underwriter at the Closing Time a fee of $420,000.

The Bonds shall be issued under and secured as provided in the Indenture, and the Bonds shall mature November 1, 2031, shall bear interest at the rate of 4.9% per annum and shall be subject to redemption and contain such other terms as set forth in the Indenture and the Official Statement.

Payment for the Bonds shall be made by federal wire transfer or certified or official bank check or draft in federal funds payable to the order of the Trustee (or otherwise as provided in **Section 4.02** of the Indenture) for the Issuer's account for deposit by the Trustee pursuant to **Section 4.02** of the Indenture at the office of Bond Counsel in Orlando, Florida, at 10:00 a.m., local time, on November 14, 2001, or such other place, time or date as shall be mutually agreed upon by the Borrower, the Issuer and the Underwriter. Concurrently therewith, the Borrower shall pay, or cause to be paid, to the Underwriter by federal wire transfer or certified or official bank check or draft in federal funds, the $420,000 fee provided for above. The date of such delivery and payment is herein called the "Closing Date," and the hour and date of such delivery and payment is herein called the "Closing Time." The delivery of the Bonds shall be made in the form of a single typewritten Bond, bearing the appropriate CUSIP number at least 48 hours prior to the Closing Time at the offices of Depository Trust Company in New York, New York.

SECTION 5. CONDITIONS TO THE UNDERWRITER'S OBLIGATIONS

The Underwriter's obligations hereunder shall be subject to the due performance by the Issuer and the Borrower of their respective obligations and agreements to be performed hereunder at or prior to the Closing Time and to the accuracy of and compliance with representations and warranties of the Issuer and the Borrower contained herein, as of the date hereof and of the Closing Time, and are also subject to the following conditions:

(a) The Bonds and the Documents shall have been duly authorized, executed and delivered in the form heretofore approved by the Underwriter with only such changes therein as shall be mutually agreed upon by the Issuer, the Underwriter and the Borrower.

(b) At the Closing Time, the Underwriter shall receive:

(1) An approving opinion, dated the Closing Date, of Bond Counsel, in form and substance satisfactory to the Underwriter;

(2) The Supplemental Opinion of Bond Counsel addressed to, and in form and substance satisfactory to, the Underwriter;

(3) The opinion of Counsel to the Issuer, dated the Closing Date, to the effect that the Issuer is duly organized and existing and has duly authorized, executed and delivered the Documents to which the Issuer is a party, the Bonds and this Bond Purchase Agreement and that such documents (assuming due execution and delivery by the other parties thereto) constitute valid and binding agreements enforceable in accordance with their terms (subject as to the enforcement of remedies, to any applicable bankruptcy, reorganization, insolvency or other similar laws affecting creditors' rights generally), the effectiveness of the Issuer's resolutions authorizing the issuance of the Bonds and other matters reasonably requested by the Underwriter and acceptable to the Issuer;

(4) The opinion of Downey & Downey, P.A., counsel for the Borrower (or, with respect to title, local counsel in the Borrower's service areas) each dated the Closing Date, with respect to the matters set forth in, or in the form of, **Exhibit A** hereto and otherwise in form and substance satisfactory to the Underwriter;

(5) Evidence reasonably satisfactory to the Underwriter that the audit report of Deloitte & Touche LLP, dated February 16, 2001, may be included in or incorporated by reference into the Official Statement;

(6) A certificate, satisfactory to the Underwriter, of the Treasurer of the Issuer or any other duly authorized officers of the Issuer satisfactory to the Underwriter, dated as of the Closing Date, to the effect that: (i) the Issuer has duly performed all of its obligations to be performed at or prior to the Closing Time and that each of its representations and warranties contained herein is true as of the Closing Time; (ii) the Issuer has authorized, by all necessary action, the issuance, execution and delivery of the Bonds, the execution and delivery of the Documents to which it is a party and any and all such other agreements and documents as may be required to be executed and delivered by the Issuer in order to carry out, give effect to and consummate the transactions described or contemplated herein and in the Official Statement; (iii) to its knowledge no litigation is pending or threatened, to which the Issuer is a party, to restrain or enjoin the issuance or sale of the Bonds or in any way affecting or questioning the validity of the Bonds, the Documents, this Bond Purchase Agreement or the existence or powers of the Issuer or the Issuer's right to use the proceeds of the Bonds to finance the Project; (iv) to its knowledge, the execution and delivery of the Bonds by the Issuer and the execution, delivery and performance by the Issuer of its covenants and agreements under the other agreements and documents described herein and in the Official Statement will not conflict with or constitute on the part of the Issuer a breach of or a default under the Act or any court or administrative decree or order or any agreement, indenture, mortgage, lease or other instrument to which the Issuer is a party; (v) the information contained in the Official Statement under the caption and subcaption "The Issuer" is to its knowledge true in all material respects and does not contain any untrue statement of a material fact and does not omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(7) A certificate, satisfactory in form and substance to the Underwriter, of the President or a Vice President or the Treasurer and Secretary or Assistant Secretary of the Borrower dated as of the Closing Date, to the effect that (i) since the date of the financial statements of the Borrower appearing in the Official Statement, there has not been any material adverse change in the business, properties, financial position or results of

operations of the Borrower, whether or not arising from transactions in the ordinary course of business, and since such date the Borrower has not incurred any material liability other than as set forth in the Official Statement which would adversely affect the transactions described herein; (ii) there is no action, suit or proceeding or, to their knowledge, any inquiry or investigation at law or in equity or before or by any public board or body pending or, to their knowledge, threatened against or affecting the Borrower or its property or, to the best of their knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions described herein or in the Official Statement or the validity or enforceability of the Bonds, the Documents or this Bond Purchase Agreement; (iii) the information contained in the Official Statement, including the appendixes thereto, (except that no representation need be made with respect to information under the captions or any subcaptions entitled "The Issuer," "The Series 2001 Bonds," "Security and Sources of Payment for the Series 2001 Bonds," "Bond Insurance," "Book-Entry-Only System," "Tax-Exempt Status of the Series 2001 Bonds," "Opinion of Bond Counsel," "Certain Tax Consequences" and "Underwriting" and in Appendixes B, C and D thereto) is true in all material respects and does not contain any untrue statement of a material fact and does not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; (iv) the Borrower has all power and authority and has taken all action necessary for the execution, delivery and due performance of this Bond Purchase Agreement and the Documents to which the Borrower is a party; and (v) the representations and warranties of the Borrower contained herein are true and correct as of the Closing Time;

(8) Ambac Assurance Corporation shall have issued its Financial Guaranty Insurance Policy insuring payment of the principal and interest on the Bonds, as described in the Official Statement; and

(9) Such additional certificates and other documents as the Underwriter and Counsel to the Underwriter may reasonably request to evidence performance of or compliance with the provisions hereof and the transactions described herein and by the Official Statement, all such certificates and other documents to be satisfactory in form and substance to the Underwriter.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement (unless such condition is waived in writing by the Underwriter), or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter nor the Issuer shall be under further obligation hereunder, except that the respective obligations of the parties set forth in **Section 8** shall continue in full force and effect.

SECTION 6. THE UNDERWRITER'S RIGHT TO CANCEL

The Underwriter shall have the right to cancel its obligation hereunder to purchase the Bonds by notifying the Issuer and the Borrower in writing or by telegram of its election to do so between the date hereof and the Closing Time, if at any time hereafter and prior to the Closing Time:

(a) A committee of the House of Representatives or the Senate of the Congress of the United States shall have pending before it legislation which, if enacted in its form then pending, would, in the Underwriter's reasonable judgment, have the purpose or effect of imposing federal income taxation upon revenues or other income of the general character to be derived by the Issuer or by any similar body or upon interest received on obligations of the general character of the Bonds, or the Bonds, which in the Underwriter's reasonable judgment, materially adversely affects the market price of the Bonds;

(b) A tentative decision with respect to legislation shall be reached by a committee of the House of Representatives or the Senate of the Congress of the United States, or legislation shall be favorably reported by such a committee or be introduced, by amendment or otherwise, in or be passed by the House of Representatives or the Senate, or be recommended to the Congress of the United States for passage by the President of the United States, or be enacted by the Congress of the United States, or a decision by a court established under Article III of the Constitution of the United States or the Tax Court of the United States shall be rendered, or a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service shall be made or proposed having the purpose or effect of imposing federal income taxation, or any other event shall have occurred which results in the imposition of federal income taxation upon revenues or other income of the general character to be derived by the Issuer or upon interest received on obligations of the general character of the Bonds, or the Bonds, which, in the Underwriter's reasonable judgment, materially adversely affects the market price of the Bonds;

(c) Any legislation, ordinance, rule or regulation shall be introduced in or be enacted by any governmental body, department or agency in the State of Florida, or a decision by any court of competent jurisdiction within the State of Florida shall be rendered which, in the Underwriter's reasonable judgment, materially adversely affects the market price of the Bonds;

(d) A stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of any provision of the federal securities laws, the Securities Act of 1933, as amended and as then in effect, or the registration provisions of the Securities Exchange Act of 1934, as amended and as then in effect, or the qualification provisions of the Trust Indenture Act of 1939, as amended and as then in effect;

(e) Legislation shall be enacted by the Congress of the United States of America, or a decision by a court of the United States of America shall be rendered, to the effect that obligations of the general character of the Bonds, or the Bonds, including all the underlying obligations, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect;

(f) Any event shall have occurred, or information become known, which in the Underwriter's reasonable judgment, makes untrue in any material respect any statement or information contained in the Official Statement as originally circulated, or has the effect that the Official Statement as originally circulated contains an untrue statement of a material fact or omits

to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(g) Additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which, in the Underwriter's reasonable judgment, materially adversely affects the market price of the Bonds;

(h) The New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Bonds or obligations of the general character or the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter which, in the Underwriter's reasonable judgment, materially adversely affects the market price of the Bonds;

(i) A general banking moratorium shall have been established by Federal, New York, or Florida authorities which, in the Underwriter's reasonable judgment, materially adversely affects the market price of the Bonds or the ability of the Underwriter to pay the purchase price of the Bonds;

(j) Any proceeding shall be pending or threatened by the Securities and Exchange Commission against the Issuer which, in the Underwriter's reasonable judgment, materially adversely affects the market price of the Bonds;

(k) A war involving the United States shall have been declared, or any conflict involving the armed forces of the United States shall have escalated, or any other national emergency relating to the effective operation of government or the financial community shall have occurred, which, in the Underwriter's reasonable judgment, materially adversely affects the market price of the Bonds.

SECTION 7. CONDITIONS OF THE OBLIGATIONS OF THE ISSUER AND THE BORROWER

The obligations of the Issuer and the Borrower hereunder are subject to the Underwriter's performance of its obligations hereunder.

SECTION 8. REPRESENTATIONS, WARRANTIES AND AGREEMENTS TO SURVIVE DELIVERY

All of the representations, warranties and agreements of the Issuer and the Borrower shall remain operative and in full force and effect, regardless of any investigations made by the Underwriter on its behalf, and shall survive delivery of the Bonds to the Underwriter.

SECTION 9. PAYMENT OF EXPENSES

Whether or not the Bonds are sold by the Issuer to the Underwriter (unless such sale be prevented at the Closing Time by the Underwriter's default), the Underwriter shall be under no obligation to pay any expenses incident to the performance of the obligations of the Issuer or the Borrower hereunder. Except and to the extent set forth in the last sentence of this Section 9, the Issuer shall have no obligation to pay

any expenses in connection herewith. In addition to the Bond Insurance premium to be paid by the Trustee out of the proceeds from sale of the Bonds, costs and expenses of issuing the Bonds, including, without limitation, printing expenses, underwriter's fees and expenses, any trustee's and depositary's fees and expenses, fees and expenses of the Issuer, fees and expenses of Bond Counsel and Underwriter's Counsel, legal fees, and other fees and expenses incurred or to be incurred by or on behalf of the Issuer or the Borrower in connection with or as an incident to the issuance and sale of the Bonds shall be paid either out of Bond proceeds or directly by the Borrower. In addition to $629,426 (which includes $349,426 for payment of the Bond Insurance premium) derived from sale of the Bonds, the Company shall pay approximately $275,000 of its own funds. If the Bonds are not sold by the Issuer to the Underwriter (unless such sale be prevented at the Closing Time by the Underwriter's default), all such costs of issuance shall be paid by the Borrower. The obligation of the Issuer to pay any costs or expenses incurred by the Issuer in fulfilling its obligations hereunder shall be limited to amounts derived by the Issuer for such purposes from the proceeds of the Bonds and other moneys available for such purposes under the Indenture and from no other source.

SECTION 10. DEFAULT OF UNDERWRITER

In the event that the Underwriter defaults on its obligations under this Bond Purchase Agreement (other than for a reason permitted herein), the Underwriter shall be obligated to reimburse the Issuer and the Borrower for any reasonable expenses paid by the Issuer or the Borrower, and the payment by the Underwriter of such amount shall constitute a full release and discharge of all claims and rights against it.

SECTION 11. USE OF OFFICIAL STATEMENT

The Issuer and the Borrower hereby ratify and confirm the Underwriter's authority to use the Official Statement; and the Issuer and the Borrower authorize the use of, and will make available, the Official Statement for the use by the Underwriter in connection with the sale of the Bonds.

SECTION 12. NOTICE

Any notice or other communication to be given to the Issuer under this Bond Purchase Agreement may be given by mailing or delivering the same in writing to Palm Beach County, Florida, 301 North Olive Avenue, West Palm Beach, Florida 33401, ATTENTION: Clerk; any notice or other communication to be mailed or delivered in writing to the Underwriter under this Agreement may be given by delivering the same in writing to Edward D. Jones & Co., L.P., 12555 Manchester Road, St. Louis, Missouri 63131-3729, ATTENTION: Investment Banking Department; and any notice or other communication to be given to the Borrower under this Bond Purchase Agreement may be given by mailing or delivering the same in writing to Florida Public Utilities Company, 401 South Dixie Highway, West Palm Beach, Florida 33401, ATTENTION: Treasurer.

SECTION 13. APPLICABLE LAW; NONASSIGNABILITY

This Bond Purchase Agreement shall be governed by the laws of the State of Florida. This Agreement shall not be assigned by the parties hereto.

SECTION 14. EXECUTION OF COUNTERPARTS

This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

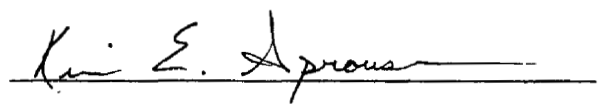
[Remainder of Page Intentionally Left Blank.]

SECTION 15. AMENDMENTS

This Bond Purchase Agreement may not be amended without the written consent of the parties hereto.

Very truly yours,

EDWARD D. JONES & CO., L.P.

By: 

Accepted as of the
date first above written

PALM BEACH COUNTY, FLORIDA

By: _____ NOV 06 2001
Warren H. Newell, Chairman
Board of County Commissioners

ATTEST:

Dorothy H. Wilken, Clerk

R2001 1960

By: Linda C. Hickman
~~Clerk~~ Deputy Clerk

BOARD OF COUNTY COMMISSIONERS
PALM BEACH COUNTY FLORIDA

[SEAL]

APPROVED AS TO FORM
AND LEGAL SUFFICIENCY

Paul F. K
County Attorney

Accepted as of the
date first above written

FLORIDA PUBLIC UTILITIES COMPANY

By: _____
Title: Vice President and Secretary

EXHIBIT A
TO
BOND PURCHASE AGREEMENT

Points to be Covered in Opinion of Counsel
to Borrower

1. The Company is a corporation duly organized and validly existing and in good standing under the laws of the State of Florida and has all requisite corporate power and authority to own and operate its properties and to carry on its business as conducted and as proposed to be conducted, as described in the Official Statement. The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under the Documents to which it is a party.

2. The Company is authorized by law to operate as an electric, gas or water utility in all areas of the State of Florida where it now conducts such operations, as contemplated in the Official Statement, and has all materially necessary licenses, franchises, certificates of convenience and necessity and permits required to carry on its operation, including all licenses, franchises, certificates of convenience and necessity and permits (other than those permits which are not obtainable at the time the Bonds are issued due only to the timing requirements of the operative law) necessary to acquire, construct and equip the Project, as contemplated in the Official Statement.

3. The Documents to which the Company is a party and the Bond Purchase Agreement have been duly authorized, executed and delivered by the Company and each constitutes a valid and binding agreement of the Company, enforceable against it in accordance with its terms, except to the extent that the enforceability thereof may be limited or otherwise affected by the application of rules of law or general principles of equity governing specific performance, injunctive relief and other equitable remedies (regardless of whether enforceability is considered in a proceeding in equity or at law) and by bankruptcy, reorganization, insolvency, moratorium and other laws enacted for the relief of debtors generally, from time to time in effect, and other similar laws or decisions of courts affecting creditor's rights or remedies generally.

4. The execution and delivery of the Documents to which the Company is a party and the Bond Purchase Agreement and the performance by the Company of its obligations thereunder do not and will not violate its Articles of Incorporation or By-laws, and such actions do not and will not constitute a default under any agreement, indenture, mortgage, deed of trust, lease, note, loan agreement or other obligation or instrument to which the Company is a party or by which the Company or any of its property is bound and which is material to the Company's business, or any order, rule, or regulation, writ, injunction or decree applicable to the Company of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Company.

5. There is no action, suit, proceeding, inquiry or investigation, at law or in equity or before or by any public board or body, pending or threatened against the Company which: (a) seeks to restrain or enjoin the issuance, execution or delivery of the Bonds or the Documents to which the Company is a party, or the performance by the Company of its obligations thereunder; (b) in any way contests or affects the issuance, execution, delivery or the validity of the Bonds or the Documents to which the Company is a party; or (c) in any way contests the legal existence or powers of the Company, the ultimate resolution of which would have a material and adverse effect upon the transactions described in the Documents or the

Official Statement or the validity or enforceability of the Bonds or the Documents to which the Company is a party.

6. No consent or approval is required to be obtained, which has not yet been obtained, from any governmental or other public body (except for such consents as may be required under federal or state securities laws in connection with the offer and sale of the Bonds) in connection with the execution and delivery of the Documents to which the Company is a party by the Company, the performance of its obligations thereunder and the consummation on the part of the Company of the transactions contemplated thereby.

7. The Mortgage constitutes a valid and perfected lien upon all and every part of the property of the Company described in the Mortgage. No further or subsequent recording, registration or filing of the Mortgage or any other instrument is necessary in order to preserve or maintain the lien of the Mortgage.

8. The Company has duly approved the Official Statement and has duly authorized its execution and distribution and use, in accordance with applicable law, by the Underwriter in the offering and sale of the Bonds.

9. Based on our participation in the preparation of the Official Statement and upon such other review as we have deemed necessary, nothing has come to our attention that would lead us to believe that the statements and information contained in the Official Statement and Appendices thereto contain any untrue statement of a material fact or omit to state a material fact required to be stated therein in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. We express no opinion or belief as to financial and statistical data included in the Official Statement, or including the Appendices thereto.

NO. 7

LAW OFFICES
DOWNEY & DOWNEY, P.A.
POST OFFICE BOX 2345
400 ROYAL PALM WAY, SUITE 404
PALM BEACH, FLORIDA 33480

DANIEL DOWNEY
EDWARD DOWNEY

TAMMIE B. MASSEY

TELEPHONE (561) 655-8761
TELEFAX (561) 655-8764

November 14, 2001

Palm Beach County, Florida
301 North Olive Avenue
West Palm Beach, FL 33401

Edward D. Jones & Co., L.P.
12555 Manchester Road
St. Louis, Missouri 63131

Re: $14,000,000
Palm Beach County, Florida
Industrial Development Revenue Bonds
(Florida Public Utilities Company Project)
Series 2001

Ladies and Gentlemen:

Pursuant to the requirements of (b) (4), Section 5, of Bond Purchase Agreement, in our opinion as counsel for the Borrower, Florida Public Utilities Company (hereinafter "The Company"):

1. The Company is a corporation duly organized and validly existing and in good standing under the laws of the State of Florida and has all requisite corporate power and authority to own and operate its properties and to carry on its business as conducted and as proposed to be conducted, as described in the Official Statement. The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under the Documents to which it is a party.

2. The Company is authorized by law to operate as an electric, gas or water utility in all areas of the State of Florida where it now conducts such operations, as contemplated in the Official Statement, and has all materially necessary licenses, franchises, certificates of convenience and necessity and permits required to carry on its operation, including all licenses, franchises, certificates of convenience and necessity and permits (other than those permits which are not obtainable at the time the Bonds are issued due only to the timing requirements of the operative law) necessary to acquire, construct and equip the Project, as contemplated in the Official Statement.

3. The Documents to which the Company is a party and the Bond Purchase Agreement have been duly authorized, executed and delivered by the Company and each constitutes a valid and binding agreement of the Company, enforceable against it in accordance with its terms, except to the extent that the enforceability thereof may be limited or otherwise affected by the application of rules of law or general principles of equity governing specific performance, injunctive relief and other equitable remedies (regardless of whether enforceability is considered in a proceeding in equity or at law) and by bankruptcy, reorganization, insolvency, moratorium and other laws enacted for the relief of debtors generally, from time to time in effect, and other similar laws or decisions of courts affecting creditor's rights or remedies generally.

4. The execution and delivery of the documents to which the Company is a party and the Bond Purchase Agreement and the performance by the Company of its obligations thereunder do not and will not violate its Articles of Incorporation or By-laws, and such actions do not and will not constitute a default under any agreement, indenture, mortgage, deed of trust, lease, note, loan agreement or other obligation or instrument to which the Company is a party or by which the Company or any of its property is bound and which is material to the Company's business, or any order, rule, or regulation, writ, injunction or decree applicable to the Company of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Company.

5. There is no action, suit, proceeding, inquiry or investigation, at law or in equity or before or by any public board or body, pending or threatened against the Company which: (a) seeks to restrain or enjoin the issuance, execution or delivery of the Bonds or the Documents to which the Company is a party, or the performance by the Company of its obligations thereunder; (b) in any way contests or affects the issuance, execution, delivery or the validity of the bonds or the Documents to which the company is a party; or (c) in any way contests the legal existence or powers of the Company, the ultimate resolution of which would have a material or adverse effect upon the transactions described in the Documents or the Official Statement or the validity or enforceability of the Bonds or the documents to which the company is a party.

6. No consent or approval is required to be obtained, which has not yet been obtained, from any governmental or other public body (except for such consents as may be required under federal or state securities laws in connection with the offer and sale of the Bonds) in connection with the execution and delivery of the Documents to which the Company is a party by the Company, the performance of its obligations thereunder and the consummation on the part of the company of the transactions contemplated thereby.

7. The Mortgage when recorded will constitute a valid and perfected lien upon all and every part of the property of the company described in the Mortgage. No further or subsequent

recording, registration or filing of the Mortgage or any other instrument is necessary in order to preserve or maintain the lien of the Mortgage.

8. The Company has duly approved the Official Statement and has duly authorized its execution and distribution and use, in accordance with applicable law, by the Underwriter in the offering and sale of the Bonds.

9. Based on our participation in the preparation of the Official Statement and upon such other review as we have deemed necessary, nothing has come to our attention that would lead us to believe that the statements and information contained in the Official Statement and Appendices thereto contain any untrue statement of a material fact or omit to state a material fact required to be stated therein in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. We express no opinion or belief as to financial and statistical data included in the Official Statement, or including the Appendices thereto.

Very truly yours,

DOWNEY & DOWNEY, P.A.

By: Daniel Downey
DANIEL DOWNEY

FPU/BondLetter.01

AKERMAN SENTERFITT

ATTORNEYS AT LAW

CITRUS CENTER
255 SOUTH ORANGE AVENUE
POST OFFICE BOX 231
ORLANDO, FLORIDA 32802-0231
PHONE (407) 843-7860 • FAX (407) 843-6610
http://www.akerman.com

1.10

November 14, 2001

Palm Beach County, Florida
West Palm Beach, Florida

SunTrust Bank, as Trustee
Orlando, Florida

Ambac Assurance Corporation
New York, New York

Edward D. Jones & Co., L.P.
St. Louis, Missouri

Re: **$14,000,000 PALM BEACH COUNTY INDUSTRIAL DEVELOPMENT REVENUE BONDS (FLORIDA PUBLIC UTILITIES COMPANY PROJECT) SERIES 2001**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Palm Beach County, Florida (the "Issuer") of the above-captioned bonds (the "Series 2001 Bonds"), pursuant to the Constitution and laws of the State of Florida, particularly Chapter 159, Part II, Florida Statutes, as amended (the "Act"), and other applicable provisions of law, and Resolution No. 2001-1960 adopted by the Issuer on November 6, 2001 (the "Resolution"), which Resolution additionally authorizes the execution and delivery of various documents and instruments including (i) a Loan Agreement between Florida Public Utilities Company (the "Borrower") and the Issuer, dated as of November 1, 2001 (the "Agreement"), and (ii) a Trust Indenture between the Issuer and SunTrust Bank, as trustee (the "Trustee") dated as of November 1, 2001 (the "Indenture"). We have examined the law and such certified proceedings of the Issuer and other proofs as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and the Borrower contained in the Resolution, the Indenture, the Agreement, and in the certified proceedings and other certifications of officials of the Issuer and the Borrower, including

certifications as to the use of the bond proceeds which are material to paragraph 6 below, without undertaking to verify the same by independent investigation. In rendering this opinion, we have also relied upon the opinion of the Palm Beach County, Florida, County Attorney's Office, as counsel to the Issuer, as to the matters set forth therein.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

The Series 2001 Bonds are issued for the purpose of (i) financing the acquisition and installation of various system improvements to the Company's gas distribution system located in Palm Beach County, Florida, and (ii) paying certain costs associated with the issuance of such bonds.

As of the date hereof and based on our examination of the law and proceedings in this matter we are of the opinion that:

1. The Issuer is duly created and validly existing as a public body corporate and politic of the State of Florida, with the power to adopt and perform the Resolution, and to issue the Series 2001 Bonds.

2. The Resolution has been duly adopted and the Agreement and the Indenture have been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, if any, constitute valid and binding obligations of the Issuer enforceable upon the Issuer.

3. The Series 2001 Bonds have been duly authorized, executed and delivered by the Issuer and are legal, valid and binding limited obligations of the Issuer, payable solely from the sources specified in the Indenture.

4. The Issuer's obligations under the Resolution, the Indenture, the Agreement and the Series 2001 Bonds do not constitute general obligations of the Issuer, or the State of Florida or any political subdivision thereof. Neither the full faith and credit of the Issuer nor the State of Florida or any political subdivision thereof or the taxing power thereof are pledged to secure any of such obligations.

5. All rights, title and interest of the Issuer in and to the Agreement have been duly assigned to the Trustee, except with respect to those rights that the Issuer specifically reserved, as set forth in the Trust Indenture.

6. The interest on the Series 2001 Bonds is excluded from gross income for federal income tax purposes. Moreover, such interest on the Series 2001 Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for purposes of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the Issuer and the Borrower comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2001 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer and the Borrower have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2001 Bonds in gross income for federal income tax purposes to be retroactive to the date of the issuance of the Series 2001 Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2001 Bonds.

7. The interest on the Series 2001 Bonds is exempt from direct taxation under the laws of the State of Florida, except estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, banks, and savings institutions.

It is to be understood that the rights of the holders of the Series 2001 Bonds, and the enforceability of the Resolution, the Indenture, the Agreement, and the Series 2001 Bonds, may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the State of Florida, and of the constitutional powers of the United States of America subsequent to the date hereof, and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

Respectfully submitted,

AKERMAN, SENTERFITT & EIDSON, P.A.

Akerman, Senterfitt & Eidson, P.A.

AKERMAN SENTERFITT

ATTORNEYS AT LAW

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September 27, 2001

Edward D. Jones & Co., L.P.
12555 Manchester Road
St. Louis, Missouri 63131

Re: Florida Public Utilities Company – 6.85% Secured Insured Quarterly Notes due October 1, 2031

Ladies and Gentlemen:

We have acted as counsel to Florida Public Utilities Company (the "Company") in connection with the issuance and sale by the Company of $15,000,000 in aggregate principal amount of 6.85% Secured Insured Quarterly Notes due October 1, 2031 (the "Notes"). The Notes are to be issued pursuant to an Indenture of Trust dated as of September 1, 2001 (the "Indenture") between the Company and SunTrust Bank, as trustee (the "Trustee"). The Notes will be secured by the delivery to the Trustee of one or more first mortgage bonds issued under the Company's mortgage indenture, as specified in the Prospectus referred to below (the "Pledged Bonds"). The Notes are being purchased by the Underwriter named in the Underwriting Agreement dated September 21, 2001 between such Underwriter and the Company with respect to the Notes (the "Underwriting Agreement"). All capitalized terms used herein which are not defined herein but which are defined, either directly or by cross-reference, in the Underwriting Agreement are used herein with the respective meanings assigned to such terms therein.

This opinion has been prepared and is to be construed in accordance with the Report on Standards For Florida Opinions dated April 8, 1991 (updated September 4, 1998) issued by the Business Law Section of The Florida Bar (the "Report"). The Report is incorporated by reference into this opinion.

As counsel for the Company, we have examined originals (or copies certified or otherwise identified to our satisfaction) of such instruments, certificates and documents and have reviewed such questions of law as we have deemed necessary or appropriate for the purpose of the opinion rendered below. In such examination, we have assumed the conformity of the Notes to the specimen thereof attached as Exhibit A to the certificate of the Trustee of even date herewith and that the Notes have been duly executed, authenticated and delivered in accordance with the terms of the Indenture and paid for in the manner and at the prices set forth in the Registration Statement and the applicable pricing supplement thereto. As to any facts material to our opinion we have, when relevant facts were not independently established, relied, with your approval as to factual

matters that affect our opinion, upon the aforesaid certificate and on the following documents: the factual representations and warranties of the Company contained in the Indenture and the Prospectus; Certificate to Akerman, Senterfitt & Eidson, P.A. executed by Jack R. Brown as Vice President and Secretary of the Company dated September 27, 2001 (copy attached hereto as Exhibit "A")(the "Certificate"); Good Standing Certificate of the Company issued by the Florida Secretary of State dated September 21, 2001 (copy attached as Exhibit "B").

In addition to the assumptions contained in the Report, we have, with your consent, relied on the presumption of regularity and continuity regarding all minutes of the meetings of the Board of Directors and Shareholders of the Company; to wit, that all steps in the chain of the elections of directors, all amendments to the Bylaws and Articles of Incorporation and all comparable matters since the formation of the Company were performed in accordance with the corporate laws in effect when the actions were taken.

Based upon and subject to the foregoing, and subject to the qualifications and limitations contained in this letter and in the Report, we are of the opinion that:

1. The Company has been incorporated under the Florida Business Corporation Act (or prior law) and its status is active; has the corporate power to conduct its business as it is now being conducted; and is legally qualified to carry on business in which it is engaged in those jurisdictions where it is required to be so qualified.

2. Each of the Underwriting Agreement, the Notes, the Pledged Bonds, the Indenture and the Fourteenth Supplemental Indenture (collectively, the "Transaction Documents" and individually the "Transaction Document") has been duly and validly authorized by all necessary corporate action on behalf of the Company and has been duly executed and delivered by the Company. Subject to the limitations hereinafter set forth, each Transaction Document is a valid and binding obligation of the Company enforceable against the Company. The Notes and the Pledged Bonds conform to the description thereof contained in the Prospectus. Our opinion concerning the validity, binding effect and enforceability of each Transaction Document means that (i) the Transaction Document constitutes an effective contract under applicable law, (ii) the Transaction Document is not invalid in its entirety because of a specific statutory prohibition or public policy and is not subject in its entirety to a contractual defense, (iii) subject to the last sentence of this paragraph, some remedy is available if the Company is in material default under the Transaction Document and (iv) the Underwriting Agreement, the Notes

and the Pledged Bonds are subject to principles of public policy limiting the right to enforce indemnification provisions contained therein. This opinion does not mean that (i) any particular remedy is available upon a material default, or (ii) every provision of the Transaction Document will be upheld or enforced in any or each circumstance by a court. Furthermore, the validity, binding effect and enforceability of each Transaction Document may be limited or otherwise affected by (i) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar statutes, rules, regulations or other laws affecting the enforcement of creditors' or mortgagees' rights and remedies generally, (ii) the unavailability of, or limitation on the availability of, a particular right or remedy (whether in a proceeding in equity or at law) because of an equitable principle or a requirement as to commercial reasonableness, conscionability or good faith, (iii) rights to indemnity and arbitration may be limited by federal or state securities laws, (iv) the enforceability of provisions imposing penalties, forfeitures, late payment fees or an increase in interest rate upon delinquency in payment or the occurrence of a default may be limited in certain circumstances, and (v) enforceability of any provisions requiring payment of attorneys' fees may be subject to a court determination that such fees are reasonable.

3. The Registration Statement has become effective under the Act; to our knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose has been instituted or threatened under Section 8(d) of the Act; the Florida Public Service Commission entered an order dated March 14, 2001 (the "Order") authorizing among other matters, the issuance and sale and/or exchange of any combination of long-term debt, short term notes and equity securities during calendar year 2001 which Order is required for the valid authorization, issuance and sale of the Notes by the Company in accordance with the Underwriting Agreement and is in full force and effect; no approval, consent or order of any other regulatory authority is necessary for the valid authorization, issuance and sale of the Notes or the Pledged Bonds by the Company in accordance with the Underwriting Agreement; and we do not know of any other approvals of any governmental body required in that connection (other than in connection or in compliance with the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion herein). The Registration Statement and the Prospectus as amended or supplemented to the date hereof comply as to form in all material respects with the applicable requirements of the Act, the Trust Indenture Act, the Exchange Act with respect to the

documents or portions thereof filed with the Commission pursuant to the Exchange Act and incorporated by reference in the Prospectus pursuant to Form S-3, and the applicable rules and regulations of the Commission under such Acts; provided, however, no opinion is being expressed as to (a) the financial statements and notes and schedules related thereto and other financial, statistical and accounting data included in or incorporated, or deemed to be incorporated, by reference in or omitted from such Registration Statement or such Prospectus, (b) Exhibits 12, 23.2, 23.3 and 25 to the Registration Statement or (c) all information relating to Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company ("Ambac") included in or incorporated by reference or omitted from the Prospectus).

4. Neither the issuance and sale of the Notes or the Pledged Bonds, nor the consummation of any other of the transactions contemplated in the Underwriting Agreement nor the fulfillment of or compliance with the terms of the Notes, the Pledged Bonds, the Indenture, the Original Indenture, the Fourteenth Supplemental Indenture or the Underwriting Agreement (i) violate the Company's Articles of Incorporation or Bylaws, (ii) to our knowledge, constitute a breach or default under any agreement or instrument to which the Company is a party or by which it or its assets are bound or result in the creation of a mortgage, security interest or other encumbrance upon assets of the Company (except for the issuance of the Notes which are secured by a mortgage lien as set forth in the Fourteenth Supplemental Indenture), (iii) to our knowledge, violate a judgment, decree or order of any court or administrative tribunal, which judgment, decree or order is binding on the Company or its assets; (iv) to our knowledge, violate any Federal or Florida law.

5. The Indenture and the Fourteenth Supplemental Indenture are duly qualified under the Trust Indenture Act of 1939.

6. The Company is not a "holding company", as such term is defined in the Public Utility Holding Company Act of 1935.

7. To our knowledge, there are no material pending legal proceedings to which the Company is a party or of which any of its property is the subject of a character required to be disclosed in the Registration Statement which is not adequately disclosed in the Prospectus (other than ordinary routine litigation incidental to the business of the Company).

8. The Company is vested with fee simple title to all the real property and good and merchantable title to all the personal property specifically or generally described or referred to in the Original Indenture as subject to the lien thereof, except properties expressly excepted therefrom and properties properly released from the lien thereof pursuant to the terms thereof; the description in the Original Indenture of such properties is legally sufficient to constitute a lien thereon; and such properties constitute substantially all the permanent physical properties of the Company and are held by the Company free and clear of all liens except the lien of the Original Indenture and Permitted Liens (as defined in the Underwriting Agreement); provided, however, our opinion as to title to real estate is (i) based solely upon our examination of the title commitments or title reports prepared by Old Republic National Title Insurance Company and First American Title Insurance Company (the "Title Report"), (ii) assumes the accuracy of the information contained in the Title Report and (iii) is as of the date of the Title Report.

9. The Original Indenture constitutes a valid first mortgage lien of record upon all real and personal property of the Company (including easements, rights-of-way, and other rights relating to real estate and franchises) specifically or generally described or referred to in the Original Indenture as subject to the lien thereof and owned by the Company at the time of the actual issue of the Notes and Pledged Bonds, subject to no liens or encumbrances other than Permitted Liens.

10. The Original Indenture has been duly filed for recording in such manner and in such places as are required by law in order to establish, preserve, and protect the first lien of the Original Indenture on all real and personal property of the Company specifically or generally described or referred to in such instruments as subject to the lien of the Original Indenture (except that (a) additional filings and recordings of the Original Indenture will be required if property is acquired by the Company subsequent to the date hereof which is located in a county where the Original Indenture has not previously been filed for recording and (b) the Original Indenture will not be a first lien on property hereafter acquired by the Company which at the time of acquisition is subject to prior liens or other encumbrances), and all taxes, fees and other charges payable in connection therewith have been paid in full.

In the course of preparation by the Company of the Prospectus with respect to the Notes, we have participated in conferences with directors, officers and other representatives of the Company, representatives of Deloitte & Touche, LLP (the

independent public accountants for the Company), and representatives of the Underwriter and Underwriter's counsel, at which conferences the contents of the Registration Statement or the Prospectus, and related matters were reviewed and discussed and, although we have not independently verified and are not passing upon and assume no responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus or any documents incorporated, or deemed to be incorporated, by reference therein, on the basis of the foregoing, no facts have come to our attention which have caused us to believe that either the Registration Statement or the Prospectus as of the date hereof contained an untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading or that the Registration Statement or the Prospectus includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that we express no view with respect to (a) the financial statements and notes and schedules related thereto and other financial, statistical and accounting data included in or incorporated, or deemed to be incorporated, by reference in or omitted from such Registration Statement or such Prospectus, (b) Exhibits 12, 23.2, 23.3 and 25 to the Registration Statement and (c) all information relating to Ambac included in or incorporated by reference or omitted from the Prospectus). Except with respect to matters as specifically noted in the preceding sentence, we are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement and Prospectus and make no representations that we have independently verified the accuracy, completeness or fairness of such statements. We have assumed, but have not independently verified, that the signatures (other than the signatures of the Company) on all documents examined by us are genuine.

In addition to being qualified by the other qualifications expressed herein, the opinions expressed herein are qualified as follows:

(a) We note that the Underwriting Agreement is governed by the law of the State of Missouri and we have assumed, with your permission, that the law of Missouri is identical to the law of Florida in all respects material to our opinions.

(b) Except as expressly stated herein, no opinion is given herein with respect to any anti-fraud provisions of Federal or state securities laws;

(c) The opinions expressed herein are subject to limitations on enforceability under Federal and state securities laws with respect to any indemnity provisions in the Transaction Documents; and

(d) No opinion is expressed with respect to enforceability of any arbitration provisions contained in the Transaction Documents or the Original Indenture.

(e) The opinions set forth in paragraph 8, 9 and 10 hereinabove are 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.

(f) We note that the Underwriting Agreement provides that it is governed by the law of the State of Missouri and we have assumed, with your permission, that the law of Missouri is identical to the law of Florida in all respects material to our opinion.

(g) We express no opinion with respect to whether the property encumbered by the Original Indenture is in compliance with any Federal, state or local land use, zoning or similar law, rule or regulation, or what effect, if any, the non-compliance thereof would have on the enforceability of the Transaction Documents.

This opinion is furnished solely for your benefit in connection with the transactions contemplated by the Underwriting Agreement and may be relied upon in its entirety by Ambac Assurance Corporation. No other party or entity shall be entitled to rely hereon without the express written consent of this firm. Without our express written consent, in any case, neither our opinion nor this opinion letter may be assigned, quoted, circulated or be furnished to or relied upon by any other person.

We are licensed to practice law in the State of Florida. The opinions set forth herein are based solely on and are limited in all respects to the substantive laws of the State of Florida (without giving effect to conflicts of law rules) and the Federal laws of the United States of America in force and effect on the date hereof. Accordingly, we

express no opinion as to matters governed by the laws of any other state or jurisdiction. We assume no obligation to supplement this opinion to reflect, or otherwise advise you of, any facts or circumstances which may hereinafter come to our attention or any changes in facts, circumstances or law which may hereafter occur.

Sincerely,

AKERMAN, SENTERFITT & EIDSON, P.A.

By: _____
Peter E. Reinert, Esquire, solely in his capacity as an authorized signatory of said P.A.

EXHIBIT "A"

(Copy of Certificate to Akerman Senterfitt & Eidson, P.A., executed by Jack R. Brown as Vice President and Secretary of Florida Public Utilities Company dated September 27, 2001 attached).

EXHIBIT "B"

(Copy of Good Standing Certificate of the Company issued by the Florida Secretary of State dated September 21, 2001 attached).

EXHIBIT A

CERTIFICATE

TO

AKERMAN, SENTERFITT & EIDSON, P.A.

The undersigned, Jack R. Brown, hereby certifies to Akerman, Senterfitt & Eidson, P.A. as follows:

1. he is the Vice President and Secretary of Florida Public Utilities Company, a Florida corporation (the "Company") and has the authority to make this Affidavit on behalf of the Company;

2. this Certificate is delivered to induce AKERMAN, SENTERFITT & EIDSON, P.A. ("ASE"), to render its opinion as counsel to the Company in connection with the transactions set forth in that certain Underwriting Agreement dated September 21, 2001 between the Underwriter (as defined hereinbelow) and the Company (the "Underwriting Agreement") [capitalized terms not otherwise defined in this Certificate shall have the same meanings as set forth in the opinion];

3. he is the corporate officer who maintains the books and records of the Company and such books and records are complete and all corporate documents made available to ASE (including, but not limited to, the Bylaws, the Corporate Stock Transfer Ledger, minutes of Shareholder and Director meetings, etc.) have actually been signed by all of the persons referenced therein and constitute all of the documents which may affect the authorization of the transaction and the issuance of the Transaction Documents and these documents are true, correct and complete and have not been rescinded or repealed;

4. the execution and delivery of each Transaction Document and the performance by the undersigned of his obligations under each Transaction Document do not (i) constitute a breach of or a default under any agreement or instrument to which the Company is a party or is bound; (ii) violate a judgment, decree or order of any court or administrative tribunal, which judgment, decree or order is binding on the Company; or (iii) violate any Federal or Florida law, rule, or regulation;

5. no notice, report or other filing or registration with, and no consent, approval or authorization of, any Federal, Florida or local governmental authority is required to be submitted, made or obtained in connection with the execution, delivery and performance of any of the Transaction Documents, which, if not obtained, could have a materially adverse impact on the transaction contemplated in the Underwriting Agreement;

6. the Company conducts no business outside of the State of Florida;

7. there are no actions, claims, investigations or other proceedings pending or threatened against the Company, other than ordinary routine litigation incidental to the business of the Company or as disclosed on the Prospectus, and no stop order or proceedings for suspending the effectiveness of the Registration Statement are pending or threatened under Section 8(b) of the Act;

8. the Company does not directly or indirectly own, control or hold with power to vote, 10 per centum (10%) or more of the outstanding voting securities of a public-utility company or of a company which is a holding company under the Public Utility Holding Company Act of 1935 (the "Holding Company Act");

9. the Company does not directly or indirectly exercise (either alone or pursuant to an arrangement or understanding with one or more other persons) a controlling influence over the management or policies of any public-utility or holding company;

10. the Company (i) has not been declared to be a holding company under the Holding Company Act by the Securities and Exchange Commission (the "Commission"), (ii) is not currently a party to any proceeding before the Commission to determine whether it is a holding company under the Holding Company Act, (iii) has not received any notice from the Commission that it intends to declare the Company to be a holding company under the Holding Company Act, or (iv) has not filed any application with the Commission to determine whether it is a holding company under the Holding Company Act;

11. the approval of the Florida Public Service Commission with respect to the issuance and sale of the Note has been obtained and is in full force and effect;

12. the Order entered by the Florida Public Service Commission dated March 14, 2001 authorizing among other matters, the issuance and sale and/or exchange of any combination of long-term debt, short term notes and equity securities during calendar year 2001 which Order is required for the valid authorization, issuance and sale of the Notes by the Company in accordance with the Underwriting Agreement has not been amended, modified or rescinded and is in full force and effect;

13. all taxes, fees and charges payable with respect to the real and personal property subject to the lien of the Original Indenture have been paid in full;

14. the list attached hereto as Exhibit "A" identifies all real property owned by the Company; and

15. ASE is hereby authorized and directed to deliver its opinion to Edward D. Jones & Co., L.P. (the "Underwriter") for the purposes set forth in the opinion.

Dated as of September 26, 2001

Jack R. Brown, Vice President and Secretary
Florida Public Utilities Company

Exhibit "A"

REAL PROPERTY DESCRIPTIONS
2001

MARIANNA

PROPERTY CODE	LEGAL DESCRIPTION	LOCATION & USE	ASSESSED VALUE
05-4N-10-0000-1180-0000	OR 177 P 552 COMM AT SEC OF SE1/4 OF SW1/4 RUN N. 475.06 FT., N 88°11'W 35FT TO BEGIN RUN	MAIN OFFICE - 2825 PENN AVE,	786,413
32-5N-10-0000-0360-0000	A LOT 50 BY 400 FT IN E1/2 OF SW1/4 AS PER DEED BOOK 307 PAGE 463 RECORDS OF JACKSON COUNTY LESS PART	SIGN PROPERTY - HWY 90 W NEAR 73 N.	19,250

FERNANDINA BEACH

PROPERTY CODE	LEGAL DESCRIPTION	LOCATION & USE	ASSESSED VALUE
00-00-30-044B-0097-0010	W 170 FT OF E1/2 OF LOT 97 OR 163/536 & OR 163/537 OCEAN BREEZE FARMS PB 2/19	STEP-DOWN SUBSTATION, STATE RD. 200	128,204
00-00-31-1720-000A-0150	S-15 OF TRACT A IN OR 362 PG 150 SOUTH BEACH SUB 3/11	LOT FOR TRANS. GUY WIRES, 1ST STREET	14,175
00-00-31-1800-0166-0050	BLOCK 166 LOT 5 PT OF OR 235 PG 624 CITY OF FDNA BEACH	PARKING LOT & MAIN OFFICE, 911 S 8TH	6,655
00-00-31-1800-0166-0060	BLOCK 166 LOT 6 PT OF OR 235 PG 624 CITY OF FDNA BEACH	PARKING LOT & MAIN OFFICE, 911 S. 8TH	7,074
00-00-31-1800-0166-0070	BLOCK 166 LOT 7 PT OF OR 235 PG 623 CITY OF FDNA BEACH	PARKING LOT & MAIN OFFICE, 911 S 8TH	6,961
00-00-31-1800-0166-0260	BLOCK 166 LOTS 26 27 & 28 OR 235 PG 625 CITY OF FDNA BEACH	PARKING LOT & MAIN OFFICE, 911 S 8TH	212,482
00-00-31-1800-0183-0000	BLOCK 183 LOTS ALL OF CITY OF FDNA BEACH	J.L. TERRY SUBSTATION, 10TH & LIME	106,549
00-00-31-1800-0186-0010	BLOCK 186 LOTS 1 2 7 8 IN OR 517 PG 43 CITY OF FDNA BEACH	STOREROOM PARKING LOT, 1286 LIME ST.	90,000
00-00-31-1800-0303-0010	BLOCK 303 LOTS 1 2 3 6 FRAC 7 8 W 98 FT OF 4 BLOCKS 303 LOTS 5 + E 2 FT OF 4	WAREHOUSE & STOREROOM, 611 LIME ST.	265,591
00-00-31-1800-0308-0011	BLOCK 308 PT OF LOTS 1 & 2 W OF RR IN DB 254 PG 500 & DB 264 PG 466 CITY OF FDNA BEACH	STOREROOM PARKING LOT, LIME & CLINCH	8,400
00-00-31-1800-0295-0060	BLOCK 295 LOTS N1/4 OF 6 & S1/4 OF 7 CITY OF FDNA BEACH	ADD'L PARKING FOR OFFICE, 911 S 7TH ST.	420
14-2N-28-0000-0009-0020	89/40 OR 189/340	A1A SUBSTATION, 5340 FL 1ST COAST HYW	60,000
29-3N-28-0000-0005-0000	PT OF GOVT LOT 6 IN DB 245 PG 70 CO REC OUTSIDE CITY LIMITS	WATERWORK #2, 2203 RYAN ROAD	168,291
00-00-31-1800-0295-0050	BLOCK 295 LOTS 5 S3/4 OF 6 N3/4 OF 7 LOTS 26 27 28 PT OR 527 PG 611 CITY OF FDNA BEACH	ADD'L PARKING FOR OFFICE, 911 S 7TH ST.	17,670

WEST PALM BEACH

PROPERTY CODE	LEGAL DESCRIPTION	LOCATION & USE	ASSESSED VALUE
FPUC			
12-43-46-16-47-000-0100	L R BENJAMIN SUB LTS 10 TO 12 INC	DELRAY OFFICE, WAREHOUSE & LOT	182,105
38-43-44-34-00-000-0021	34-44-43 S 194.96 FT OG GOV LT 2 W OF FEC RY R/W	LANTANA FLO-GAS YARD	14,798
40-43-44-34-00-003-0170	34-44-43 S 328 FT OF N 428 FT OFGOV LOT 3 W OF RY R/W/LESS RD R/W	LANTANA FLO-GAS YARD	160,815
40-43-44-34-00-003-0190	34-44-43 N 100 FT OF GOV LOT 3W OF RY /LESS RD R/W	LANTANA FLO-GAS YARD	55,251
74-43-43-21-01-020-0010	LT 1 (LESS N 7 FT & E 10 FT OF N 93 FT ST R/W) & LT 2 (LESS N 7 FT OF E 50 FT & 20 FT OF W 50 FT ST R/W) BLK 20	MAIN OFFICE AT 401 S. DIXIE	1,695,214
74-43-43-21-01-027-0041	TOWN OF WPB W 200 FT (LESS S 169.77 FT) OF BLK 27 AKA PT OF LTS 4 & 5	W HOUSE & YARD EAST OF SAPODILLA	44,591
74-43-43-21-01-038-0010	TOWN OF WPB LTS 1, 2, E 50 FT OF LT 3, W 40 FT OF LT 3 & LOT 4 BLK 38	OP. CTR - EXCEPT WESTERN 120 FT	320,564
74-43-43-21-01-038-0050	TOWN OF WPB LT 5 BLK 38	OP CTR- WESTERN 120 FEET	1,193
74-43-43-21-06-032-0060	CLOWS ADDITION LTS 6 TO 10 INC BLK 32	OP PARKING LOT	11,526
74-43-43-21-01-020-0031	TOWN OF WPB W 1/2 OF LOT 3 /LESS N 20 FT/ BLK 20	MAIN OFFICE PARKING LOT	84,955
74-43-43-21-01-020-0032	TOWN OF WPB E 1/2 OF LT 3 (LESS N 20 FT RD R/W) BLK 20	MAIN OFFICE PARKING LOT	84,500
FLO-GAS			
00-42-44-14-01-017-0021	PLAT NO 2 FOREST HILL VILLAGE E 75 FT OF N 203 FT OF TR B	NOT KNOWN	20,727

SANFORD

PROPERTY CODE	LEGAL DESCRIPTION	LOCATION & USE	ASSESSED VALUE
30-19-30-300-026B-0000-0-4	LEG SEC 30 TWP 19S RGE 30E N 132 FT OF S. 167 FT OF E 80 FT W 990 FT OF NW 1/4	WAYSIDE GATE STATION - 5588 WAYSIDE DR.	11,340
25-19-30-5AG-0711-0090-0-	LEGS LOTS 9+10 BLK 7 TR 11 TOWN OF SANFORD PB 1 PG 62 PAD: 830 W 6TH ST	SANFORD OFFICE - 830 W. 6TH STREET	69,798
25-19-30-5AG-0811-0020-0-	LEG BEG SW COR CEDAR AVE+6TH ST RUN E 275.3 FT S 80 8 FT W 275.3 FT N TO BEG BLK 8 TR 11 TOWN OF SANFORD PB 1 PG 62 PAD: 6TH STRE	SANFORD PLANT PARKING - 901 W 6TH ST	2,572
25-19-30-5AG-0812-0010-0-	LEG ALL N+E OF RY BLK 8 TR 12 TOWN OF SANFORD PB 1 PG 62 PAD E 6TH ST	PLANT BLDGS & TANKS - 901 W 6TH STREET	16,558

DELAND

PROPERTY CODE	LEGAL DESCRIPTION	LOCATION & USE	ASSESSED VALUE
7009-01-77-0030	W 300 FT OF SW 1/4 BLK 113 DELAND	DeLAND OFFICE - 401 N STONE STREET	221,108
7021-00-00-0920	21 17 30 W 100 FT OF E 120 FT OF S 150 FT OF N 170 FT OF NW 1/4 OF NW 1/4 OF NW 1/4	VACANT LOT - ADDRESS NOT KNOWN	11,250
8034-41-05-0210	LOT 21 EXC TRIANGLE BEING W 88 45 FT ON N/L & S 15 FT ON W/L BLK 5 PLANTATION ESTATES UNIT 31 MB 23 PG 167 PER OR 4107 PGS 4106-410	DeLAND GATE STATION - 275 TOM'S RD	15,829
9004-00-00-0050	4 19 30 N 281.66 FT ON W/S OF ST RD & N 80 FT ON W/L OF NE 1/4 OF SE 1/4 S OF RR EXC NEW R/W FOR ST RD 15/600 PER OR 4498 PG 945	LAND FOR NEW OFFICE - 404 S HWY 1792	151,303
9004-00-00-0110	4 19 30 E 1/2 OF SE 1/4 W OF US HWY 17-92 & S OF RR EXC N 80 FT ON W/L & EXC 649 15 FT ON W/L PER OR 4491 PGS 3776-3779	LAND FOR NEW OFFICE - 404 S HWY 1792	186,554

EXHIBIT B

State of Florida

Department of State

I certify from the records of this office that FLORIDA PUBLIC UTILITIES COMPANY is a corporation organized under the laws of the State of Florida, filed on April 25, 1929, effective March 6, 1924.

The document number of this corporation is 119792.

I further certify that said corporation has paid all fees due this office through December 31, 2001, that its most recent annual report/uniform business report was filed on April 25, 2001, and its status is active.

I further certify that said corporation has not filed Articles of Dissolution.

I further certify that this is an electronically transmitted certificate authorized by section 15.16, Florida Statutes, and authenticated by the code, 401A00052795-092101-119792 -1/1, noted below.

Given under my hand and the
Great Seal of the State of Florida,
at Tallahassee, the Capital, this the
Twenty-first day of September, 2001

Authentication Code: 401A00052795-092101-119792 -1/1

GREAT SEAL OF THE STATE OF FLORIDA
IN GOD WE TRUST

CR2E022 (1-99)

Katherine Harris

Katherine Harris
Secretary of State

NO. 8

SunTrust Bank, Central Florida, N.A.
Corporate Trust Division
225 East Robinson Street, Suite 250
Orlando, Florida 32801
Phone (407) 237-4085
Fax (407) 237-5299

SUNTRUST

December 10, 2001

Mr. Jack Brown, Treasurer
Florida Public Utilities
P.O. Box 3395
West Palm Beach, FL 33402-3395

Re: $14,000,000 Palm Beach County, Florida Industrial Development Revenue Bonds (Florida Public Utilities Company), Series 2001 Account #6748503

Dear Mr. Brown:

Thank you for the privilege of serving you in connection with the above referenced note issue. Our invoice for fees is as follows:

ACCEPTANCE FEE (one-time):		$1,500.00
ANNUAL ADMINISTRATION FEE: ($150/million or $3,000 minimum) Fee for Period: 11/14/01 - 6/30/02*:		$1,875.00
ANNUAL DISCLOSURE AGENT FEE: ($1,000) Fee for Period: 11/14/01 – 6/30/02*		$ 625.00
	TOTAL	$4,000.00

*Note: annual fees are prorated to put this issue on same cycle as First Mortgage Bonds.

Also enclosed is the detailed invoice from Holland & Knight, counsel to SunTrust Bank. Please remit payment of the amounts due SunTrust and Holland & Knight to me for proper crediting to your account. I have enclosed a self-addressed envelope for your convenience.

If I can be of any assistance to you, please feel free to contact me at 407/237-4791.

Sincerely,

Lisa Derryberry
Vice President

SunTrust Bank, Central Florida, N.A.
Corporate Trust Division
225 East Robinson Street, Suite 250
Orlando, Florida 32801
Phone (407) 237-4085
Fax (407) 237-5299

SUNTRUST

October 10, 2001

Mr. Jack Brown, Treasurer
Florida Public Utilities
P.O. Box 3395
West Palm Beach, FL 33402-3395

Re: Florida Public Utilities Company Secured Insured Quarterly Notes due 2031
Account #6748502

Dear Mr. Brown:

Thank you for the privilege of serving you in connection with the above referenced note issue. Our invoice for fees is as follows:

ACCEPTANCE FEE (one-time):	$1,500.00
ANNUAL ADMINISTRATION FEE:	
Fee for Period: 10/01/01 - 6/30/02*:	$1,331.25
TOTAL DUE:	$2,831.25

*Note: annual fee prorated to put this issue on same cycle as First Mortgage Bonds calculated as shown below:
Annual Administration Fee @ $150 per million of Bonds outstanding (per issue)

12th Supplement ($15,500,000)	$2,325.00
13th Supplement ($8,000,000)	1,200.00
14th Supplement/IQ Notes ($15,000,000)	2,250.00
Total Due:	$5,775.00
Less Amount remitted 6/19/01	(4,000.00)
Balance Due	$1,775.00

Also enclosed is the invoice from Holland & Knight, counsel to SunTrust Bank. Please remit payment of the amounts due SunTrust and Holland & Knight to me for proper crediting to your account. I have enclosed a self-addressed envelope for your convenience.

If I can be of any assistance to you, please feel free to contact me at 407/237-4791.

Sincerely,

Lisa Derryberry
Vice President

NO. 9

MERGER AGREEMENT

This **MERGER AGREEMENT** (this "Agreement") is entered into as of October 29, 2001 by and between **FLORIDA PUBLIC UTILITIES COMPANY**, a Florida corporation ("FPUC"); **FLO-GAS CORPORATION**, a Florida corporation and wholly-owned subsidiary of FPUC (sometimes hereinafter referred to as the "FPUC Merger Sub," and together with FPUC, the "FPUC Companies"); **Z-GAS COMPANY, INC.**, a Florida corporation d/b/a Higginbotham Gas Service (the "Company"); and **HENRY R. HIGGINBOTHAM, PATRICIA H. HIGGINBOTHAM, DONALD H. HIGGINBOTHAM, DONALD D. ZELL, SR.** and **DONALD DAVID ZELL, JR.**, who together constitute all of the shareholders of the Company (collectively, the "Shareholders" and individually, the "Shareholder"). Certain other capitalized terms used herein are defined in Article IX and throughout this Agreement.

RECITALS

The Company owns and operates a business involving the sale of propane to residential and commercial customers (the "Business"). The Boards of Directors of FPUC and the Company have determined that it is in the best interests of their respective shareholders for FPUC to acquire the Company upon the terms and subject to the conditions set forth in this Agreement. In order to effectuate the transaction, the parties have agreed, subject to the terms and conditions set forth in this Agreement, to merge the Company with and into the FPUC Merger Sub so that the FPUC Merger Sub continues as the surviving corporation.

TERMS OF AGREEMENT

In consideration of the mutual representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE I

THE MERGER

1.1 The Merger. Upon the terms and subject to the conditions of this Agreement and in accordance with the Florida Business Corporation Act (the "Corporations Code"), at the Effective Time (as defined below) Company shall be merged with and into the FPUC Merger Sub (the "Merger") pursuant to the terms and conditions set forth in the Plan and Agreement of Merger attached hereto as Exhibit A (the "Plan of Merger"). The terms and conditions of the Plan of Merger are incorporated herein by reference as if fully set forth herein. As a result of the Merger, the separate corporate existence of Company shall cease and the FPUC Merger Sub shall continue as the surviving corporation (the "Surviving Corporation").

1.2 Closing. Subject to and after fulfillment or waiver of the conditions set forth in Article VI and Article VII of this Agreement, the consummation of the Merger (the "Closing") shall take place on the later of October 29, 2001 or within five (5) business days after satisfaction or waiver of the conditions at the offices of FPUC's counsel in Orlando, Florida, through the mutual exchange of executed documents by overnight mail and telecopy, or such other manner as the parties may otherwise agree.

1.3 Aggregate Consideration; Conversion of Securities.

(a) The aggregate consideration that will be paid in the Merger shall be Five Hundred Thousand Dollars ($500,000.00), (i) minus Three Thousand Seven Hundred Fifty Dollars ($3,750) as an agreed adjustment with respect to the financial obligations appearing in the Company contract with Harper Industries, Inc. as summarized in Schedule 3.25, (ii) plus the amount that Current Assets (as hereinafter defined) exceed Current Liabilities (as hereinafter defined) as of the Effective Date, (iii) minus the amount that Current Liabilities exceed Current Assets as of the Effective Date, (iv) minus all Indebtedness as of the Effective Date, (v) minus accounts receivable past due longer than sixty (60) days determined as of the Effective Date (collectively, the "Old A/Rs"), (vi) plus the Old A/Rs collected during the Adjustment Period as set forth in Section 1.6(b) hereinbelow, and (vii) minus the amount of all Transaction Costs incurred, paid or payable by the Company and not otherwise paid by the Shareholders (such net amount hereinafter referred as the "Aggregate Consideration," and collectively, items (i) through (vi) are referred to herein as the "Purchase Price Adjustment"). "Current Assets" shall mean all current assets of the Company, the value of which shall be determined according to GAAP. "Current Liabilities" shall mean all current liabilities of the Company (not including Indebtedness), the value of which shall be determined in accordance with GAAP.

(b) The Aggregate Consideration payable to the Shareholders shall consist of the following:

(i) Twenty Thousand Dollars ($20,000) in cash at the Effective Time (the "Cash Consideration") payable as more completely set forth in Schedule 1.3(b)(i); and

(ii) an aggregate number of shares of common stock, par value $1.50 per share, of FPUC (the "FPUC Common Stock"), with any fractional share rounded up to a whole number, determined by dividing (y) Four Hundred Fifty-Six Thousand Two Hundred Fifty Dollars ($456,250) by (z) the average closing price of a share of FPUC Common Stock on the ASE for the ten (10) consecutive trading days which precede the third trading day which is immediately prior to the Effective Date (the "Applicable Trading Period"), as reported (absent manifest error in the printing thereof) by the Wall Street Journal (Eastern Edition) (the "Average Closing Price") all as more completely set forth in Schedule 1.3(b)(ii).

(iii) an aggregate number of shares of FPUC Common Stock (the "Section 1.3(b)(iii) Shares"), with any fractional share rounded up to a whole number, determined by dividing (y) Sixty-Five Thousand Five Hundred Seventy-Four Dollars ($65,574.00) consisting of the sum of $20,000 (being the balance of the Aggregate Consideration) plus $45,574 (being the "Estimated Amount" as hereinafter defined) by (z) the Average Closing Price, all as more completely set forth in Schedule 1.3(b)(iii).

(c) At the Effective Time, by virtue of the Merger and without any action on the part of the Company, FPUC, FPUC Merger Sub, or the Shareholders, each share of common stock, par value $1.00 per share, of the Company ("Company Common Stock") issued and outstanding immediately prior to the Effective Time shall be converted into the right to receive that portion of the Aggregate Consideration as provided in Schedule 1.3(c) attached hereto.

1.4 **Filing of Articles**. At the time of the Closing, the parties shall cause the Merger to be consummated by filing a duly executed Articles of Merger (with the completed Plan of Merger attached thereto) with the Secretary of State of the State of Florida, in form reasonably satisfactory to FPUC, the Company and the Shareholders and otherwise as is required by and is in accordance with the relevant provisions of the Corporations Code (the date and time of such filing is referred to herein as the "Effective Date" or "Effective Time").

1.5 **Issuance of FPUC Shares; Payment of Cash; Delivery of Certificates**. At the Effective Time, each Shareholder shall deliver to FPUC the certificates representing all issued and outstanding shares of Company's capital stock held by such Shareholder for cancellation, and FPUC shall issue to each Shareholder (a) the shares of FPUC Common Stock issuable pursuant to Section 1.3 registered in the name of such Shareholder and (b) the cash consideration payable pursuant to Section 1.3, based on the number of shares of the capital stock of the Company owned by each Shareholder on the Effective Date as set forth on Schedule 3.5 and shall deliver such shares and cash in the following manner:

(i) FPUC shall hold back in accordance with Article VIII one or more certificates evidencing the number of shares of FPUC Common Stock (rounded down to the nearest share) equal to twenty percent (20%) of the shares issuable pursuant to Section 1.3 (the "Held Back Shares"); and

(ii) FPUC shall deliver to each Shareholder one or more certificates evidencing the balance of such shares of FPUC Common Stock (shares of FPUC Common Stock issuable by FPUC pursuant to the Merger, including the Held Back Shares, are sometimes referred to as the "FPUC Shares"); provided, however, that the certificates for the Section 1.3(b)(iii) Shares shall be delivered to the Shareholders within two (2) weeks of the Effective Time.

(iii) FPUC shall deliver the cash portion of the Aggregate Consideration to the Shareholders by regular check.

1.6 **Purchase Price Adjustment**.

(a) At least three (3) days prior to the Closing, FPUC and the Shareholders shall estimate by mutual agreement the amount of the Purchase Price Adjustment as of the Effective Date (which estimated amount is referred to herein as the "Estimated Amount"). To the extent, that such Estimated Amount reduces or increases the Aggregate Consideration, such increase or reduction shall be applied to the FPUC Common Stock payable at the Effective Time. Within one hundred twenty (120) calendar days after the Effective Date (the "Adjustment Period"), FPUC shall use its best efforts (and the Shareholders shall cooperate in similar manner) to obtain and review applicable financial information of the Company pertaining to the elements of the calculation of the Aggregate Consideration and FPUC shall prepare and deliver to the Shareholders a determination (the "Determination") of the actual amount of the Purchase Price Adjustment as of the Effective Date (which actual amount is referred to herein as the "Actual Amount") including the basis for such Determination. If, within thirty (30) business days after the date on which a Determination is delivered to the Shareholders, the Shareholders shall not have given written notice to FPUC setting forth in detail any objection of the Shareholders to such Determination, then such Determination shall be final and binding on the parties hereto. In the event the Shareholders give written notice of any objection to such Determination within such 30-day period, FPUC and the Shareholders shall use all reasonable efforts to resolve the dispute within thirty (30) business days following the receipt by FPUC of the written notice from the Shareholders. If the parties are unable to reach an agreement within such 30-day period, the matter shall be submitted to a mutually agreed upon "big five" certified public accounting firm for determination of the Actual Amount which shall be final and binding upon FPUC and the Shareholders. FPUC and the Shareholders shall contribute equally to all costs (including fees and expenses charged by the selected firm of certified public accountants) in connection with the resolution of any such dispute. If the Actual Amount reduces the Aggregate Consideration, then the difference between the amount paid and the adjustment amount shall be deemed to be Indemnifiable Damages under Article VIII hereof and FPUC may set off against the Held Back Shares the difference between the Actual Amount and the Estimated Amount (assuming a value per share for purposes of such calculation equal to the Average Closing Price) or take any other action or exercise any other remedy available to it by appropriate legal proceedings to recover such amount. If the Actual Amount increases the Aggregate Consideration, then such difference (i) if under $5,000, shall be paid in a lump sum cash payment payable to the Shareholders in the percentage set forth on Schedule 1.3(c) and (ii) if $5,000 or over, shall be paid by issuing FPUC Shares to the Shareholders in the percentage set forth on Schedule 1.3(c) assuming a value per share for the purpose of such calculation equal to the Average Closing Price.

(b) During the Adjustment Period, the Merger Sub shall take reasonably diligent efforts (all such action at its sole discretion and without the involvement of the Shareholders, unless requested by Merger Sub) to collect the Old A/Rs owed by existing customers; provided, however, any Old A/Rs not actually received the end of the Adjustment Period shall be eliminated from the calculation of the Purchase Price Adjustment.

1.7 **Tax Treatment**. The parties hereto intend that the transactions contemplated hereby are to be treated as a tax-free reorganization under Section 368 of the Code.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF FPUC

As a material inducement to the Company and each of the Shareholders to enter into this Agreement and to consummate the transactions contemplated hereby, FPUC makes the following representations and warranties to the Company and the Shareholders:

2.1 **Corporate Status**. FPUC is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida. The FPUC Merger Sub is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida. The FPUC Merger Sub is a wholly-owned subsidiary of FPUC.

2.2 **Corporate Power and Authority**. Each of the FPUC Companies has the corporate power and authority to execute and deliver this Agreement, to perform its respective obligations hereunder and to consummate the transactions contemplated hereby. Each of the FPUC Companies has taken all action necessary to authorize its execution and delivery of this Agreement, the performance of its respective obligations hereunder and the consummation of the transactions contemplated hereby.

2.3 **Enforceability**. This Agreement has been duly executed and delivered by each of the FPUC Companies and constitutes a legal, valid and binding obligation of each of the FPUC Companies, enforceable against each of the FPUC Companies in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles regardless of whether such enforceability is considered in a proceeding at law or in equity.

2.4 **No Commissions.** Neither of the FPUC Companies has incurred any obligation for any finder's or broker's or agent's fees or commissions or similar compensation in connection with the transactions contemplated hereby.

2.5 **FPUC Common Stock**. Upon consummation of the Merger and the issuance and delivery of certificates representing the FPUC Shares to the Shareholders, the FPUC Shares will be validly issued, fully paid and non-assessable shares of FPUC Common Stock.

2.6 **Trading in FPUC Common Stock.** During the Applicable Trading Period, FPUC has not purchased or sold shares of FPUC Common Stock.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE SHAREHOLDERS

As a material inducement to FPUC to enter into this Agreement and to consummate the transactions contemplated hereby, the Company and each of the Shareholders, jointly and severally, make the following representations and warranties to FPUC:

3.1 **Corporate Status**. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida, and has the requisite power and authority to own or lease its properties and to carry on its business as now being conducted. The Company is not legally qualified to transact business as a foreign corporation in any jurisdiction, and the nature of its properties and the conduct of its business does not require such qualification. The Company has fully complied with all of the requirements of any statute governing the use and registration of fictitious names, and has the legal right to use the names under which it operates its business. There is no pending or threatened proceeding for the dissolution, liquidation, insolvency or rehabilitation of the Company.

3.2 **Power and Authority**. The Company has the power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The Company has taken all action necessary to authorize the execution and delivery of this Agreement, the performance of its obligations hereunder and the consummation of the transactions contemplated hereby. Each Shareholder is an individual residing in the State of Florida, and has the requisite competence power and authority to execute and deliver this Agreement, to perform his respective obligations hereunder and to consummate the transactions contemplated hereby.

3.3 **Enforceability**. This Agreement has been duly executed and delivered by the Company and the Shareholders, and will constitute the legal, valid and binding obligation of each of them, enforceable against them in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles regardless of whether such enforceability is considered in a proceeding at law or in equity.

3.4 **Capitalization**. Schedule 3.4 sets forth, with respect to the Company, (i) the number of authorized shares of each class of its capital stock, and (ii) the number of issued and outstanding shares of its capital stock. There are no outstanding or authorized rights, options, warrants, convertible securities, subscription rights, conversion rights, exchange rights or other agreements or commitments of any kind that could require the Company to issue or sell any shares of its capital stock (or securities convertible into or exchangeable for shares of its capital stock). There are no outstanding stock appreciation, phantom stock, profit participation or other similar rights with respect to the Company. There are no proxies, voting rights or other agreements or understandings with respect to the voting or transfer of the capital stock of the Company. The Company is not obligated to redeem or otherwise acquire any of its outstanding shares of capital stock.

3.5 **Shareholders of the Company**. Schedule 3.5 sets forth, with respect to the Company, the name, address and federal taxpayer identification (or social security number) number of, and the number of outstanding shares of each class of its capital stock owned of record and/or beneficially by, each shareholder of the Company as of the close of business on the date of this Agreement. As of the date hereof, the Shareholders constitute all of the holders (the "Holders") of all issued and outstanding shares of capital stock of the Company, and each Shareholder owns such shares free and clear of all Liens, restrictions and claims of any kind.

3.6 **No Violation**. Except as set forth on Schedule 3.6, the execution and delivery of this Agreement by the Company and the Shareholders, the performance by them of their respective obligations hereunder and the consummation by them of the transactions contemplated hereunder will not (i) contravene any provision of the articles of incorporation or bylaws of the Company, (ii) violate or conflict with any law, statute, ordinance, rule, regulation, decree, writ, injunction, judgment or order of any Governmental Authority or of any arbitration award which is either applicable to, binding upon or enforceable against the Company or any Shareholder, (iii) conflict with, result in any breach of, or constitute a default (with or without the passage of time or the giving of notice or both, constitute a default) under, or give rise to a right to terminate, amend, modify, abandon or accelerate, any Contract which is applicable to, binding upon or enforceable against the Company or any Shareholder, (iv) result in or require the creation or imposition of any Lien upon or with respect to any of the property or assets of the Company, or (v) require the consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority, any court or tribunal or any other Person, except as may be required under any SEC and other filings required to be made by FPUC.

3.7 **Records of the Company**. The copies of the articles of incorporation and bylaws of the Company which were provided to FPUC are true, accurate and complete and reflect all amendments made through the date of this Agreement. The minute books for the Company made available to FPUC for review were correct and complete in all material respects as of the date of such review, no further entries have been made through

the date of this Agreement, such minute books contain the true signatures of the persons purporting to have signed them, and such minute books contain an accurate record of all material corporate actions of the shareholders and directors (and any committees thereof) of the Company taken by written consent or at a meeting since incorporation. All material corporate actions taken by the Company have been duly authorized or ratified. All accounts, books, ledgers and official and other records of the Company have been fully, properly and accurately kept and completed in all material respects, and there are no material inaccuracies or discrepancies of any kind contained therein. The stock ledgers of the Company, as previously made available to FPUC, contain accurate and complete records of all issuances, transfers and cancellations of shares of the capital stock of the Company.

3.8 **Subsidiaries**. The Company does not own, directly or indirectly, any outstanding voting securities of or other interests in, or control, any other corporation, partnership, joint venture or other business entity.

3.9 **Financial Statements**. The Company and the Shareholders have delivered to FPUC (i) the unaudited financial statements of the Company for the years ending February 28, 1999, 2000 and 2001, including the notes thereto (if applicable) (the "Annual Statements"), and (ii) the unaudited financial statements of the Company for the period ended September 30, 2001, including the notes thereto (if applicable) (collectively, with the Annual Statements, the "Financial Statements"), copies of which are attached to Schedule 3.9 hereto. The balance sheet, dated as of September 30, 2001, of the Company included in the Financial Statements is referred to herein as the "Current Balance Sheet." The Financial Statements fairly present the financial position of the Company at each of the balance sheet dates and the results of operations for the periods covered thereby, and have been prepared in accordance with GAAP consistently applied throughout the periods indicated, except in the case of the interim statements for normal year-end adjustments. The books and records of the Company fully and fairly reflect all transactions, properties, assets and liabilities of the Company. Except as set forth on Schedule 3.9, there are no extraordinary or material non-recurring items of income or expense during the periods covered by the Financial Statements and the balance sheets included in the Financial Statements do not reflect any writeup or revaluation increasing the book value of any assets, except as specifically disclosed in the notes thereto. The Financial Statements reflect all adjustments necessary for a fair presentation of the financial information contained therein.

3.10 **Changes Since the Current Balance Sheet Date**. Since the date of the Current Balance Sheet, the Company has operated in the ordinary course of business and has not (i) issued any capital stock or other securities; (ii) made any distribution of or with respect to its capital stock or other securities or purchased or redeemed any of its securities; (iii) paid any bonus to or increased the rate of compensation of any of its officers or salaried employees or amended any other terms of employment of such persons; (iv) sold, leased or transferred any of its properties or assets other than in the ordinary course of business consistent with past practices; (v) made or obligated itself to make capital expenditures out of the ordinary course of business consistent with past

practices; (vi) made any payment in respect of its liabilities other than in the ordinary course of business consistent with past practices; (vii) incurred any obligations or liabilities (including any Indebtedness or entered into any transaction or series of transactions involving in excess of Five Thousand Dollars ($5,000) in the aggregate out of the ordinary course of business, except for this Agreement and the transactions contemplated hereby; (viii) suffered any theft, damage, destruction or casualty loss, not covered by insurance and for which a timely claim was filed, in excess of Five Thousand Dollars ($5,000) in the aggregate; (ix) suffered any extraordinary losses (whether or not covered by insurance); (x) waived, canceled, compromised or released any rights having a value in excess of Five Thousand Dollars ($5,000) in the aggregate; (xi) made or adopted any change in its accounting practice or policies; (xii) made any adjustment to its books and records other than in respect of the conduct of its business activities in the ordinary course consistent with past practices; (xiii) entered into any transaction with any Affiliate other than intercompany transactions in the ordinary course of business consistent with past practices; (xiv) entered into any employment agreement; (xv) entered into, terminated, amended or modified any agreement involving an amount in excess of Five Thousand Dollars ($5,000); (xvi) imposed any security interest or other Lien on any of its assets; (xvii) delayed paying any accounts payable which are due and payable except to the extent being contested in good faith; (xviii) made or pledged any charitable contribution in excess of Two Thousand Dollars ($2,000); (xix) entered into any other transaction or been subject to any event which has or may have a Material Adverse Effect on the Company; (xx) acquired any interest in any corporation, partnership or other venture; (xxi) made any loans to any third party or employee except in the ordinary course of business consistent with past practices; or (xxii) agreed to do or authorized any of the foregoing.

3.11 **Liabilities of the Company; Indebtedness**. The Company does not have any liabilities or obligations, whether accrued, absolute, contingent or otherwise, except (a) to the extent reflected or taken into account in the Current Balance Sheet and not heretofore paid or discharged, (b) liabilities incurred in the ordinary course of business consistent with past practice since the date of the Current Balance Sheet (none of which relates to breach of contract, breach of warranty, tort, infringement or violation of law, or which arose out of any action, suit, claim, governmental investigation or arbitration proceeding), and (c) normal accruals, reclassifications, and audit adjustments which would be reflected on an audited financial statement and which would not be material in the aggregate. Schedule 3.11 is a true and complete list of all Indebtedness of the Company, including the name of the lender, payoff amount, per diem interest and any prepayment penalties or premiums.

3.12 **Litigation**. There is no action, suit, or other legal or administrative proceeding or governmental investigation pending, or to the knowledge of the Company or the Shareholders threatened or contemplated, against, by or affecting the Company, the Shareholders or any of the Company's properties or assets, or which questions the validity or enforceability of this Agreement or the transactions contemplated hereby, and there is no basis for any of the foregoing. There has been no action, suit or other legal or administrative proceeding or governmental investigation against, by or affecting the

Company, the Shareholder or any of the Company's properties or assets. There are no outstanding orders, decrees, stipulations or agreements issued by any Governmental Authority in any proceeding or agreed to by the Company or the Shareholders to which the Company or the Shareholders are or were a party which have not been complied with in full which may have a Material Adverse Effect on the Company or its properties or assets.

3.13 Environmental Matters.

(a) The Company (as defined in clause (g) below) is and has at all times been in full compliance with all Environmental Laws (as defined in clause (g) below) governing its business, operations, properties and assets, including, without limitation: (i) all requirements relating to the Discharge (as defined in clause (g) below) and Handling (as defined in clause (g) below) of Hazardous Substances (as defined in clause (g) below); (ii) all requirements relating to notice, record keeping and reporting; (iii) all requirements relating to obtaining and maintaining Licenses (as defined in clause (g) below) for the ownership of its properties and assets and the operation of its business as presently conducted, including Licenses relating to the Handling and Discharge of Hazardous Substances; and (iv) all applicable writs, orders, judgments, injunctions, governmental communications, decrees, informational requests or demands issued pursuant to, or arising under, any Environmental Laws.

(b) There are no (and there is no basis for any) non-compliance orders, warning letters, notices of violation (collectively "Notices"), claims, suits, actions, judgments, penalties, fines, or administrative or judicial investigations or proceedings pending or threatened against or involving the Company, or its business, operations, properties, or assets, issued by any Governmental Authority or third party with respect to any Environmental Laws or Licenses issued to the Company thereunder in connection with, related to or arising out of the ownership by the Company of its properties or assets or the operations of its business, or the presence or Discharge, whether potential or actual, of any Hazardous Substance(s), which have not been resolved to the satisfaction of the issuing Governmental Authority or third party in a manner that would not impose any continuing obligation on FPUC or the Company.

(c) The Company has not Handled or Discharged, nor has it allowed or arranged for any third party to Handle or Discharge, nor has any third party Handled or Discharged, Hazardous Substances to, at or upon: (i) any location other than a site lawfully permitted to receive such Hazardous Substances; (ii) any real property currently or previously owned or operated by the Company; or (iii) any site which, pursuant to any Environmental Laws, (x) has been placed on the National Priorities List or its state equivalent, or (y) the United States Environmental Protection Agency or the relevant state agency or other Governmental Authority has notified the Company that such Governmental Authority has proposed or is proposing to place on the National Priorities List or its state equivalent. There has not occurred, nor is there presently occurring, a Discharge or threatened Discharge, of any Hazardous Substance on, into or beneath the surface of, or adjacent to, any real property currently or previously owned or operated by

the Company in an amount requiring a notice or report to be made to a Governmental Authority or in violation of any applicable Environmental Laws.

(d) Schedule 3.13 identifies the operations and activities, and locations thereof, which have been conducted or are being conducted by the Company on any real property currently or previously owned or operated by the Company which have involved the Handling or Discharge of Hazardous Substances.

(e) Except as set forth on Schedule 3.13, the Company does not use, nor has it used, any Aboveground Storage Tanks (as defined in clause (g) below) or Underground Storage Tanks (as defined in clause (g) below), and there are not now nor have there ever been any Underground Storage Tanks beneath any real property currently or previously owned or operated by the Company that are required to be registered under applicable Environmental Laws.

(f) Schedule 3.13 identifies (i) all environmental audits, assessments or occupational health studies undertaken by the Company or its agents or, to the knowledge of the Company, undertaken by any Governmental Authority, or any third party, relating to or affecting the Company or any real property currently or previously owned or operated by the Company, or the presence or Discharge, whether potential or actual, of any Hazardous Substance(s); (ii) the results of any ground, water, soil, air or asbestos monitoring undertaken by the Company or its agents or, to the knowledge of the Company, undertaken by any Governmental Authority or any third party, relating to or affecting the Company or any real property currently or previously owned or operated by the Company which indicate the presence of Hazardous Substances at levels requiring a notice or report to be made to a Governmental Authority or in violation of any applicable Environmental Laws; (iii) all material written communications between the Company and any Governmental Authority arising under or related to Environmental Laws; and (iv) all outstanding citations issued under OSHA, or similar state or local statutes, laws, ordinances, codes, rules, regulations, orders, rulings, or decrees, relating to or affecting either the Company or any real property currently or previously owned or operated by the Company.

(g) For purposes of this Section 3.13, the following terms shall have the meanings ascribed to them below:

"Aboveground Storage Tank" shall have the meaning ascribed to such term in Section 6901 et seq., as amended, of RCRA, or any applicable state or local statute, law, ordinance, code, rule, regulation, order ruling, or decree governing Aboveground Storage Tanks.

"Company" means the Company and any of its subsidiaries.

"Discharge" means any manner of spilling, leaking, dumping, discharging, releasing or emitting, as any of such terms may further be defined in any Environmental

Law, into any medium including, without limitation, ground water, surface water, soil or air.

"Environmental Laws" means all federal, state, regional or local statutes, laws, rules, regulations, codes, orders, plans, injunctions, decrees, rulings, and changes or ordinances or judicial or administrative interpretations thereof, or similar laws of foreign jurisdictions where the Company conducts business, whether currently in existence or hereafter enacted or promulgated, any of which govern (or purport to govern) or relate to pollution, protection of the environment, public health and safety, air emissions, water discharges, hazardous or toxic substances, solid or hazardous waste or occupational health and safety, as any of these terms are or may be defined in such statutes, laws, rules, regulations, codes, orders, plans, injunctions, decrees, rulings and changes or ordinances, or judicial or administrative interpretations thereof, including, without limitation: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendment and Reauthorization Act of 1986, 42 U.S.C. §9601, et seq. (collectively "CERCLA"); the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and subsequent Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §6901 et seq. (collectively "RCRA"); the Hazardous Materials Transportation Act, as amended, 49 U.S.C. §1801, et seq.; the Clean Water Act, as amended, 33 U.S.C. §1311, et seq.; the Clean Air Act, as amended (42 U.S.C. §7401-7642); the Toxic Substances Control Act, as amended, 15 U.S.C. §2601 et seq.; the Federal Insecticide, Fungicide, and Rodenticide Act as amended, 7 U.S.C. §136-136y ("FIFRA"); the Emergency Planning and Community Right-to-Know Act of 1986 as amended, 42 U.S.C. §11001, et seq. (Title III of SARA) ("EPCRA"); and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §651, et seq. ("OSHA").

"Handle" means any manner of generating, accumulating, storing, treating, disposing of, transporting, transferring, labeling, handling, manufacturing or using, as any of such terms may further be defined in any Environmental Law, of any Hazardous Substances or Waste.

"Hazardous Substances" shall be construed broadly to include any toxic or hazardous substance, material, or waste, and any other contaminant, pollutant or constituent thereof, including without limitation, chemicals, compounds, by-products, petroleum or petroleum products, and polychlorinated biphenyls, the presence of which requires investigation or remediation under any Environmental Laws or which are or become regulated, listed or controlled by, under or pursuant to any Environmental Laws.

"Licenses" means all licenses, certificates, permits, approvals and registrations.

"Underground Storage Tank" shall have the meaning ascribed to such term in Section 6901 et seq., as amended, of RCRA, or any applicable state or local statute, law, ordinance, code, rule, regulation, order ruling, or decree governing Underground Storage Tanks.

3.14 Real Estate. The Company does not own any parcels of real property. Schedule 3.14 sets forth a list of all leases, licenses or similar agreements for the use or occupancy of real property to which the Company is a party (the "Real Property Leases" or "Leases") copies of which have previously been furnished to FPUC), in each case setting forth: (a) the lessor and lessee thereof and the date and term of each of such leases, (b) the legal description, if known, including street address, of each property covered thereby (the "Leased Premises"), and (c) a brief description (including size and function) of the principal improvements and buildings thereon. The Real Property Leases are in full force and effect and have not been amended, and neither the Company nor, to the knowledge of the Company and the Shareholders any other party thereto, is in default or breach under any such Lease. No event has occurred which, with the passage of time or the giving of notice or both, would cause a breach of or default by the Company under any of such leases and, to the knowledge of the Company and the Shareholders there is no breach or anticipated breach by any other party to such leases. With respect to each of the Leased Premises: (i) the Company has valid leasehold interests or other rights of use and occupancy in the Leased Premises, free and clear of any Liens on such leasehold interests or other rights of use and occupancy, or any covenants, easements or title defects known to or created by the Company, except as do not affect the occupancy or uses of such properties; (ii) the portions of the buildings located on the Leased Premises that are used in the business of the Company are within the property setback and building lines of the respective property, are in good repair and condition, normal wear and tear excepted, and are in the aggregate sufficient to satisfy the Company's respective normal business activities as conducted thereat; (iii) each of the Leased Premises (a) has direct access to public roads or access to public roads by means of a perpetual access easement, such access being sufficient to satisfy the current and reasonably anticipated normal transportation requirements of the Company' respective business as presently conducted at such parcel; and (b) is served by all utilities in such quantity and quality as are sufficient to satisfy the current normal business activities as conducted at such parcel; and (iv) the Company has not received notice of (a) any condemnation proceeding with respect to any portion of the Leased Premises or any access thereto and to the knowledge of the Company and the Shareholders, no such proceeding is contemplated by any Governmental Authority; or (b) any special assessment which may affect any of the Leased Premises and to the knowledge of the Company and the Shareholders, no such special assessment is contemplated by any Governmental Authority.

3.15 Good Title, Adequacy and Condition of Assets.

(a) The Company has, and at the Closing will have, good and marketable title to all of its Assets (as hereinafter defined), free and clear of any Liens or restrictions on use. For purposes of this Agreement, the term "Assets" means all of the properties and assets of the Company, other than the Leased Premises, whether personal or mixed, tangible or intangible, wherever located. Schedule 3.15(a) contains a true and complete list of all Assets of the Company (excluding all rental equipment and inventory of merchandise held for sale and/or rental), setting forth a description of each such Asset,

whether it is owned or leased, and, if owned, the name of the lienholder and the amount of the Lien, and if leased, the name of the lessor and the general terms of the lease.

(b) The Fixed Assets (as hereinafter defined) currently in use or necessary for the business and operations of the Company are in good operating condition and repair, normal wear and tear excepted, and have been maintained in accordance with all applicable material specifications and warranties and normal industry practice. For purposes of this Agreement, the term "Fixed Assets" means all vehicles, machinery, equipment, tools, supplies, leasehold improvements, furniture and fixtures used by or located on the premises of the Company or set forth on the Current Balance Sheet or acquired by the Company since the date of the Current Balance Sheet.

(c) All inventory of propane tanks and gas held for sale or rental consists of a quality and quantity usable, rentable, or saleable in the ordinary course of business of the Company, except for obsolete items and items of below-standard quality, all of which have been written off, written down or adequately reserved against to their net realizable value in the Current Balance Sheet. All such inventory not written off has been recorded at the lower of cost or net realizable value, and depreciated consistent with the economic life of such inventory. The quantities of each item of such inventory are reasonable in the present circumstances of the Company. Schedule 3.15(c) contains a true and complete list of all propane tanks of the Company as of the date hereof.

3.16 **Compliance with Laws**. The Company is and has been in compliance with all laws, regulations and orders applicable to it, its business and operations (as conducted by it now and in the past), the Assets and the Leased Premises and any other properties and assets (in each case owned or used by it now or in the past). The Company has not been cited, fined or otherwise notified of any asserted past or present failure to comply with any laws, regulations or orders and no proceeding with respect to any such violation is pending or threatened. Neither the Company, nor any of its employees or agents, has made any payment of funds in connection with the business of the Company which is prohibited by law, and no funds have been set aside to be used in connection with the business of the Company for any payment prohibited by law. The Company is not subject to any Contract, decree or injunction in which the Company is a party which restricts the continued operation of the Business or the expansion thereof to other geographical areas, customers and suppliers or lines of business.

3.17 **Labor and Employment Matters**. Schedule 3.17 sets forth the name, address, social security number and current rate of compensation of each employee of the Company. The Company is not a party to or bound by any collective bargaining agreement or any other agreement with a labor union, and there has been no effort by any labor union during the twenty-four (24) months prior to the date hereof to organize any employees of the Company into one or more collective bargaining units. There is no pending or threatened labor dispute, strike or work stoppage which affects or which may affect the Business or which may interfere with its continued operations. Neither the Company nor any agent, representative or employee thereof has within the last twenty-four (24) months committed any unfair labor practice as defined in the National Labor Relations Act, as amended, and there is no pending or threatened charge or complaint

against the Company by or with the National Labor Relations Board or any representative thereof. The Company nor any shareholder is aware that any key employee or group of employees has any plans to terminate his or their employment with the Company. There has been no strike, walkout or work stoppage involving any of the employees of the Company during the twenty-four (24) months prior to the date hereof. Except as set forth on Schedule 3.17, the Company is not a party or subject to any employment agreements, non-compete agreements or consulting agreements. The Company has complied with applicable laws, rules and regulations relating to employment, civil rights and equal employment opportunities, including but not limited to, the Civil Rights Act of 1964, the Fair Labor Standards Act, the Americans with Disabilities Act, as amended and the Immigration Reform and Control Act of 1986, as amended.

3.18 Employee Benefit Plans. The Company does not have any Employee Benefit Plan (as hereinafter defined). "Employee Benefit Plan" means any: (i) employee pension benefit plan as defined in Section 3(2) of ERISA; (ii) multiemployer plan as defined in Section 3(37) of ERISA; (iii) employee welfare benefit plan as defined in Section 3(1) of ERISA; and (iv) any stock option, bonus, stock purchase, or insurance plan and any severance or termination pay plan or policy in which employees, spouses or dependents participate.

3.19 Tax Matters. All Tax Returns required to be filed prior to the date hereof with respect to the Company or its respective income, properties, franchises or operations have been timely filed, each such Tax Return has been prepared in compliance with all applicable laws and regulations, and all such Tax Returns are true and accurate in all respects. All Taxes due and payable by or with respect to the Company and the Business have been paid or are accrued on the Current Balance Sheet and shall be paid or accrued by the Company as of the Effective Time. The Company has withheld and paid all Taxes to the appropriate Governmental Authority required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder, or other third party. With respect to each taxable period of the Company: (i) no deficiency or proposed adjustment which has not been settled or otherwise resolved for any amount of Taxes has been asserted or assessed by any taxing authority against the Company; (ii) the Company has not consented to extend the time in which any Taxes may be assessed or collected by any taxing authority; (iii) the Company has not requested or been granted an extension of the time for filing any Tax Return to a date later than the Closing; (iv) there is no action, suit, taxing authority proceeding, or audit or claim for refund now in progress, pending, or to the knowledge of the Company and the Shareholders threatened, against or with respect to the Company regarding Taxes; and (v) there are no Liens for Taxes (other than for current Taxes not yet due and payable) upon the Assets of the Company. No sales or use tax (other than sales tax on motor vehicles), non-recurring intangible tax, documentary stamp tax or other excise tax (or comparable tax imposed by any governmental entity) will be payable by the Company or FPUC by virtue of the transactions contemplated in this Agreement.

3.20 Insurance. The Company is covered by valid, outstanding and enforceable policies of insurance covering its respective properties, assets and businesses

against risks of the nature normally insured against by corporations in the same or similar lines of business and in coverage amounts typically and reasonably carried by such corporations (the "Insurance Policies"). Such Insurance Policies are in full force and effect, and all premiums due thereon have been paid. As of the Effective Time, each of the Insurance Policies will be in full force and effect. None of the Insurance Policies will lapse or terminate as a result of the transactions contemplated by this Agreement. The Company has complied with the provisions of such Insurance Policies. Schedule 3.20 contains (i) a complete and correct list of all Insurance Policies and all amendments and riders thereto (copies of which have been provided to FPUC), and identifies the insurer, type of coverage and policy period for each policy. During the three (3) year period to the date hereof, the Company has not made any claims under any of the Insurance Policies and has suffered no losses that would give rise to any such claims, for an amount in excess of Five Thousand Dollars ($5,000) except as set forth on Schedule 3.20. The Company has not failed to give, in a timely manner, any notice required under any of the Insurance Policies to preserve its rights thereunder. The Company has notified its insurance carriers of all incidents potentially subject to coverage under any of the Insurance Policies that have occurred prior to Closing.

3.21 Receivables. All of the Receivables (as hereinafter defined) are valid and legally binding, represent bona fide transactions and arose in the ordinary course of business of the Company. All of the Receivables are good and collectible receivables, and will be collected in full in accordance with the terms of such receivables (and in any event within six (6) months following the Closing), without setoff or counterclaims, subject to the allowance for doubtful accounts, if any, set forth on the Current Balance Sheet as reasonably adjusted since the date of the Current Balance Sheet in the ordinary course of business consistent with past practice. For purposes of this Agreement, the term "Receivables" means all receivables of the Company, including all trade account receivables arising from the provision of services, sale of inventory, notes receivable, and insurance proceeds receivable. Schedule 3.21 is a true, complete and correct list of all receivables of the Company as of the date set forth, as if such receivables were being transferred to FPUC on and as of the date set forth thereon.

3.22 Licenses and Permits. The Company possesses all licenses and required governmental or official approvals, permits or authorizations (collectively, the "Permits") for its business and operations, including with respect to the operation of each of the Leased Premises, and Schedule 3.22 contains a true and complete list of all such Permits. All such Permits are valid and in full force and effect, the Company is in full compliance with the respective requirements thereof, and no proceeding is pending, or to the knowledge of the Company and the Shareholders threatened, to revoke or amend any of them. None of such Permits is or will be impaired or in any way affected by the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

3.23 Adequacy of the Assets; Relationships with Customers and Suppliers; Affiliated Transactions. No current customer of the Company has threatened to terminate its business relationship with the Company for any reason. The Company does

not have any direct or indirect interest in any customer, supplier or competitor of the Company, or in any person from whom or to whom the Company leases real or personal property. Except for Jacksonville Warehouse Co., no officer, director or shareholder of the Company, nor any person related by blood or marriage to any such person, nor any entity in which any such person owns any beneficial interest, is a party to any Contract or transaction with the Company or has any interest in any property used by the Company.

3.24 **Intellectual Property**. The Company has full legal right, title and interest in and to all trademarks, service marks, trade names, copyrights, know-how, patents, trade secrets, proprietary computer software, data bases and compilations, licenses (including licenses for the use of computer software programs), and other intellectual property used in the conduct of its business (the "Intellectual Property") and Schedule 3.24 attached hereto contains a true and complete list of all such Intellectual Property. The Company has not granted any rights in the Intellectual Property to any third party. The Business as presently conducted, and the unrestricted conduct and the unrestricted use and exploitation of the Intellectual Property, does not infringe or misappropriate any rights held or asserted by any Person, and no Person is infringing on the Intellectual Property. No payments are required for the continued use of the Intellectual Property. None of the Intellectual Property has ever been declared invalid or unenforceable, or is the subject of any pending or threatened action for opposition, cancellation, declaration, infringement, or invalidity, unenforceability or misappropriation or like claim, action or proceeding.

3.25 **Contracts**. Schedule 3.25 sets forth a list of each Contract to which the Company is a party or by which it or its properties and assets are bound and which is material to its business, assets, properties or prospects (the "Material Contracts"), true, correct and complete copies (in the case of written Contracts) and summaries (in the case of oral Contracts) of which have been provided to FPUC. Each Material Contract is a legal, valid and binding obligation of the Company, and to the knowledge of the Company, the Shareholders and the other parties thereto, and in accordance with their respective terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles regardless of whether such enforceability is considered in a proceeding at law or in equity. The copy of each written Material Contract or summary of each oral Material Contract furnished to FPUC is a true and complete copy of the document it purports to represent or summary, as the case may be, and reflects all amendments thereto made through the date of this Agreement. The Company has not violated any of the terms or conditions of any Material Contract or any term or condition which would permit termination or modification of any Material Contract, and to the knowledge of the Company and the Shareholders all of the covenants to be performed by any other party thereto have been fully performed, and there are no claims for breach or indemnification or notice of default or termination under any Material Contract. No event has occurred which constitutes, or after notice or the passage of time, or both, would constitute, a default by the Company under any Material Contract, and to the knowledge of the Company and the Shareholders no such event has occurred which constitutes or would constitute a default by any other party. The

Company is not subject to any liability or payment resulting from renegotiation of amounts paid under any Material Contract. As used in this Section 3.25, Material Contracts shall include, without limitation, formal or informal, written or oral, in each case which is material to the business, assets, properties or prospects of the Company: (a) loan agreements, indentures, mortgages, pledges, hypothecations, deeds of trust, conditional sale or title retention agreements, security agreements, equipment financing obligations or guaranties, or other sources of contingent liability in respect of any indebtedness or obligations to any other Person(s), or letters of intent or commitment letters with respect to same; (b) contracts obligating the Company to provide or purchase products or services for a period of one year or more; (c) leases of real property and leases of personal property not cancelable without penalty on notice of sixty (60) days or less or calling for payment of an annual gross rental exceeding Five Thousand Dollars ($5,000); (d) distribution, sales agency or franchise or similar agreements, or agreements providing for an independent contractor's services, or letters of intent with respect to same; (e) employment agreements, management service agreements, consulting agreements, confidentiality agreements, non-competition agreements, employee handbooks, policy statements and any other agreements relating to any employee, officer or director of any of the Company; (f) licenses, assignments or transfers of trademarks, trade names, service marks, patents, copyrights, trade secrets or know how, or other agreements regarding proprietary rights or intellectual property; (g) any Contract relating to pending capital expenditures by the Company; (h) any non-competition agreements restricting the Company in any manner; and (i) other material Contracts or understandings, irrespective of subject matter and whether or not in writing, not entered into in the ordinary course of business by the Company and not otherwise disclosed on the Schedules calling for payments by the Company exceeding Five Thousand Dollars ($5,000).

3.26 Accuracy of Information Furnished by the Company and the Shareholders. No statement or information made or furnished by the Company or the Shareholders to FPUC or any of FPUC's representatives, including those contained in this Agreement and the various Schedules attached hereto and the other information and statements referred to herein and previously furnished by the Company or the Shareholders, contains or shall contain any untrue statement of a fact or omits or shall omit any fact necessary to make the information contained therein not misleading. The Company and the Shareholders have provided FPUC with true, accurate and complete copies of all documents listed or described in the various Schedules attached hereto.

3.27 Customers. Schedule 3.27 contains (A) a summary of the standard contract entered into between the Company and its consumer customers, all of which have been entered into in the ordinary course of business and without material modification from such summary, and (B) a summary of the contract between the Company and Jacksonville Warehouse Co. (the "Jacksonville Contract") and the revenue generated thereby during the last twelve (12) months. A true, correct and complete copy of the Jacksonville Contract has been furnished by the Company to FPUC and there are no standard written form customer contracts in use by the Company. The Company has not violated any of the terms or conditions the Jacksonville Contract or of any of its

customer contracts, and, to the knowledge of the Company and the Shareholders, all of the covenants to be performed by any other party thereto have been fully performed and there are no claims for breach or indemnification or notice of default or termination thereunder.

3.28 **Bank Accounts; Business Locations**. Schedule 3.28 sets forth all accounts of the Company with any bank, broker or other depository institution, and the names of all persons authorized to withdraw funds from each such account and the locations of all safe deposit boxes of the Company and the names of all persons authorized to have access to such safe deposit boxes. As of the date hereof, the Company has no office or place of business other than as identified on Schedule 3.14 and the Company's principal places of business and chief executive offices are indicated on Schedule 3.14, and, except for equipment leased to customers in the ordinary course of business, all locations where the equipment, inventory, chattel paper and books and records of the Company are located as of the date hereof are fully identified on Schedule 3.14.

3.29 **Names; Prior Acquisitions**. All names under which the Company does business as of the date hereof are specified on Schedule 3.29. The Company has not changed its name or used any assumed or fictitious name, or been the surviving entity in a merger, acquired any business or changed its principal place of business or chief executive office, within the past three (3) years.

3.30 **No Commissions**. Except for the brokers fees owed to The Canyon Group, LLC (the "Broker") which shall be paid, jointly and severally, by the Shareholders, neither the Company nor any Shareholder has incurred any obligation for any finder's or broker's or agent's fees or commissions or similar compensation in connection with the transactions contemplated hereby.

3.31 **Tax Treatment.** The Merger will qualify as a "Forward Triangular Reorganization" as set forth in Section 368 (a)(1)(A) and Section 368 (a)(2)(D) of the Code.

3.32 **Investment Intent.** The Shareholders are purchasing the FPUC Common Stock for investment and not for purposes of resale.

ARTICLE IV

CONDUCT OF BUSINESS PENDING THE MERGER

4.1 **Conduct of Business by the Company Pending the Merger**. The Company covenants and agrees that, except with the prior written consent of FPUC, between the date of this Agreement and the Effective Time, the Business shall be conducted only in, and shall not take any action except in, the ordinary course of business consistent with past practice. The Company shall use its reasonable best efforts to preserve intact its business organization, to keep available the services of its current

officers, employees and consultants, and to preserve its present relationships with customers, suppliers and other persons with which it has significant business relations. By way of amplification and not limitation, except as contemplated by this Agreement, the Company shall not between the date of this Agreement and the Effective Time, directly or indirectly, do or propose or agree to do any of the following without the prior written consent of FPUC: (a) amend or otherwise change its articles of incorporation or bylaws or equivalent organizational documents; (b) issue or authorize the issuance of, any shares of its capital stock of any class, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of capital stock or other ownership interest of the Company or any of its subsidiaries; (c) declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock; (d) reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock; (e) acquire (including, without limitation, for cash, or shares of stock, property or services, by merger, consolidation or acquisition of stock or assets) any interest in any corporation, partnership or other business organization or division thereof; (f) incur any additional Indebtedness or prepay any Indebtedness other than in the ordinary course of business consistent with past practices; (g) create Liens on any of its assets; (h) make (or commit to make) any capital expenditures in excess of Five Thousand Dollars ($5,000) except in the ordinary course of business; (i) make any loans or advances to any person or entity or guarantee the indebtedness of any person or entity, except in the ordinary course of business consistent with past practice; (j) sell or dispose of any of its assets, other than in the ordinary course of business, consistent with past practice; (k) enter into, modify or terminate, any Contract, other than in the ordinary course of business consistent with past practice; (l) pay any bonus to or increase the compensation or benefits payable or to become payable to its employees, independent contractors or consultants except in the ordinary course of business; (m) pay, discharge or satisfy any existing claims, liabilities or obligations other than in the ordinary course of business consistent with past practice; (n) increase or decrease prices charged to its customers, except for previously announced price changes, or take any other action which might reasonably result in any increase in the loss of customers; or (o) agree, in writing or otherwise, to take or authorize any of the foregoing actions or any other action which would make any representation or warranty in Article III untrue or incorrect. The Company shall give written notice to FPUC promptly following the occurrence of any event which has had (or which is likely to have) an adverse effect upon its assets, business, operations, prospects, properties or condition (financial or otherwise).

ARTICLE V

ADDITIONAL AGREEMENTS

5.1 **Further Assurances; Compliance with Covenants**. Each party shall execute and deliver such additional instruments and other documents and shall take such further actions as may be necessary or appropriate to effectuate, carry out and comply with all of the terms of this Agreement and the transactions contemplated hereby and to satisfy the conditions set forth in Article VI and VII. The Shareholders and the Company

shall use reasonable efforts to cause the Company's accountants to cooperate (such cooperation to include execution and delivery by the Shareholders and the Company or customary audit representation letters) with FPUC's accountants from time to time in connection with any audit of the assets, property and business of the Company. The Shareholders shall cause the Company to comply with all of the respective covenants of the Company under this Agreement. At the Closing, the Company and the Shareholders covenant and agree to deliver to FPUC the certificates, opinions and other documents required to be delivered to FPUC pursuant to Article VI, and FPUC covenants and agrees to deliver to the Company and the Shareholders the certificates and other documents required to be delivered to the Company and the Shareholders pursuant to Article VII.

5.2 **Cooperation**. Each of the parties agrees to cooperate with the other in the preparation and filing of all forms, notifications, reports and information, if any, required or reasonably deemed advisable pursuant to any law, rule or regulation or the rules of the ASE (or any exchange on which the FPUC Common Stock may be listed) in connection with the transactions contemplated by this Agreement and to use their respective best efforts to agree jointly on a method to overcome any objections by any Governmental Authority to any such transactions.

5.3 **Other Actions**. Each of the parties hereto shall take all appropriate actions, and do, or cause to be done, all things necessary, proper or advisable under any applicable laws, regulations and Contracts to consummate and make effective the transactions contemplated herein, including, without limitation, obtaining all licenses, permits, consents, approvals, authorizations, qualifications and orders of any Governmental Authority and parties to Contracts with the Company as are necessary for the consummation of the transactions contemplated hereby. Each of the parties agrees to cooperate with the others in the preparation and filing of all forms, notifications, reports and information, if any, required or reasonably deemed advisable pursuant to any law, rule or regulation in connection with the transactions contemplated by this Agreement, and to use their respective best efforts to agree jointly on a method to overcome any objections by any Governmental Authority to any such transactions. The parties also agree to use best efforts to defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby and to lift or rescind any injunction or restraining order or other adversely affecting the ability of the parties to consummate the transactions contemplated hereby.

5.4 **Access to Information**. From the date hereof to the Effective Time, the Company shall (and shall cause its directors, officers, employees, auditors, counsel and agents to) afford FPUC and FPUC's officers, employees, auditors, counsel and agents reasonable access at all reasonable times to its properties, offices, and other facilities, to its officers and employees and to all books and records, and shall furnish such persons with all financial, operating and other data and information as may be requested. Neither the due diligence investigation made by FPUC in connection with the transactions contemplated hereby nor information provided to or obtained by FPUC shall affect any representation or warranty in this Agreement.

5.5 Notification of Certain Matters. The Company and the Shareholders shall give prompt notice to FPUC of the occurrence or non-occurrence of any event which would likely cause any representation or warranty contained herein to be untrue or inaccurate, or any covenant, condition, or agreement contained herein not to be complied with or satisfied.

5.6 Tax Treatment. FPUC, the Company and the Shareholders will use their respective reasonable best efforts to cause the Merger to qualify as a reorganization under the provisions of Section 368(a) of the Code and represent that they do not presently intend to take, and have not taken, any action before or after the Merger is effected to cause the Merger to lose its tax-free status. All parties hereto agree to file the Plan and Agreement of Merger with its respective federal income tax returns for the year in which the Merger is effective, and to comply with the reporting requirements of Treasury Regulation 1.368-3.

5.7 Confidentiality; Publicity. Except as may be required by law (including but not limited to, the Securities Act) or as otherwise permitted or expressly contemplated herein, no party hereto or their respective Affiliates, employees, agents and representatives shall disclose to any third party this Agreement or the subject matter or terms hereof without the prior consent of the other parties hereto. No press release or other public announcement related to this Agreement or the transactions contemplated hereby shall be issued by any party hereto without the prior approval of the other parties, except that FPUC may make such public disclosure which it believes in good faith to be required by law or by the terms of any listing agreement with or requirements of a securities exchange.

5.8 No Other Discussions. The Company, the Shareholders, and their respective Affiliates, employees, agents and representatives will not (i) initiate, encourage the initiation by others of discussions or negotiations with third parties or respond to solicitations by third persons relating to any merger, sale or other disposition of any substantial part of the assets, business or properties of the Company (whether by merger, consolidation, sale of stock or otherwise) or (ii) enter into any agreement or commitment (whether or not binding) with respect to any of the foregoing transactions. The Company and the Shareholders will immediately notify FPUC if any third party attempts to initiate any solicitation, discussion or negotiation with respect to any of the foregoing transactions.

5.9 Restrictive Covenants. In order to assure that FPUC will realize the benefits of the Merger, the Shareholders agree that they will not:

(a) for a period of five (5) years following the Effective Time (the "Noncompete Period"), directly or indirectly, alone or as a partner, joint venturer, officer, director, employee, consultant, agent, independent contractor, or security holder, of any company or business, engage in, or finance, or provide financial assistance with respect to, any business activity in the business of selling to or storing propane for the benefit of commercial or retail customers (the "Propane Business") within a one hundred (100) mile

radius of Callahan, Florida (the "Territory"); provided, however, that the beneficial ownership of less than five percent (5%) of any class of securities of any entity having a class of equity securities actively traded on a national securities exchange or over-the-counter market shall not be deemed, in and of itself, to violate the prohibitions of this Section 5.9;

(b) during the Noncompete Period, directly or indirectly, (i) induce any customer acquired hereunder or any other customer of FPUC or any of its subsidiaries, successors, or assigns (as used in this Section 5.9, the "FPUC Companies") to patronize any business which is directly or indirectly in competition with the Propane Business conducted by any of the FPUC Companies; (ii) canvass, solicit or accept from any Person which is a customer of the Propane Business conducted by any of the FPUC Companies, any such competitive business; or (iii) request or advise any customer of the Propane Business conducted by any of the FPUC Companies to withdraw, curtail or cancel any such customer's business with the FPUC Companies or their successors;

(c) during the Noncompete Period, directly or indirectly, employ any person or consultant who was employed by the FPUC Companies, or in any manner seek to induce any employee or consultant of the FPUC Companies to leave his or her employment or contact any present, then current or prospective acquisition candidate of the FPUC Companies to solicit such person or entity to enter into a business relationship; and

(d) at any time following the Effective Date, directly or indirectly, in any way utilize, disclose, copy, reproduce or retain in their possession any of the FPUC Companies' proprietary rights or records acquired hereunder, including, but not limited to, any customer lists.

The Shareholders agree and acknowledge that the restrictions contained in this Section 5.9 are reasonable in scope and duration, and are necessary to protect the FPUC Companies. The Shareholders agree and acknowledge that any breach of this Section will cause irreparable injury to the FPUC Companies and upon any breach or threatened breach of any provision of this Section 5.9, the FPUC Companies shall be entitled to injunctive relief, specific performance or other equitable relief, without the necessity of posting bond; provided, however, that this shall in no way limit any other remedies which the FPUC Companies may have as a result of such breach, including the right to seek monetary damages. The parties hereto agree that FPUC may assign, without limitation, the foregoing restrictive covenants to any successor to the business of FPUC Merger Sub or FPUC.

5.10 **Contracts; Consents**. Without the consent of FPUC, prior to the Closing, (i) the Company shall not terminate or otherwise modify or amend any of its Contracts, and (ii) the Company shall use its reasonable best efforts to obtain and receive consents to the transactions contemplated hereby and waivers of rights to terminate or modify any rights or obligations of the Company from any person(s) from whom such consent or waiver is required under any Contract to which the Company is bound as of a date not

more than ten (10) days prior to the Closing Date, or who, as a result of the transactions contemplated hereby, would have such rights to terminate or modify such contracts, either by the terms thereof or as a matter of law.

5.11 **Due Diligence Review and Environmental Assessment**. FPUC shall be entitled to have conducted prior to the Closing a due diligence review of the assets, properties, books and records of the Company and, at FPUC's cost, an environmental assessment of the Leased Premises (hereinafter referred to as "Environmental Assessment"). The Company shall (and shall cause its directors, officers, employees, auditors, counsel and agents to) afford FPUC and FPUC's officers, employees, auditors, counsel and agents reasonable access at all reasonable times to its properties, offices, and other facilities, to its officers and employees and to all books and records, and shall furnish such persons with all financial, operating and other data and information as may be requested. The Environmental Assessment may include, but not be limited to, a physical examination of the Leased Premises, and any structures, facilities, or equipment located thereon, soil samples, ground and surface water samples, storage tank testing, review of pertinent records, documents, and Licenses of the Company. The Company and the Shareholders shall provide FPUC or its designated agents or consultants with the access to such property which FPUC, its agents or consultants require to conduct the Environmental Assessment. If the Environmental Assessment identifies environmental conditions which require remediation or further evaluation under the Environmental Laws or if the results of the Environmental Assessment or due diligence review are otherwise not satisfactory to FPUC in its sole discretion, then FPUC may, in addition to any other remedies available to it, elect not to close the transactions contemplated by this Agreement in which case this Agreement shall be terminated. In addition, if the transactions contemplated by this Agreement are consummated, the Purchase Price shall be reduced by (i) the cost reasonably estimated by FPUC's environmental consultant for remediation, cleanup and/or monitoring of environmental conditions identified by the Environmental Assessment and (ii) the cost reasonably estimated by FPUC's environmental consultant for removal and/or closure of any underground storage tank on any premises operated by the Company and identified by FPUC to be removed and/or closed prior to the Closing which is not so removed and/or closed prior to the Closing (provided, however that if the actual cost is less than such reduction then FPUC shall remit to the Shareholder such difference). To the extent that the actual costs exceed the estimated costs reflected above, the difference shall constitute Indemnifiable Damages. Neither the due diligence investigation made by FPUC in connection with the transactions contemplated hereby nor information provided to or obtained by FPUC shall affect any representation or warranty. FPUC's failure or decision not to conduct any such due diligence review or Environmental Assessment shall not affect any representation or warranty of the Company or the Shareholders under this Agreement.

5.12 **Trading in FPUC Common Stock**. From the date of this Agreement until the Effective Date, the Company and the Shareholders (and any Affiliates thereof) shall not directly or indirectly purchase or sell (including short sales) any shares of FPUC Common Stock in any transactions effected on ASE or otherwise. In addition, the Shareholders agree that for a period of twenty-four (24) months after the Effective Date,

the Shareholders (and any Affiliates thereof) shall not directly or indirectly sell or enter into any agreement, contract or arrangement to sell any shares of FPUC Common Stock (including any short sales); provided, however, any Shareholder may contribute such shares to an exchange fund (approved by FPUC in its sole discretion) or transfer such shares to members of his or her immediate family or trust or other estate planning vehicle; provided further, that such family members or trust or other estate planning vehicle agree to be bound by the provisions of this Section 5.12.

5.13 Certain Tax Matters. The parties agree that after the Effective Time, FPUC shall prepare, or cause to be prepared, and file, or cause to be filed, all Tax Returns (including any amendments to previously filed Tax Returns) for the Company for any period ending on or before the Effective Time and the Shareholders shall cause to be paid all Taxes owed by the Company for the period prior to and including the Effective Date. After the Effective Time, the Shareholders shall provide FPUC with such information and records as may be reasonably requested by FPUC in connection with the preparation of any Tax Return or any audit or other proceeding relating to the Company.

5.14 Shareholder Vote. Each Shareholder, in executing this Agreement, consents as a shareholder of the Company to the Merger and the transactions contemplated hereby, and waives notice of any meeting in connection therewith and hereby releases and waives all rights with respect to the transactions contemplated hereby under any agreements relating to the sale, purchase or voting of any capital stock of the Company.

5.15 Resignation. The Shareholders shall resign from their respective positions as directors, officers and/or employees of the Company at the Effective Time (the "Resignations").

5.16 Payoff and Estoppel Letters. Prior to the Closing, the Company shall request and deliver to FPUC payoff and estoppel letters from all holders of any Indebtedness of the Company to be paid off on or prior to the Closing, which letters shall contain payoff amounts, per diem interest, wire transfer instructions and an agreement to deliver to FPUC, upon full payment of any such Indebtedness, UCC-3 termination statements, satisfactions of mortgage or other appropriate releases and any original promissory notes or other evidences of indebtedness marked canceled.

5.17 Company Common Stock; Stock Powers; Releases. At the Closing, each of the Shareholders covenants and agrees to deliver to FPUC: (i) all certificates evidencing the Company Common Stock held by each of the Shareholders; (ii) ten (10) stock powers executed in blank, with medallion signature guarantees, for use in connection with the Held Back Shares; (iii) a release in such form as is reasonably satisfactory to FPUC releasing all claims of any nature against the Company, if any, and any claims arising out of the Merger and the transactions contemplated by this Agreement, provided that such releases shall not cover any rights of the Shareholders against FPUC or Merger Sub under this Agreement; and (iv) a release of the FPUC

Companies and the Company duly executed by the Broker and in form reasonably satisfactory to the FPUC Companies.

5.18 **Receivables**. At least three (3) days prior to the Closing, the Company shall deliver to FPUC a true, complete and correct list of all receivables of the Company dated as of the latest practicable date prior to Effective Time.

5.19 **Employment Agreements**. Donald H. Higginbotham and Joseph A. Pickett (collectively, the "Key Employees"), each shall on the Effective Date enter into an employment agreement with the FPUC Merger Sub, the form of which is attached as Exhibit B-1 and B-2 respectively (the "Employment Agreement")

5.20 **Lease and Access Easement.**. On the Effective Date, the FPUC Merger Sub shall enter into a lease, and access easement the form of which is attached as Exhibit C (the "Lease") providing for the lease of the Company facilities and access thereto.

5.21 **Non-Compete Agreements.** On the Effective Date, the Shareholders, other than Donald H. Higginbotham, shall enter into non-compete agreements consistent with the terms of Section 5.9 hereof.

5.22 **Propane Supply Contract**. On the Effective Date, FPUC Merger Sub shall enter into a propane supply contract with Jacksonville Warehouse Co., a Florida corporation in the form attached hereto as Exhibit "D" and shall receive a certified copy of the Board of Directors Resolution of Jacksonville Warehouse Co. authorizing the execution thereof and otherwise in form satisfactory to FPUC Merger Sub.

ARTICLE VI

CONDITIONS TO THE OBLIGATIONS OF FPUC

The obligations of the FPUC Companies to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following conditions, any or all of which may be waived in whole or in part in writing by the FPUC Companies:

6.1 **Accuracy of Representations and Warranties and Compliance with Obligations**. The representations and warranties of the Company and the Shareholders contained in this Agreement shall be true and correct at and as of the Effective Time with the same force and effect as though made at and as of that time except (i) for matters specifically permitted by or disclosed on any schedule to this Agreement, and (ii) that those representations and warranties which address matters only as of a particular date shall remain true and correct as of such date. The Company and the Shareholders shall have performed and complied with all of their respective obligations required by this Agreement to be performed or complied with at or prior to the Effective Time. The Company and the Shareholders shall have delivered to FPUC a certificate, dated as of the Effective Date, duly signed (in the case of the Company, by its President), certifying that

such representations and warranties are true and correct and that all such obligations have been complied with and performed.

6.2 **No Material Adverse Change or Destruction of Property**. Between the date hereof and the Effective Time, (i) there shall have been no Material Adverse Change to the Company, (ii) there shall have been no adverse federal, state or local legislative or regulatory change affecting in any material respect the Business, and (iii) none of the properties and assets of the Company shall have been damaged by fire, flood, casualty, act of God or the public enemy or other cause (regardless of insurance coverage for such damage) which damages may have a Material Adverse Effect thereon, and there shall have been delivered to FPUC a certificate to that effect, dated the Effective Date and signed by or on behalf of the Company and the Shareholders.

6.3 **Corporate Certificate**. The Shareholders shall have delivered to FPUC (i) copies of the articles of incorporation and bylaws of the Company as in effect immediately prior to the Effective Time, (ii) copies of resolutions adopted by the Board of Directors and the Shareholders of the Company authorizing the transactions contemplated by this Agreement, and (iii) a certificate of good standing of the Company issued by the Secretary of State of the State of Florida as of a date not more than ten (10) days prior to the Effective Date, certified in the case of subsections (i) and (ii) of this Section as of the Effective Date by the Secretary of the Company as being true, correct and complete.

6.4 **Delivery of the Shares**. At the Closing, the Shareholders shall duly endorse for transfer and deliver to FPUC (or its assignee) the shares of Company Common Stock, an assignment separate from the certificate or endorsement to FPUC and such other instruments of transfer of title as are necessary to transfer to FPUC (or its assignee) good and marketable title to the Company Common Stock free and clear of any Liens.

6.5 **Delivery of Other Documents**. At the Closing, the Key Employees and Shareholders, as the case may be, shall execute or cause to be executed the Plan and Agreement of Merger, Articles of Merger, Employment Agreements, Non-Compete Agreements, Lease, Resignations, and such other documents as reasonably requested by FPUC.

6.6 **Opinion of Counsel**. The FPUC Companies shall have received an opinion dated as of the Effective Date from counsel for the Company and the Shareholders, in form and substance acceptable to the FPUC Companies, to the effect that:

(i) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida and is authorized to carry on the business now conducted by it and to own or lease the properties now owned or leased by it;

(ii) The Company has obtained all necessary authorizations and consents of its Board of Directors and the Shareholders to effect the transactions contemplated hereby;

(iii) The authorized stock of the Company consists of 1,000 shares of $1.00 par value common stock of which five hundred fifty-eight (558) shares are issued and outstanding and all of which are held of record as set forth on Schedule 3.5 of the Agreement. All of the issued and outstanding shares of common stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable, and were issued in compliance with all applicable state and federal securities laws. The common stock outstanding constitutes of record all of the outstanding capital stock of the Company. To the actual knowledge of such counsel, the Company has no outstanding rights or options to subscribe for or other agreements providing for or requiring the issuance by the Company of any capital stock or any securities convertible into or exchangeable for its capital stock;

(iv) Such counsel does not know or have reason to believe that there is any litigation, proceeding or investigation pending or threatened which might result in any Material Adverse Effect on the Company, or which questions the validity of this Agreement;

(v) The execution and delivery of this Agreement by the Company and the Shareholders, the performance by the Company and the Shareholders of their respective obligations hereunder and the consummation by the Company and the Shareholder of the transactions contemplated by this Agreement will not (a) contravene any provision of the articles of incorporation or bylaws of the Company (b) violate or conflict with any law, statute, ordinance, rule, regulation, or to such counsel's knowledge any decree, writ, injunction, judgment or order of any Governmental Authority or of any arbitration award, which is either applicable to, binding upon or enforceable against the Company or the Shareholders; or (c) conflict with, result in breach of or constitute a default (or an event which would, with the passage of time on the giving of notice on both, constitute a default) under, any material contract which is applicable to, binding upon or enforceable against the Company;

(vi) Such counsel does not know or have reason to believe that any event has occurred or state of facts exists which would constitute a breach of any of the representations and warranties made by the Company or the Shareholders pursuant to Article III of this Agreement; and

(vii) This Agreement is a valid and binding obligation of the Company and the Shareholders, and enforceable against the Company and the Shareholders in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally or general equitable principles.

Such opinion shall state that it may be relied upon by FPUC's lending institutions.

6.7 Consents. The Company shall have received consents to the transactions contemplated hereby and waivers of rights to terminate or modify any material rights or obligations of the Company from any Person from whom such consent or waiver is required under any Contract or instrument as of a date not more than ten (10) days prior to the Effective Date, or who, as a result of the transactions contemplated hereby, would have such rights to terminate or modify such Contracts or instruments, either by the terms thereof or as a matter of law.

6.8 No Adverse Litigation. There shall not be pending or threatened any action or proceeding by or before any court or other governmental body which shall seek to restrain, prohibit, invalidate or collect damages arising out of the Merger or any other transaction contemplated hereby (and there shall have been delivered to the Shareholders a certificate to that effect dated as of the Effective Date and signed on behalf of FPUC), and which, in the judgment of FPUC, makes it inadvisable to proceed with the Merger and the transactions contemplated hereby.

6.9 Board Approval. The Board of Directors of FPUC, FPUC (as sole shareholder of FPUC Merger Sub) and FPUC Merger Sub shall have authorized and approved this Agreement, and the Merger and the transactions contemplated hereby.

6.10 Due Diligence Review. FPUC shall be satisfied with the results of its due diligence review and Environmental Assessment pursuant to Section 5.11.

6.11 Government Consent Waiting Period. Any applicable waiting period for any required Government consent shall have expired or been terminated.

6.12 Closing Documents. The Company and Shareholders and the other applicable parties shall have executed and delivered such closing documents necessary to consummate the Merger.

ARTICLE VII

CONDITIONS TO THE OBLIGATIONS OF THE COMPANY AND THE SHAREHOLDERS

The obligations of the Company and the Shareholders to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following conditions, any or all of which may be waived in whole or in part in writing by the Company and the Shareholders:

7.1 Accuracy of Representations and Warranties and Compliance with Obligations. The representations and warranties of FPUC contained in this Agreement shall be true and correct at and as of the Effective Time with the same force and effect as though made at and as of that time except (i) for changes specifically permitted by or disclosed pursuant to this Agreement, and (ii) that those representations and warranties

which address matters only as of a particular date shall remain true and correct as of such date. FPUC shall have performed and complied with all of its obligations required by this Agreement to be performed or complied with at or prior to the Effective Time. FPUC shall have delivered to the Company and the Shareholders a certificate, dated as of the Effective Date, and signed by an FPUC officer, certifying that such representations and warranties are true and correct and that all such obligations have been complied with and performed.

7.2 **FPUC Shares; Cash Consideration**. At the Closing, FPUC shall have issued the FPUC Shares and shall have delivered to the Shareholders (i) certificates representing the FPUC Shares issued to them hereunder, other than the Held Back Shares, (ii) copies of stock certificates representing the Held Back Shares issued to them, and (iii) the cash consideration pursuant to Section 1.3.

7.3 **No Order or Injunction**. No court of competent jurisdiction or other governmental body shall have issued or entered any order or injunction restraining or prohibiting the transactions contemplated hereby, which remains in effect at the time of the Closing.

7.4 **No Material Adverse Change.** Between the date hereof and the Effective Time, there shall have been no Material Adverse Change to the business of FPUC.

7.5 **Delivery of Other Documents**. At the Closing, FPUC Merger Sub shall cause to be executed the Employment Agreements, the Non-Compete Agreements, Lease and such other documents reasonably requested by the Company and the Shareholders.

ARTICLE VIII

INDEMNIFICATION

8.1 **Agreement by the Company and the Shareholders to Indemnify**. The Company and each of the Shareholders, jointly and severally, agree to indemnify and hold each of the FPUC Companies and each of their respective officers, directors, employees, Affiliates, successors and assigns (collectively, for the purpose of this Article VIII, "FPUC") harmless from and against the aggregate of all expenses, losses, costs, deficiencies, liabilities and damages (including, without limitation, related counsel and paralegal fees and expenses) incurred or suffered by any of FPUC arising out of or resulting from (i) any breach of a representation or warranty made by the Company or any of the Shareholders in or pursuant to this Agreement, (ii) any breach of the covenants or agreements made by the Company or any of the Shareholders in or pursuant to this Agreement, (iii) any inaccuracy in any certificate delivered by the Company or any of the Shareholders pursuant to this Agreement, (iv) any liability or obligation (whether absolute or contingent, liquidated or unliquidated, or due or to become due) arising from or related to Environmental Laws or Taxes arising from events occurring during any period prior to the Closing Date; (v) any liability for Taxes incurred as a result of the Merger or the failure of the Merger to qualify as a "Tax Free Reorganization under

Section 368(a)(1)(A) and Section 368 (a)(2)(D) of the Code; (collectively, "Indemnifiable Damages"); provided, that the parties agree that the Company's obligation to indemnify FPUC shall terminate at the Effective Time. Without limiting the generality of the foregoing, with respect to the measurement of Indemnifiable Damages, FPUC shall have the right to be put in the same pre-tax consolidated financial position as it would have been in had each of the representations and warranties of the Company and the Shareholders hereunder been true and correct and had the covenants and agreements of the Company and the Shareholders hereunder been performed in full; provided, however, total Indemnifiable Damages payable by the Shareholders shall be limited to the sum of the Aggregate Consideration plus all legal, accounting, advisory or other fees and costs paid by FPUC and Merger Sub in connection with the transactions contemplated by this Agreement.

8.2 Survival of Representations and Warranties. Each of the representations and warranties made by the Shareholders in this Agreement or pursuant hereto shall survive after the Effective Time. Notwithstanding any knowledge of facts determined or determinable by any party by investigation, each party shall have the right to fully rely on the representations, warranties, covenants and agreements of the other parties contained in this Agreement or in any other documents or papers delivered in connection herewith. Each representation, warranty, covenant and agreement of the parties contained in this Agreement is independent of each other representation, warranty, covenant and agreement. Each of the representations and warranties made by FPUC and the Company shall expire at the Effective Time.

8.3 Third Party Actions. Promptly after receipt by FPUC of notice of commencement of any action by a third party which could give rise to Indemnifiable Damages, FPUC will, if a claim thereof is to be made against the Shareholders, notify the Shareholders of the commencement thereof; provided, however, that the omission to so notify the Shareholders will not relieve them from any liability which they may have hereunder unless the Shareholders have been materially prejudiced thereby. The parties agree that with respect to any such third party action FPUC shall (i) assume the defense thereof with its own legal counsel, (ii) provide the Shareholders with all material information that they request relating to the handling of such claim, (iii) confer with the Shareholders as to the most cost-effective manner in which to handle such claim, and (iv) use its reasonable efforts to minimize the cost of handling such claim.

8.4 The Held Back Shares. As security for the agreement by the Shareholders to indemnify and hold FPUC harmless as described in this Article, at the Closing, the Shareholders do hereby grant a first priority security interest in, and pledge and instruct FPUC to set aside and hold, certificates representing the Held Back Shares issued pursuant to this Agreement. FPUC may set off against the Held Back Shares any Indemnifiable Damages for which the Shareholders may be responsible pursuant to this Agreement, subject, however, to the following terms and conditions:

(a) FPUC shall give written notice to the Shareholders of any claim for Indemnifiable Damages or any other damages hereunder, which notice shall set forth

(i) the amount of Indemnifiable Damages or other loss, damage, cost or expense which FPUC claims to have sustained by reason thereof, and (ii) the basis of the claim therefor.

(b) Such set off shall be effected on the later to occur on the expiration of ten (10) days from the date of such notice (the "Notice of Contest Period") or, if such claim is contested, the date the dispute is resolved.

(c) If, prior to the expiration of the Notice of Contest Period, the Shareholders shall notify FPUC in writing of an intention to dispute the claim and if such dispute is not resolved within sixty (60) days after expiration of such period, then FPUC may take any action or exercise any remedy available to it by appropriate legal proceedings to collect the Indemnifiable Damages.

(d) All set offs, and payments of Indemnifiable Damages pursuant to this Section shall be treated as adjustments to the Purchase Price

(e) The Held Back Amount shall constitute a deferred payment obligation of FPUC to the Shareholders, which amount shall be (i) paid to the Shareholders in accordance with Section 8.5 hereof, and (ii) subject to set off as provided in this Section 8.4.

8.5 Delivery of Held Back Shares. FPUC agrees to deliver to the Shareholders no later than ten (10) business days following the second anniversary of the Effective Date (i.e. twenty-four (24) months from the Effective Date)(the "Hold Back Period") any Held Back Shares then held by it unless there then remains unresolved any claim for Indemnifiable Damages or other damages hereunder as to which notice has been given, in which event any Held Back Shares remaining on deposit after such claim shall have been satisfied shall be returned to the Shareholders promptly after the time of satisfaction.

8.6 No Bar; Waiver. If the Held Back Shares are insufficient to set off any claim for Indemnifiable Damages made hereunder (or has been delivered to the Shareholders prior to the making or resolution of such claim), then FPUC may take any action or exercise any remedy available to it by appropriate legal proceedings to collect the Indemnifiable Damages. The Shareholders hereby waive any rights to contribution or any similar rights they may have against the Company as a result of their agreement to indemnify FPUC under this Article VIII or otherwise.

8.7 Voting of and Dividends on the Held Back Shares. Except with respect to shares transferred pursuant to the foregoing right of set off (and in the case of such shares, until the same are transferred), all Held Back Shares shall be deemed to be owned by the Shareholders and the Shareholders shall be entitled to vote the same; provided, however, that, there shall also be deposited with FPUC subject to the terms of this Article, all shares of FPUC Common Stock issued to the Shareholders as a result of any stock dividend or stock split and all cash issuable to the Shareholders as a result of any cash dividend, with respect to the Held Back Shares. All stock and cash issued or paid

upon Held Back Shares shall be distributed to the Shareholders together with such Held Back Shares.

ARTICLE IX

DEFINITIONS

9.1 Defined Terms. As used herein, the following terms shall have the following meanings:

"Affiliate" shall have the meaning ascribed to it in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, as in effect on the date hereof.

"ASE" means the American Stock Exchange.

"Code" means the Internal Revenue Code of 1986, as amended, and Treasury regulations promulgated thereunder.

"Contract" means any agreement, contract, lease, note, mortgage, indenture, loan agreement, franchise agreement, covenant, employment agreement, license, instrument, purchase and sales order, commitment, undertaking, obligation, whether written or oral, express or implied.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"GAAP" means generally accepted accounting principles in effect in the United States of America from time to time.

"Governmental Authority" means any nation or government, any state, regional, local or other political subdivision thereof, and any entity or official exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Indebtedness" of any entity means all obligations of such entity (i) which in accordance with GAAP should be classified upon a balance sheet of such entity as indebtedness, (ii) for borrowed money or purchase money financing which has been incurred in connection with the acquisition of property or services, guaranties, letters of credit, or deferred purchase price, including without limitation, accrued and unpaid interest, and prepayment or early termination penalties associated with any of the foregoing, (iii) secured by any lien or other charge upon property or assets owned by such entity, even though such entity has not assumed or become liable for the payment of such

obligations, (iv) created or arising under any conditional sale or other title retention agreement with respect to property acquired by such entity, whether or not the rights and remedies of the lender or lessor under such agreement in the event of default are limited to repossession or sale of the property, and (v) for remaining payments under any leases (including, but not limited to, equipment leases), or rental purchase options.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien, restriction on transfer, right of refusal, preemptive right, claim or charge of any kind (including, but not limited to, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement under the Uniform Commercial Code or comparable law or any jurisdiction in connection with such mortgage, pledge, security interest, encumbrance, lien or charge).

"Material Adverse Change (or Effect)" means a change (or effect), in the condition (financial or otherwise), properties, assets, liabilities, rights, obligations, operations, business or prospects which change (or effect) individually or in the aggregate, is materially adverse to such condition, properties, assets, liabilities, rights, obligations, operations, business or prospects.

"Person" means an individual, partnership, corporation, business trust, joint stock company, estate, trust, unincorporated association, joint venture, Governmental Authority or other entity, of whatever nature.

"SEC" means the Securities and Exchange Commission of the United States.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Tax Return" means any tax return, filing or information statement required to be filed in connection with or with respect to any Taxes.

"Taxes" means all taxes, fees or other assessments, including, but not limited to, income, excise, property, sales, franchise, intangible, withholding, social security and unemployment taxes imposed by any federal, state, local or foreign governmental agency, and any interest or penalties related thereto.

"Transaction Costs" means all legal, accounting, tax consulting, financial advisory and other fees and expenses, including any transfer fees, government filing fees and the cost of title insurance and surveys, incurred, paid or payable by the Company in connection with the transactions contemplated by this Agreement.

9.2 Other Definitional Provisions. All terms defined in this Agreement shall have the defined meanings when used in any certificates, reports or other documents made or delivered pursuant hereto or thereto, unless the context otherwise requires. Terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa. All matters of an accounting nature in connection with this Agreement

and the transactions contemplated hereby shall be determined in accordance with GAAP applied on a basis consistent with prior periods, where applicable. As used herein, the neuter gender shall also denote the masculine and feminine, and the masculine gender shall also denote the neuter and feminine, where the context so permits.

ARTICLE X

TERMINATION

10.1 Termination. This Agreement may be terminated at any time prior to the Effective Time: (a) by mutual written consent of the parties hereto at any time prior to the Closing; or (b) by FPUC in the event of a material breach by the Company or any of the Shareholders of any provision of this Agreement; or (c) by the Company in the event of a material breach by FPUC of any provision of this Agreement; or (d) by FPUC in accordance with Section 5.11; or (e) by either FPUC or the Company if the Closing shall not have occurred by December 31, 2001; or (f) by FPUC or the Company on or after December 31, 2001 in the event that the Board of Directors of FPUC or of FPUC Merger Sub shall not have authorized and approved this Agreement and the transactions contemplated hereby.

10.2 Effect of Termination. Except for the provisions of Section 5.7 and Article VIII hereof, which shall survive any termination of this Agreement, in the event of termination of this Agreement pursuant to Section 10.1, this Agreement shall forthwith become void and of no further force and effect and the parties shall be released from any and all obligations hereunder; provided, however, that nothing herein shall relieve any party from liability for the willful breach of any of its representations, warranties, covenants or agreements set forth in this Agreement.

ARTICLE XI

SECURITIES LAW MATTERS

In addition to the other representations, warranties and covenants set forth herein, as a material inducement to FPUC to enter into this Agreement and to consummate the transactions contemplated hereby, the Shareholders make the following representations, warranties and covenants, as applicable:

11.1 Investment Intent; Information. Each Shareholder has had the opportunity to discuss the transactions contemplated hereby with FPUC and has had the opportunity to ask questions of FPCU management and obtain such information pertaining to FPUC as has been requested, including but not limited to filings made by FPUC with the SEC under the Exchange Act (receipt of the FPUC Annual report for the year 2000 and the 10-Q report dated June 30, 2001 is hereby acknowledged). Except for Donald David Zell, Jr. who is a resident of the State of Georgia, each of the Shareholders is a resident of the State of Florida. Each of the Shareholders has such knowledge and experience in business or financial matters that he is capable of evaluating the merits and

risks of an investment in the FPUC Shares and is not relying on the opinion or recommendation of the FPUC Companies or any other third party concerning the FPUC Shares.

11.2 Disposition of Shares. The Shareholders represent and warrant that the shares of FPUC Common Stock being acquired by them hereunder are being acquired and will be acquired for investment for their own respective accounts with no intention of distributing such FPUC Common Stock to others, and will not be sold or otherwise disposed of, except pursuant to (a) an exemption from the registration requirements under the Securities Act, which does not require the filing by FPUC with the SEC of any registration statement, offering circular or other document, in which case, the Shareholders shall first supply to FPUC an opinion of counsel (which counsel and opinions shall be satisfactory to FPUC) that such exemption is available, or (b) an effective registration statement filed by FPUC with the SEC under the Securities Act. Accordingly, the Shareholders may be required to bear the economic risk of an investment in the FPUC Shares indefinitely.

11.3 Legend. The certificates representing the FPUC Shares shall bear the following legend:

> THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO TRANSFER RESTRICTIONS SET FORTH IN THAT CERTAIN MERGER AGREEMENT BY AND AMONG THE SHAREHOLDER, FLORIDA PUBLIC UTILITIES COMPANY AND OTHER PARTIES DATED AS OF OCTOBER 29, 2001 AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF BY THE HOLDER EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT FILED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND IN COMPLIANCE WITH APPLICABLE SECURITIES LAWS OF ANY STATE WITH RESPECT THERETO, OR IN ACCORDANCE WITH AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER THAT AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.
>
> THESE SECURITIES HAVE BEEN ISSUED OR SOLD IN RELIANCE ON PARAGRAPH (13) OF THE CODE SECTION 10-5-9 OF THE 'GEORGIA SECURITIES ACT OF 1973,' AND MAY NOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER SUCH ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER SUCH ACT.

FPUC may place stop transfer orders with its transfer agents with respect to such certificates in accordance with federal securities laws.

11.4 Sale of FPUC Shares. During the period commencing upon the Closing Date and ending twenty-four (24) months following the Closing Date, no Holder shall directly or indirectly offer for sale, sell, including a short sale or sale against the box, transfer, pledge, assign, hypothecate or otherwise encumber or dispose of any FPUC Shares without FPUC's prior written consent.

11.5 Right of Rescission. Each of the Shareholders acknowledge that each Shareholder is hereby advised of its privilege under Section 517.061(11)(a)(5), Florida Statutes, to rescind its acquisition of the FPUC Common Stock within three (3) days of the date of the execution of this Agreement.

ARTICLE XII

GENERAL PROVISIONS

12.1 Notices. All notices, requests, demands, claims, and other communications hereunder shall be in writing and shall be delivered by certified or registered mail (first class postage pre-paid), guaranteed overnight delivery, or facsimile transmission if such transmission is confirmed by delivery by certified or registered mail (first class postage pre-paid) or guaranteed overnight delivery, to the following addresses and telecopy numbers (or to such other addresses or telecopy numbers which such party shall designate in writing to the other party):

(a) if to the FPUC Companies to:
Florida Public Utilities Company
P.O. Box 3395
[401 South Dixie Highway, 33401]
West Palm Beach, Florida 33402-3395
Attn: President
Telephone: 561-832-2461
Fax: 561-833-8562

with a copy to:
Akerman, Senterfitt & Eidson, P.A.
P.O. Box 231
[255 South Orange Avenue, Suite 1700, 32801]
Orlando, Florida 32802-0231
Attn: Thomas L. Raleigh III, Esquire
Telephone: 407-843-7860
Telecopy: 407-843-6610

(b) if to the Shareholders to:

Henry R. Higginbotham
2794 Old Baldwin Road
Callahan, Florida 32011

Telephone: 904-879-7077
Telecopy: _____

Patricia H. Higginbotham
2857 Honey Dew Drive
Callahan, Florida 32011
Telephone: 904-879-7077
Telecopy: _____

Donald H. Higginbotham
2923 Honey Bee Lane
Callahan, Florida 32011
Telephone: 904-354-5573
Telecopy: _____

Donald D. Zell, Sr.
8604 San Servera Drive West
Jacksonville, Florida 32217
Telephone: 904-354-5573
Telecopy: 904-354-7033

Donald David Zell, Jr.
2746 Foster Ridge Road
Atlanta, Georgia 30345
Telephone: 404-633-7594
Fax: 404-249-3186

with a copy in each case to:

Goldstein & Goldstein
24 North Market, Suite 500
Jacksonville, Florida 32202
Atten: Maurice Goldstein, Esquire
Telephone: 904-353-4421
Fax: 904-350-9823

Notice shall be deemed given on the date sent if sent by facsimile transmission and on the date delivered (or the date of refusal of delivery) if sent by overnight delivery or certified or registered mail.

12.2 Entire Agreement; No Third Party Beneficiaries. This Agreement (including the exhibits and schedules attached hereto) and other documents delivered at the Closing pursuant hereto, contains the entire understanding of the parties in respect of its subject matter and supersedes all prior agreements and understandings (oral or written)

between or among the parties with respect to such subject matter. The parties agree that prior drafts of this Agreement shall not be deemed to provide any evidence as to the meaning of any provision hereof or the intent of the parties with respect thereto. The exhibits and schedules constitute a part hereof as though set forth in full above. Except for the FPUC Companies which are intended to be third party beneficiaries of this Agreement, this Agreement is not intended to confer upon any Person, other than the parties hereto, any rights or remedies hereunder.

12.3 Expenses. Except as otherwise provided herein, the parties shall pay their own fees and expenses, including their own counsel fees, incurred in connection with this Agreement or any transaction contemplated hereby. The Shareholders shall pay all legal, accounting, tax consulting, financial advisory and other fees and expenses, including any transfer fees, government filing fees and the cost of title insurance and surveys, incurred by the Company in connection with the transactions contemplated by this Agreement.

12.4 Amendment; Waiver. This Agreement may not be modified, amended, supplemented, canceled or discharged, except by written instrument executed by all parties. No failure to exercise, and no delay in exercising, any right, power or privilege under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege hereunder preclude the exercise of any other right, power or privilege. No waiver of any breach of any provision shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision, nor shall any waiver be implied from any course of dealing between the parties. No extension of time for performance of any obligations or other acts hereunder or under any other agreement shall be deemed to be an extension of the time for performance of any other obligations or any other acts. The rights and remedies of the parties under this Agreement are in addition to all other rights and remedies, at law or equity, that they may have against each other.

12.5 Binding Effect; Assignment. The rights and obligations of this Agreement shall bind and inure to the benefit of the parties and their respective successors and assigns. Nothing expressed or implied herein shall be construed to give any other person any legal or equitable rights hereunder. The rights and obligations of this Agreement may be assigned by FPUC to any successor or subsidiary. Except as expressly provided herein, the rights and obligations of this Agreement may not be assigned by the Company, or any Shareholder without the prior written consent of FPUC.

12.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument. A telecopy signature of any party shall be considered to have the same binding legal effect as an original signature.

12.7 Interpretation. When a reference is made in this Agreement to an article, section, paragraph, clause, schedule or exhibit, such reference shall be deemed to be to this Agreement unless otherwise indicated. The headings contained herein and on the schedules are for reference purposes only and shall not affect in any way the meaning or

interpretation of this Agreement or the schedules. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." Time shall be of the essence in this Agreement.

12.8 Construction. The parties agree and acknowledge that they have jointly participated in the negotiation and drafting of this Agreement. In the event of an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumptions or burdens of proof shall arise favoring any party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. If any party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) which the party has not breached shall not detract from or mitigate the fact that the party is in breach of the first representation, warranty, or covenant. The mere listing (or inclusion of copy) of a document or other item shall not be deemed adequate to disclose an exception to a representation or warranty made herein (unless the representation or warranty relates solely to the existence of the document or other items itself).

12.9 Governing Law; Severability. This Agreement shall be construed in accordance with and governed for all purposes by the laws of the State of Florida applicable to contracts executed and to be wholly performed within such State. If any word, phrase, sentence, clause, section, subsection or provision of this Agreement as applied to any party or to any circumstance is adjudged by a court to be invalid or unenforceable, the same will in no way affect any other circumstance or the validity or enforceability of any other word, phrase, sentence, clause, section, subsection or provision of this Agreement. If any provision of this Agreement, or any part thereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision, and/or to delete specific words or phrases, and in its reduced form, such provision shall then be enforceable and shall be enforced.

12.10 Arm's Length Negotiations. Each party herein expressly represents and warrants to all other parties hereto that (a) before executing this Agreement, said party has fully informed itself of the terms, contents, conditions and effects of this Agreement; (b) said party has relied solely and completely upon its own judgment in executing this Agreement; (c) said party has had the opportunity to seek and has obtained the advice of counsel before executing this Agreement; (d) said party has acted voluntarily and of its own free will in executing this Agreement; (e) said party is not acting under duress, whether economic or physical, in executing this Agreement; and (f) this Agreement is the result of arm's length negotiations conducted by and among the parties and their respective counsel.

12.11 Waiver of Jury Trial. IN ANY CIVIL ACTION, COUNTERCLAIM, OR PROCEEDING, WHETHER AT LAW OR IN EQUITY, WHICH ARISES OUT OF, CONCERNS OR RELATES TO THIS AGREEMENT, ANY TRANSACTIONS CONTEMPLATED HEREUNDER, THE PERFORMANCE HEREOF OR THE RELATIONSHIP CREATED HEREBY, WHETHER SOUNDING IN CONTRACT, TORT, STRICT LIABILITY OR OTHERWISE, TRIAL SHALL BE TO A COURT OF COMPETENT JURISDICTION AND NOT TO A JURY. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT (STATUTORY, CONSTITUTIONAL, COMMON LAW OR OTHERWISE) IT MAY HAVE TO A TRIAL BY JURY. ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE WAIVER OF THE OTHER PARTIES' RIGHT TO TRIAL BY JURY. NO PARTY HAS MADE OR RELIED UPON ANY ORAL REPRESENTATIONS BY ANY OTHER PARTY REGARDING THE ENFORCEABILITY OF THIS PROVISION. EACH PARTY HAS READ AND UNDERSTANDS THE EFFECT OF THIS JURY WAIVER PROVISION.

[Signatures On Following Page]

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

FLORIDA PUBLIC UTILITIES COMPANY, a Florida corporation

By: _____
Jack R. Brown, Vice President

FLO-GAS CORPORATION, a Florida corporation

By: _____
Jack R. Brown, Vice President

Z-GAS COMPANY, INC., a Florida corporation

By: _____
Donald H. Higginbotham, President

_____
Henry R. Higginbotham, individually, as Shareholder

_____
Patricia H. Higginbotham, individually, as Shareholder

_____
Donald H. Higginbotham, individually, as Shareholder

_____
Donald D. Zell, Sr., individually, as Shareholder

_____
Donald David Zell, Jr., individually, as Shareholder